

International Development Committee

Oral evidence: Definition and administration of ODA, HC 547

Wednesday 2 May 2018

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Members present: Stephen Twigg (Chair); Mr Nigel Evans; Mrs Pauline Latham; Chris Law; Mr Ivan Lewis; Lloyd Russell-Moyle; Paul Scully; Henry Smith.

Questions 225 - 283

Witnesses

I: Rt Hon Penny Mordaunt MP, Secretary of State for International Development and Darren Welch, Director of Strategy, Department for International Development.

Examination of witnesses

Witnesses: Rt Hon Penny Mordaunt MP and Darren Welch.

Q225 Chair: Good afternoon, everyone. Could I welcome the Secretary of State and Darren as well for coming today? This is our final oral evidence session as part of the Committee's inquiry into the administration and definition of Overseas Development Assistance. We have 10 areas that we are seeking to cover for about an hour and a quarter with you, of which six will be on the administration side and four on the definition side.

Let me start with a quite general opening question. As we know, DFID's development assistance spending is required by law to contribute to poverty reduction. That requirement does not apply explicitly to ODA spent through other Government Departments. Secretary of State, in your opinion, do the other Departments conform with that requirement in practice?

Penny Mordaunt: Thank you, Chairman. Can I start by giving my apologies to the Committee and thank the Committee for its flexibility? Yesterday was an extremely important meeting on Brexit and I feel it is important that the Department for International Development's interests are represented there, so thank you very much for that.

I think that we have to do better in terms of the coherence of ODA across Whitehall. We will obviously talk in this session in depth about the cross-ministerial ODA group. DFID works in 52 countries. Setting those countries aside, other Departments work in a further 74. In terms of what we do, where we do it and why, I think we need to create better mechanisms. The cross-ministerial group is the starting point for that, to enable us not just to get that coherence but to assess how well we are doing against our ODA spend. I think there is more that we can do.

Although I am an advocate of DFID getting more involved in helping other Government Departments, I do think that it is right that we take a whole Government approach, both to delivering the global goals, but also really to enabling the expertise that sits across Government to contribute to that agenda. The Department of Health and Social Care is the key one where I think we have done a huge amount, both benefiting the goals, but also benefiting the UK.

Darren Welch: It is certainly true that other Government Departments rely on legislation other than the International Development Act for their spending. That is absolutely the case. So does DFID, in fact. We have a separate piece of legislation for CDC, as you know. That is the case, but of course all that expenditure has to comply with the Overseas Development Assistance guidance and directives that are set by the



HOUSE OF COMMONS

OECD's Development Assistance Committee. That tends to get to the same place as the IDA. Both the ODA definition and the International Development Act focus on the benefit to developing countries. In a sense, they tend to get to the same place in the end.

Q226 Chair: Secretary of State, I welcome the emphasis you placed on the global Sustainable Development Goals. The SDGs are in the DNA of DFID. Do you think they are in the DNA of other Government Departments in the same way?

Penny Mordaunt: Not as much as I would like. I do understand this. This is my fourth Government Department. Ministers are pulled in all kinds of directions, and I think DFID has a duty to make this as easy for other Ministers as possible. We want to give them the tools and the expertise to do this. We have an extremely sophisticated way of working out where and what we do and we need to give other Government Departments the capability to do that.

There is a genuine will to do this. Clearly, there are mechanisms like Single Departmental Plans, but we need Ministers to be about this as well as about the bureaucracy. I have to say that everyone showed up to our first ministerial group, including the Foreign Secretary. I think people want to do this well and we are getting some Departments to be real trailblazers, but all have signed up to our offer to them, which I am sure we will go into in more detail.

Q227 Chair: We will go into a bit more detail on that in a moment. You mentioned the Foreign Secretary and we took evidence last week from your colleague, Harriett Baldwin, in her Foreign Office capacity, as well as Sam Gyimah from BEIS. Minister Baldwin drew a distinction between DFID's role and the Foreign Office's role, in which she said that the fourth objective, UK aid strategy tackling extreme poverty, is an exclusively DFID area and the FCO is better able to contribute to the other areas of the strategy. Is that an assessment that you agree with?

Penny Mordaunt: I think Harriet was referring to the "how". We are all trying to do the same thing, but clearly we are best placed and are experts on certain subject matters. The role that the Foreign Office plays in this is critical and I think will become more so. As I set out in my speech the other day, our offer has to evolve and we have to have something to offer countries that are transitioning out of extreme poverty. The Foreign Office is key to identifying where we can help, and this is why I have worked so hard to ensure that we are working absolutely hand in glove with that Department. That is why I attend their prayers and it is why I think the Joint Minister arrangement works well.

I think absolutely the Foreign Office is on the same agenda. They are just delivering it in a different way.

Q228 Mrs Pauline Latham: In last week's evidence session, the Committee highlighted statistics we have received from the Foreign Office stating



HOUSE OF COMMONS

that the UK's total ODA spend in China in 2016 was £46.9 million. Of this figure, £43.5 million was attributed to the FCO for purposes such as front-line diplomatic activity. Do you think this is an appropriate use of ODA?

Penny Mordaunt: As a general rule, not even China thinks it should be an aid recipient. We had a big moment at the spring meetings, with China moving from recipient to donor status, and I think we need to continue to work with China. As you know, we do not spend money on aid in China, but they are a key partner for us. We will continue to work with them. We are particularly encouraging them to do more with global health security and to lean in on the humanitarian front. We have a great track record with them on things like Ebola, and we want to do more. They are a major player and we want to ensure that their development strategy is a really good one.

You will see us and other Departments continuing to work with China, but it will not be on an aid basis. The work we do, for example, largely benefits Africa. I absolutely come back to the original point I made, that we have to have a coherent strategy across Whitehall about what we are doing, with whom and why.

Q229 **Mrs Pauline Latham:** I understand that, but 43.5% is attributed to FCO for diplomatic purposes. That means that 56.5% is presumably under DFID's umbrella.

Penny Mordaunt: No.

Q230 **Mrs Pauline Latham:** If not, who spends that 56.5%?

Penny Mordaunt: There are other Departments that do work with China. Darren can rummage for the exact percentages. We do spend some money in partnership with China, but it is not benefiting China. We work on global health initiatives together in partnership. We like doing that because we think we can shape what they do, but it is not through their Government. We might do things, for example, with research institutes, but it is pretty small sums of money. Other Departments do work with China.

Q231 **Mrs Pauline Latham:** Could I just quote Liam Fox from two nights ago? I heard him speak and he said, "Twice this year I have been in the Chinese city of Shenzhen. When Britain handed Hong Kong back to China in 1997 Shenzhen had a population of 40,000. Today it has a population of over 19 million. By 2030, China is expected to have 220 cities with more than 1 million inhabitants. The whole of Europe will have 35. It is a stunning change. By 2020 China's middle class is expected to number 600 million". So £46.9 million is like change down the back of the sofa for China. It will make no difference at all, so why are we spending any money with them? That does not show that we are equal partners. It is a lot of money to Britain, but it is nothing to China, given the statistics.



HOUSE OF COMMONS

Penny Mordaunt: Absolutely. Liam uses those precise statistics a lot to demonstrate that it is a trading opportunity for us in comparison to other parts of the world. That is our future relationship with China. That is the basis upon which we operate. This is about creating prosperity. It is, as China is moving to donor status, about helping it shape. I am talking about DFID and the work that we do with them.

I am keen to ensure through the cross-ministerial ODA group that we have consistency in what we are doing and why. We know what the other options are, in addition to giving traditional aid. We have expertise in leveraging in private sector money, setting up ventures, social finance and a whole raft of other things that I think some other Departments do not. Rather than let them get on with it, I have brought all the Departments together and also the National Security Strategy Committee to provide training and information and to get greater coherence about what we are doing. I think that currently, certainly going forward, what we are doing with China is not where we should be, but in order to move other Government Departments we need to give them not only the information but the training and understanding as to how they need to shape their programming in the future.

Q232 **Mrs Pauline Latham:** If we look at the Prosperity Fund, evidence submitted to the Committee has pointed to several examples of projects with very tenuous links to poverty reduction, such as the Chinese film industry. How well targeted at poverty reduction do you think the Prosperity Fund is? That seems like a very tenuous link.

Penny Mordaunt: I am not going to say that the cross-Government funds or spending that has been going on in other Government Departments is good. We know from external scrutiny, of which there is much, that it is not where it needs to be. My Department does have good ratings. I have subject matter experts. We also have tools to track those programmes really well. Rather than sit and point *The Daily Mail* to another Government Department when they phone, I think we have a responsibility to share that expertise across Government. People are trying to do the right thing, and I think it is right that we have a whole-Government approach, but we cannot expect people to do this well unless we are giving them what they need to do it well.

You will see us as a Government working with some of these countries in a greater capacity, but we are doing that to shape what they do elsewhere in the world. I think that is how we, as Britain, will lever in more help, more money and more focus on the things that we care about and the things that we think, from our expertise, are going to deliver the global goals.

Mrs Pauline Latham: Personally, I think that you need to take a real grip of what other Departments are doing with money that is supposedly ODA.

Q233 **Chair:** In that spirit, can I take you back to Pauline's opening question on



HOUSE OF COMMONS

this, which is about the amount of the Foreign Office's budget that is counted as ODA? I guess that technically is right, that it can count as ODA, but it is day-to-day diplomatic activity by the British Embassy in China, and it counts as ODA. That cannot be morally right, can it?

Penny Mordaunt: Two things I would say to that. On the rules it is.

Q234 **Chair:** Technically it may be okay, but morally?

Penny Mordaunt: Technically yes, but I would make the case for diplomacy, as I would make the case for defence, because we are part of a suite of tools that we have to try to make the world a peaceful and more stable place. Diplomacy is really important and is probably the best return on investment for those things. I think it is important that we keep our diplomatic network strong. We have been looking at how we can chase down and do the remaining heavy lifting on the global goals, how we can ensure that we are leveraging in all the support. It is not just what sat in our budgets to getting this stuff where it needs to be, it is about spotting opportunities, about eyes on the ground, about joining the dots up between things. You need what the Foreign Office does to do that. I think we need to keep that strong. What we do would be weakened if we did not have those networks.

It is an important point that we are making to you in this inquiry. Should the rules count that diplomatic activity? They currently do. I am not intending to argue that it should not.

Chair: I think we would all agree that diplomatic activity is very important. It is as important in Washington and Brussels as in Beijing, but the former two would not count as ODA, whereas the latter does. We have heard what you have said, and that will be taken into account when the Committee considers the evidence. It does seem a very large amount of money that is essentially funding regular diplomatic activity in China. It certainly would not count as ODA if it was in another powerful country that has a high income.

Q235 **Mr Ivan Lewis:** Good afternoon, Secretary of State. My question is linked to that, but it is about ODA and trade. In the Chinese context, we have heard about the film industry and the Prosperity Fund. There is now clearly a possibility that ODA is being used as part of the Prosperity Fund. In fact, you yourself referred to Liam Fox's speech and, by the way, we accept that there is a big market there and a big trading opportunity. That is then supporting current or future trading opportunities for the United Kingdom. Frankly, that is potentially unlawful—not just immoral, as I understand it—in terms of the legislation.

Penny Mordaunt: No, we are not talking about tied aid or anything. This is probably the most scrutinised area. Even if I wanted to, which I do not, you cannot cheat this stuff.

Q236 **Mr Ivan Lewis:** The point is that you have not clearly had control over the money going to the film industry, or your predecessor did not have



HOUSE OF COMMONS

control over that. You cannot really say that. I am not saying you are being misleading or dishonest. You have no control over a lot of that.

Penny Mordaunt: We do not mark our own homework. We do not make a judgment about what is ODA or not. I would say that, although I am not going to defend everything that every Government Department has done, trade is the answer to much of what we are trying to achieve. We need to recognise that the activities that we need to support and the opportunities that we need to open up if we are going to deliver the global goals that we are way adrift from are such that we will have to enable the private sector to lean in more. Whether it is diplomacy that opens that up, or whether it is our network on the ground that opens it up, that is critical.

Q237 **Mr Ivan Lewis:** I totally accept what you have just said. I would not expect you to know the answer to this, so perhaps you could write to us, but it would be very interesting to know whether the British film industry, or companies that are involved in that sector, are benefiting from the money that we have given to the Chinese film industry. That is just a case study. You could apply that to many other sectors. I want to know whether the reason why we are supporting the Chinese film industry, through ODA as the key point, is to help companies involved in film in this country.

Penny Mordaunt: That is probably better directed to the Department responsible for that spend. What you are asking is the connection between other events that that Department might be looking after and that particular programme, which my Department does not have information on. Those are best directed to the Departments that are doing that spending.

Q238 **Chair:** I think it raises a concern either way, in my opinion. Either there is the element of tied aid that Ivan is alluding to or there isn't. If there isn't, could the development of the Chinese film industry reduce poverty in China? Yes, but is that an appropriate use of our overseas development aid when China is, as Pauline described, a much stronger economy than it was?

Penny Mordaunt: Absolutely. On the former point, no, I do not think that would be the case. I have been very clear, and I have explained to the cross-ministerial group, that I want DFID to have that new higher spending bar. It is not just, "Is this a good idea and will it benefit people?" It is, "Are we using this money in the best way we can?" That test is a challenge for any Department that spends ODA across Whitehall. That is our new spending bar and the Government Departments that have committed to raising our game on this, as all of them—and the NSC—have, very much understand that. We are looking at changing our planning processes. We are looking at how we design programmes, as well as the tools and the training that others need to get where we want them to be.



Q239 Mr Nigel Evans: Is it not part of the problem that when the people look at this £50 million and then they will look at the 0.7% that we then have to justify, as I think we all do on this Committee, it becomes difficult? It really does, so the perception becomes the reality that we are giving China money, when goodness me, you only have to travel around Africa to see how much money China is spending in that area. Do you understand the real problem that we have?

Penny Mordaunt: I do. I have tried to address this head on, because when the public are not 100% behind what they perceive we do with the aid budget—by “we” I mean Government, not just DFID— people assume that it is because they do not care. They do, very much. You know that from DEC appeals. Or people think that they fail to see the logic of why this is a good thing for the UK to be doing, in our own interests. They get the logic, they get that it is the right thing to do, they want to help other nations. What they have a problem with is what we have been doing with their money or the perception of what we have been doing with their money. That is what we need to address.

We need to make the connection between what we are doing with people’s hard-earned taxes, the results against the global goals and peace and prosperity for the UK and whether we can get some direct benefit back into the UK as well. That is what people want to see. We need to be much more explicit about that.

Q240 Mr Nigel Evans: It is also another thing as well. It sticks in my stomach that we cannot use our money to help very poor people in the Caribbean who are ravaged by the weather and yet we have money going into China. I know it is different Government Departments. How about the idea that all international development money is spent by your Department; that we take it off other Departments? Would you be in favour of that?

Penny Mordaunt: Let me answer, because you made several points that I have not addressed. Let me answer that.

Mr Nigel Evans: Let us see which ones you do not answer.

Penny Mordaunt: I am going to answer all your questions. You have teed up an opportunity for me, Mr Evans. I am not going to let it pass by. We can point to areas where other Government Departments have spent ODA money and done it really well. Health is a good example. We have done work and the Department of Health and Social Care has done work on antimicrobial resistance, on creating new diagnostic tests that are doing great things across the world and on our own wards in NHS hospitals. That is exactly what I mean about best spend. Fantastic contribution to the global goals, best return on investment for whatever we could do in this space and direct positive impact in our own NHS back in the UK.

I do not think we would have necessarily done that unless we had the expertise of Public Health England, the NHS and others—the Chief Medical



HOUSE OF COMMONS

Officer and so forth. I think there is merit in other Departments spending ODA, but they have to spend it well. Where I want to get to with the initiatives that DFID is doing is not sitting back and saying, "It is them over there doing this", but stepping up, bringing everyone together and saying, "This is how we need to do this". Let us co-design projects. Let us think about the UK national interest, because every pound we spend we want to work doubly hard. Let us think about how we deliver on the global goals. Let us think about all the other things as well as the money, all the expertise, the knowledge, the education institutes and our intellectual property that we can lever to this cause too. That is the approach we want to take.

On the other point you made in your earlier question, I would emphasise the point that what we do with China levers in other money to stuff we are interested in. I think we do need to work with these other countries still.

Q241 **Chair:** Can you give me an example of that when you say it levers in?

Penny Mordaunt: Just generally through the multilateral and bilateral funding. For example, we are very keen on global health security. China has an interest in this. Rather than go off and do something by ourselves, if we find others who have similar interests and objectives can we also—

Q242 **Chair:** Earlier you said something about Africa. That was the sort of thing you meant, that we could work with China to develop—

Penny Mordaunt: Yes, not for China's benefit.

Q243 **Chair:** That is the little bit of it I understand, whereas I do not feel that the diplomatic activity and the Prosperity Fund—examples we have given that I think are the vast bulk of UK ODA in China—fit into the criteria you have just described.

Penny Mordaunt: No, but this is why. There were additional mechanisms and scrutiny in addition to the cross-ministerial group that I am co-chairing with the Chief Secretary of Treasury on some of those cross-Government funds. We need to accept that we want these funds to work better. I think everyone is in that place.

Chair: Thank you. We are now going to go into a bit more detail on some of the mechanisms for oversight and then issues around coherence and effectiveness. Chris.

Q244 **Chris Law:** Before I do, I wish to touch on the subject we have been talking about just now, which is how you better scrutinise to know where the funds go. Would you support transparency—which is a prerequisite, as you know, for effective public accountability—as a basic criterion for ODA eligibility so that if any programmes failed to meet such standards they would not be reported as ODA?

Penny Mordaunt: Transparency is a key part of what we do. It is a key part of our programming. It is embedded. It is at the heart of the tools



HOUSE OF COMMONS

that we use. Again, we do not mark our own homework on this. Are you suggesting that we somehow should?

Darren Welch: You are absolutely right, transparency is extremely important, as the Secretary of State has said, and of course the aid strategy sets out that all Departments that spend ODA will be required to be scored as good or very good on the Aid Transparency Index that is produced by Publish What You Fund. There is a journey that Departments are on. DFID has been at this for quite a while, so we have the systems in place and we develop the expertise to make sure that our systems can deliver the transparency that we all want to see. Other Departments are not quite there yet in every case, but there is a commitment that they will get much better and reach this target by 2020. We are doing a lot from DFID to support them on that journey as they get better. It is quite a challenging target for them to meet, but you are right that transparency will help with this.

Penny Mordaunt: This was one of the issues that we discussed at the first cross-ministerial ODA group.

Q245 **Chris Law:** Do you feel that the current mechanisms give you sufficient oversight of the UK ODA and do you feel personally you have enough oversight of all of the UK's ODA?

Penny Mordaunt: I think that we do have those mechanisms now, but the cross-ministerial ODA group is new. The other bodies that had oversight of the cross-Government funds are new bodies. Our responsibility is in terms of the amount versus quality, we have extremely good oversight of the funds. We have an amazing system set up, as we have to in order to hit the 0.7%. That is well established. These structures are new. I think that everyone thinks that we are not cross-Government in the right place on this. We need to raise the quality and we need to raise the coherence of what we are doing across Government. These mechanisms are a route to doing that. By themselves they will not. They offer the package that DFID has put together to help Government Departments and the NSC get where they need to be, and that will get us there.

Q246 **Chris Law:** How does the new ministerial group for the cross-Government funds sit with other existing ODA groups? Who is ultimately responsible, what is the membership of the Committee and how often will it meet?

Penny Mordaunt: Responsibilities have not shifted. I am responsible for the quality of what my Department does and for the spend across Government. Responsibility for the quality of what each Government Department does sits with them.

In terms of membership, it is any Department that spends ODA. The difference between the ministerial group and the other bodies is that we are looking at everything. We are looking at the issues of quality across



HOUSE OF COMMONS

the piece, the domestic-facing Departments as well as the ones that are directly relevant to the National Security Strategy. We are looking at those broad issues, and the group chaired by David Lidington is particularly looking at the function of those cross-Government funds.

Q247 Chris Law: How often do they meet?

Penny Mordaunt: The ODA ministerial group meets every couple of months. We have only just had the first meeting, but it is about every couple of months.

Q248 Chris Law: What about the criteria for allocating aid across Government? As you will know, Penny, all ODA increases since 2013 have been delivered outside of DFID, leading to a cut in DFID's ODA spending in real terms. Does your recent statement, "That means that 0.7 must not just 'be spent well', but 'could not be better spent'" signal that the Government will now allocate aid to Departments that can best deliver for results and value for money for the world's poorest people rather than on the basis of other political criteria?

Penny Mordaunt: I think there is a great desire from all parties, not least the Treasury, that people spend ODA really well. They welcome our new spending bar. If, for example, you have a Government Department that is not making use of DFID's offer, that is not raising its game, is not improving its quality, is not co-designing and demonstrating impact for what it is doing, then I do not think it will have much luck in future spending rounds with maintaining or increasing its ODA spend. We have made manifesto commitments on this agenda and we intend to deliver on them.

Q249 Chris Law: Would you suggest you pause or even reverse ODA spending outside of DFID if that is the case?

Penny Mordaunt: We are coming towards a new spending review, and Departments will want to demonstrate that they are in shape to spend ODA money well if that forms part of their plans. I think that people do recognise why this is important. They also understand the possibilities to their own agenda of doing this really well. I think we have real commitment now across Government to crack on with this, to make sure people have what they need to do this well, and they will need to.

Q250 Chris Law: This goes back to Nigel's point earlier about public trust. If we do not have public trust with regard to how we spend ODA money, we are going to have continuous criticism, continuous pressure on you and your Department, which is why this is very important. This dramatic increase since 2013 has lots of public criticism that is going to outside of the Department. Will you reverse that and bring it back in-house so that we can help continue to build public trust and momentum for the SDGs that we all support?

Penny Mordaunt: With whatever funds we have to dedicate to this agenda, I want us to spend that really well. Sometimes that will mean us



spending it with a Department that has a particular area of expertise. The money we have spent with health is a very good example of that. I think that just hoovering money back into my Department is not necessarily going to be the best way of doing it. We need to ensure that anyone who spends ODA money in the future is equipped to do it well, that we are very strategic in how we are allocating those budgets and that across Government we have complete coherence about what it is we are trying to do, the understanding of where Britain can make a difference and that we are being consistent in how we are operating ODA with other countries.

Q251 **Chair:** Is the implication of that that the 30% spend through other Government Departments is not set in stone? If the exercise you have just described shows evidentially that a larger proportion should be through DFID, could that be an outcome of the spending review?

Penny Mordaunt: That is what will be decided during the spending review. Some of the most exciting and high-quality work that we have done in recent times has been with DIT, and I am sure that that Department will want to do more on contributing towards the global goals. I think it is not set in stone who has what. In the future it may change.

Q252 **Chair:** Can I take us back briefly to Chris's question about the different ministerial groups? As I understand it, you co-chair with the Chief Secretary to the Treasury the main cross-ministerial group and then we have this newer group that David Lidington is chairing. Do you sit personally on the group that David Lidington chairs?

Penny Mordaunt: Yes, but there is also an officials' group as well, which DFID has representation on.

Q253 **Paul Scully:** I will be very brief because you have covered a lot of the areas that I wanted to talk about—coherence and effectiveness—but could you go into a little bit more detail? You talked about the Department of Health and Social Care and the Department for International Trade being positive adherents to this programme. How are the other Departments buying into this? How are they going forward with this? Are they playing ball, are they coming together and what are you able to do to assist them to do so?

Penny Mordaunt: I think they are. The evidence I have to point to is not just the attendance that we had at the first meeting and the seniority of the Ministers that were sent, but also the bilateral meetings I have had with other Government Departments. When, for example, I went to see Jeremy Hunt, I think that was the first time there had been such a meeting between a DFID Secretary of State and the Secretary of State for Health. I was interested to hear his views about the World Health Organisation, things that we could contribute and the benefits to the UK of doing so.



HOUSE OF COMMONS

It is not, "We have to do this. This is part of our manifesto commitment". There is a genuine interest in the opportunities for the UK, but also in our ability to contribute towards the global goals and what more Departments can do in that space.

Q254 Paul Scully: Whose primary responsibility is it to tell those positive stories about antimicrobial resistance and the ODA spend? It is important that we reinforce the good news stories. Would it be you or the Department of Health and Social Care in that sort of instance?

Penny Mordaunt: I will give you one example of the changes that we have brought in as part of getting into the detail and why we are so bad at getting messages across to the public. We have changed our branding guidelines. It sounds a dry thing, but until recently all the work that we were doing with Public Health England or the NHS could not be branded with "UK Aid". The communications team at DFID have done an amazing piece of work looking at not just "UK Aid", but "Funded by the UK Government" and all the other brands that we have across the world. They have put new guidelines together that are now embedded in the Government's branding guidelines.

Until recently, it was perfectly understandable that the man or woman in the street did not know that the TB diagnostic test that had just assisted them in the National Health Service was brought into existence through UK Aid, because it would never have been branded that way. This is part of the story of telling people how we are making their money work, not just for the wider peaceful and prosperous world but for them as well.

Chair: We are a little bit behind time. Lloyd.

Q255 Lloyd Russell-Moyle: You have mentioned a number of times one Government and doing things with Departments. Going back to Nigel's point, what I do not understand is why DFID does not hold all the funds and then commission Departments when you think that it could be useful to do work with them. You would still hold the responsibility, just like you commission Oxfam or you commission outside bodies, but you would hold the responsibility. Why was that choice not made instead of allowing them to be the lead and run with it?

Penny Mordaunt: The first thing I would say is it is not as stark as that. For example, our networks of academic experts on education or healthcare within DFID clearly are part of a wider Government network and beyond. In terms of the expertise and who is generating ideas for programming, it is not quite so black and white as that. I do think that, although DFID is a very outward-looking Department, which has great networks and is very entrepreneurial in its nature, we should not try to replicate things that exist elsewhere.

I am interested in—I am not suggesting we extend ODA spending to outside Whitehall—the expertise that sits not just in Whitehall but in town halls, and all of the fantastic institutions in this country that have so much to offer. Those relationships do not necessarily sit with my



HOUSE OF COMMONS

Department. They might sit over at BEIS. I know where the Committee is coming from on these issues. I think we need to ensure that ODA is spent well. That is an absolute given.

Q256 Lloyd Russell-Moyle: Who is responsible for ensuring that ODA is spent not just according to the rules but spent well according to any moral public opinion? Who is the person that the public can say, "I know that is the person who is responsible for ensuring my aid is spent well"? Is there one person they or we can pinpoint?

Penny Mordaunt: There are two things I would say on that front. It will largely be the Secretary of State for the Department who is spending that. I am responsible for the amount across Government, but that is the dry, technical answer. The answer I would supplement that with is that we all are. That is why I feel that I have to help other Government Departments raise the quality of what they are doing. I want the Department for International Trade to be equipped to help alleviate poverty in Africa because some of its trade expertise is absolutely vital to doing that.

Q257 Lloyd Russell-Moyle: When you gave the speech that has already been quoted about showing that taxpayers' money cannot be spent better, and the five points that you were going to implement, were you talking on behalf of the Government—for example, you were going to ensure that is implemented across Government—or were you talking about your Department? Your answer does not make it clear to me where the responsibility lies for the things that you have pledged will happen.

Penny Mordaunt: In my speech, from memory, I think I did talk about greater coherence across Government. I feel that that is part of my job. It is not a technical reporting line, but I think it is part of my job. My Department is where the real expertise in development sits, and we need to get out and enable other Government Departments to have that expertise. It is a separate issue how much ODA they have and what they are doing with it. There is clearly a wider Government process as to how that is allocated.

Q258 Lloyd Russell-Moyle: If another Department's programme was described, for example, as having such a superficial theory of change that it was not useful for planning, monitoring, and evaluation purposes, or if a programme was described as having poor-quality delivery for almost all of the projects evaluated, or if another Government Department's programme was described as having a lack of transparency that inhibited learning—I could go on with this list—would you stand up to that Department and say, "This programme's funding needs to be restricted until it can demonstrate that it is achieving well"?

Penny Mordaunt: I think that the new structures that you see that are overseeing those funds, and the willingness to accept the offer that my Department has made for people to equip themselves to do this well, are an indication that we do not want that lack of quality to continue. What I



HOUSE OF COMMONS

would say though is that in everything we do, including my Department, we always need to take an element of risk. I am sure that when some of the most effective things that we do in the humanitarian space and elsewhere were started—again, I am not taking credit for them, other people before me—they were done at risk. If we want DFID and Britain to continue to be an innovator in development, we always have to take some risk.

Q259 Lloyd Russell-Moyle: Secretary of State, doing something at risk, is that you take a punt on something because you think it might work?

Penny Mordaunt: Yes. If it works, it works; if it does not, it does not.

Q260 Lloyd Russell-Moyle: If it works, it is fantastic, and if it does not work, you stop the programme. If Oxfam, Save the Children or whoever was being funded and you got those kinds of reports back, surely to goodness you would cancel the programme or at least reel it back in and totally reform it. This programme has already been running for a number of years. These are the reports that are coming out, despite all those best efforts that you have given out. The latest proposal is to increase the money—not to reform it dramatically, not to reduce the money, but to increase the money. Is this rewarding failure that you would never reward in any other sector? You are rewarding failure for Government, but you are punishing everyone else. Is that not what you are doing?

Penny Mordaunt: The issues you raise about the quality of certain funds and the programming and the design in them are what we are trying to directly address. The amount of money that is given to programmes and projects is one issue. Obviously, I will be voicing my opinion on things, but that is a separate process. I do not allocate those funds.

Q261 Lloyd Russell-Moyle: But you could speak up about them and say that there should be no more if you are taking that moral high ground.

Penny Mordaunt: Since I arrived in this role I have been a champion for that higher spending bar. Not just in DFID, we have also spoken to all the other Government Departments about reforming our planning system. What I think has tended to happen in the past is that people have worked up programmes quite extensively before assessing whether they are things that we should be doing. Having early sight of ideas, ensuring that the project is going to meet that higher spending bar—all of these are fairly recent changes that we have brought in over the last few months.

Q262 Lloyd Russell-Moyle: I understand. Mr Welch, do you think that the CSSF is the kind of fund that you would expect to meet the threshold of a DFID fund? Does it meet the quality threshold?

Darren Welch: The report on the CSSF was published recently and they are going to respond to the Committee, I think on the 10th of this month. I know they are taking—

Q263 Lloyd Russell-Moyle: But would you be happy with that level of



HOUSE OF COMMONS

feedback if it was from your Department?

Darren Welch: I think they are on a journey of continual improvement. You know that in the NSCR there were—

Chair: That is a lovely civil service phrase.

Darren Welch: I will take that as a compliment. In the NSCR a number of changes were suggested and recommendations have been taken up to strengthen the governance of those central funds, which should help address some of the problems that you and ICAI have highlighted.

The ODA ministerial group that the Secretary of State has referred to and has revitalised specifically agreed to take on the role of looking at coherence, effectiveness and quality of cross-Government ODA spend in a way that was not really done before. In doing that task, they will be supported by the senior officials group, which will do a similar thing. That is now formally in the role of the group in a way that was not there before and should help us get even better.

Q264 **Lloyd Russell-Moyle:** In an earlier session, the Committee took evidence from the joint programme hub of the CSSF. They said that there was a presumption to publish on all pieces of information. However, the ICAI report says that they have an inconsistent approach to publishing programme information, particularly the whole process of gathering the ICAI report. They reported to me that it was very difficult to get information out. What is your view on this? Should ICAI have access to all the CSSF information so that they can make a true assessment? Is there a presumption of publication or is there not? It seems to be rather contradictory at the moment.

Penny Mordaunt: The principle that I start with is that the greater the transparency we can have on what we do with ODA funding the better. One of the parts of the offer that we have made to other Government Departments and those cross-Government funds is the tools that we use to track and report. Currently, they just sit in my Department. They do not just look at what we do; they look at what else is done in that similar location.

Where I would like to take this is not just across Whitehall so that people can use those tools; I would like them to evolve into being public facing. I think that if the public could see how particular projects were progressing—geocoded, as well as what other players are doing in that particular location—that would be a great thing over the years. I have expressed that ambition to my Department. One of the things that we are offering is the tools to enable more information to be collected better.

Q265 **Lloyd Russell-Moyle:** Mr Welch, on CSSF projects that DFID is leading on, can you confirm to me that there is always a presumption to publish all the information that DFID has on those projects? In terms of how it internally works, I understand that the Departments submit to the joint programme. I just want to make sure that DFID has that presumption.



HOUSE OF COMMONS

Darren Welch: I mentioned the Government's commitment to making sure that every Department that uses aid meets the standard of good or very good. DFID is very good. We have consistently been assessed at that high level. We are number 4 in the world, so I do not think—

Q266 **Lloyd Russell-Moyle:** With CSSF projects that you run, there is always a presumption to publish?

Darren Welch: I would be amazed if there were not. I will get back to you with the detail on that.

Lloyd Russell-Moyle: I think it would be good if you could double-check that.

Darren Welch: We will come back to you. I would be astonished if we were where we were in the transparency rankings and that were not the case, so I think yes.

Q267 **Chair:** Lloyd alluded to a slightly different issue. As CSSF has some funding that is ODA and some that is not, ICAI's ability to oversee all of CSSF effectively may be restricted. Are you prepared to look at making it explicit that ICAI can look at the entire CSSF, not just those parts that are ODA applicable?

Penny Mordaunt: We can certainly look at that issue. I would be happy to look at that.

Q268 **Henry Smith:** Secretary of State, at present, as you well know, countries that graduate from being in receipt of ODA funding because their gross national income exceeds a certain level cannot receive it again if their GNI falls back. Yet last October at a high-level DAC meeting your predecessor said that agreement had been reached for that reverse graduation to be possible. Do you think that the optimism expressed then was a little bit premature?

Penny Mordaunt: I would say a number of things. First, we have made a lot of progress in terms of the DAC Committee and asks we have made, I think totalling about £100 million—moves on peacekeeping and so forth. I have spent a lot of my short time in the Department talking to the DAC Committee about precisely that issue. It is a live issue. It is a reform that we are pushing for. I think that, although it has not to date prevented us from helping a nation in need that we wanted to assist—a country that had been hit by the hurricanes, for example—we must always look at the merits of being part of that system, which is about incentivising nations to work on this agenda and protecting the quality of what they are doing and the help that they are giving.

That is important, but we have to balance that with what we think is right to do as the United Kingdom. To date, we have not been presented with a choice on that. I am committed to the 0.7%, but if our own self-imposed rules prevented us from taking a course of action that we felt as a nation was right and would alleviate suffering and poverty, I think as the



Secretary of State I would have to say that we need to seriously think about it. It is very hard to imagine a situation where we would be presented with that choice. We have not to date, but this is why we push for reform. Ideally, we want to stay within these rules. The system is really important in terms of getting others to do things of quality, but I am very pragmatic. If we think we ought to help somebody and we have no other means of doing it, we should still do what we think is right.

Q269 Henry Smith: I am glad you talk about the need for reform and that you are pushing for that and you take a pragmatic point of view. Do you see reverse graduation being agreed on in the near future? I understand there is a meeting coming up, I think next month, about that. Do you see this issue being resolved at that meeting? Are there any OECD members who are resistant to reverse graduation being introduced under the rules?

Penny Mordaunt: There is a lot of resistance to it and we have burnt a lot of capital in getting the reforms that we have currently, but we will still push for that. We will still continue pushing for those reforms. As well, although this Committee is concerned with the definition of ODA, there are other areas that we will take a similar approach to. I have been, for example, looking at medicine pricing for nations that are hosting large numbers of refugees—all sorts of things like that. This is why I am very keen on Jim Kim's Human Capital Index because I think we have to recognise not only nations that find themselves back in difficulty, but also nations that are not just looking after their own and investing in their own people but are carrying a burden for humanity as well.

There are wider issues where I think we just need to take a very pragmatic approach, but we are pushing for those reforms. I am optimistic, but I think it will take some time to get them. I will take in the meantime a very pragmatic approach. I believe in 0.7%. I believe in the DAC and the system, but if ever I am prevented by those things from doing what I think is the right thing for the UK to do, I will pipe up about it.

Q270 Henry Smith: I appreciate that. You have used the word "pragmatic" several times and I absolutely personally endorse the need for pragmatism. You also said that we had burnt a lot of capital in seeking reform. Should we not expect to see reform under the rules system that you say you want us to remain under as one of the largest development contributors of any nation in the world?

Penny Mordaunt: Yes, and the nations who quite often object to these sensible reforms are not spending 0.7%. That point is not lost on me, but we need to remember that this is a system that we choose to be part of. There are benefits to being part of that system, because if you are a 0.7% contributor, I can tell you in the short time I have been in this job that counts for an awful lot. We have an awful lot of credibility and it is important to us to maintain that. As I say, I will holler if I think that it is



HOUSE OF COMMONS

preventing us from doing what fundamentally this is all about, which is delivering global goals, alleviating suffering and protecting people.

Henry Smith: Mr Welch, you had a point of clarification.

Darren Welch: Just on the specific point of the reverse graduation, we are reasonably optimistic. I think we have made the case quite persuasively, and people seem to have bought our arguments, that development is not always linear and it is possible to have setbacks. So it seems odd that when a country graduates it is a one-way street and they can never ever go backwards. I think that case has been made and we are optimistic of agreement perhaps even later this year on that specifically.

Penny Mordaunt: I like to under-promise and over-deliver.

Q271 **Henry Smith:** Those are more wise words from you, Secretary of State. If we do achieve reverse graduation, do you think that that should be reported in the statistics separately under a separate category from ODA? I appreciate this is slightly hypothetical at this stage.

Penny Mordaunt: What I would say is that where I have seen progress in reform, not just in this area, but also with, for example, the capital increase to the World Bank, I think the whole system is trying to get smarter and nimbler, and to recognise the value of having something to help nations, once they transfer out of extreme poverty, become more resilient. Generally all parts of the system are getting smarter about this and recognising that helping a nation recover from a hurricane is a sensible thing. I do not know whether you want to say anything on reporting, Darren.

Darren Welch: Reverse graduation applies where a country has graduated and then over a period of time it becomes clear that it has gone back into the status where it would be ODA eligible. In those circumstances, it would seem odd to somehow create a different category of reporting for that. It is either ODA eligible or it is not. I am not sure I see the merits in distinguishing.

Henry Smith: Thank you, that is a very good point. Certainly you mentioned at the very beginning of this questioning how China had gone from being a recipient nation to a donor nation. I hope, for what it is worth, that reverse graduation will enable more nations to follow that route.

Q272 **Mrs Pauline Latham:** If we are talking about hurricanes and Hurricane Irma, Blondel Cluff came to give evidence to us. She is the representative of Anguilla. She stated that the UK's humanitarian assistance to Anguilla had been made conditional on them agreeing to raise taxes. She went on to argue that their tax rates are set by the UK Government, not by the Government of Anguilla. Are her assertions accurate?



HOUSE OF COMMONS

Penny Mordaunt: Some of this is Foreign Office territory; I have had some recent conversations about this particular issue. There were some conditions on certain assistance, but I do not think they were of the nature that you describe. The lead on that assistance is with the Foreign Office, so I think it is probably best that they write.

What I would say is where we have been involved, we have put certain conditions on particular things happening. We have felt that, for example, to attract private sector investment into some of the more long-term recovery we have needed to do that in a particular way. For the speed we have wanted to do it, we have given assurances to those investors, but we have not put conditions of the type you have described.

Mrs Pauline Latham: So we should write to the Foreign Office then?

Darren Welch: I think so. The assistance provided to Anguilla is not ODA eligible, so it would not be development assistance in that sense under the rules. It is a Foreign Office issue; it is not ODA.

Q273 **Mrs Pauline Latham:** It has been suggested to us in determining ODA eligibility that the DAC should consider using additional indicators alongside GNI to capture vulnerability and resistance. Do you agree? If so, which indicators would you favour, for instance, to ensure that the particular vulnerabilities of small island states are taken into account in relation to Hurricane Irma? Might the incorporation of the additional indicators be the best way of achieving all of this?

Penny Mordaunt: I am sympathetic to, let's call it, a more sophisticated approach to that. If we want to make progress, we have to consolidate that progress and enable people to build on it. Whether it is new financial instruments to help those particular types of nations that are not assisted by more traditional forms of investment, whether it is a more nimble and flexible system for what we can do with ODA, I am in favour of that because I think we need to consolidate gains as well as make sure that our focus is on the core aim of alleviating extreme poverty.

Again, I would just caveat all of that to say this is really important stuff. It is about quality. It is about incentivising other nations. The main focus has to be on what our plan is for that nation. How can we help them own it, devise it, support them in achieving it? I think that needs to be our focus in all of this.

Q274 **Lloyd Russell-Moyle:** The ODA definition was recently broadened to include more security-related spending. In your evidence, you have expressed support for these changes and suggested that peacekeeping delivers poverty reduction alongside its obvious security benefits. Would you say that peacekeeping activities have the economic development and welfare of the recipient countries as their main objective?

Penny Mordaunt: I think security is probably one of the most important aspects of delivering the global goals. Without security, you cannot have economic activity. You cannot collect taxes. You cannot do anything. It is



HOUSE OF COMMONS

absolutely fundamental. I think we need to have, particularly in certain parts of the world, a greater emphasis on security, and I do not just mean peacekeeping roles. I mean rule of law, I mean all of the other aspects of it as well, which is why I have prioritised it.

Q275 Lloyd Russell-Moyle: You have mentioned the Sustainable Development Goals a number of times. Would you say that any project that was trying to achieve any of the Sustainable Development Goals should automatically be ODA-able? You used that as a semi-justification, saying, “Well, it fulfils the Sustainable Development Goals, so therefore—” which is not quite the same as fulfilling economic and welfare primary concerns.

Penny Mordaunt: I am struggling to see the relevance of this to the real world, if you will forgive me, sorry. We are trying to enable things to happen that will deliver the goals. We want people to be economically active. We want people to have an education. We want people to do all of those things. Security is a necessary condition for those things to happen. What we are trying to do is to raise the quality of some of the activities that take place in that space. I have been having conversations with our own MoD about what we can do to raise the quality of peacekeeping activities and how we can do that on something that will not need ODA money in the future; how we can make that more sustainable. I think there is probably a lot that we can agree on about the quality of some of the things that happen in this space, but that does not dilute the fact that security is fundamental.

Q276 Lloyd Russell-Moyle: Step away from the security, which is where I entered this. Are we effectively saying that every piece of activity that we do in an ODA-able country should be ODA-able; should be aid? Because everything is interlinked. One can make an argument for every piece of work contributing as a tangential outcome. Or is the primary focus that every project’s first and foremost outcome must be poverty alleviation through economic and welfare issues? I am just trying to work out where the top priority is.

Penny Mordaunt: All these things will count as ODA or they will not. For me, what we actually do is the important part of this equation. I want to ensure that what DFID is spending money on could not be better spent on something else. That is about the return on that investment to the global goals. I prioritised healthcare because it is one of the biggest returns on investment. It is also about whether we need to be doing this. Just because something is good and gives a good return on investment, do we have to do it? A lot of the projects that have been criticised in the past probably would have happened without our intervention. Those are the things that I am really focused on. Definitions of ODA are important, but in terms of—

Lloyd Russell-Moyle: That is what the inquiry is about.

Penny Mordaunt: Exactly, but we need to remember why it is important. It is important for the reasons I have set out—because of the



HOUSE OF COMMONS

system, because of the buy-in we get from others and because of the quality.

Q277 Lloyd Russell-Moyle: The important question also is do we class all of our spending abroad in ODA countries as ODA or do we have some thresholds of quality and some thresholds of targeting? If we class it all, then we might as well just throw in the whole Foreign Office budget in ODA-able countries. We might as well throw the baby in with the bath water, which is may be happening with the creeping 30%. Are we focused on poverty alleviation through economic development and welfare or are we starting to expand it into security and then into diplomacy? Is it a constantly expanding unit or is there a point where we say that this is where the boundaries of that are?

Penny Mordaunt: To paraphrase your question, is devolving ODA to other Government Departments subsidising the activities of those Departments and not really contributing towards the global goals?

Lloyd Russell-Moyle: Yes.

Penny Mordaunt: That is it in a nutshell. I do not think that is the case.

Q278 Lloyd Russell-Moyle: That is not the case with the security stuff?

Penny Mordaunt: The evidence I can give you for that is the conversations I have had with colleagues across Government. But if we want to ensure that how anyone is spending ODA money is really delivering the quality and the impact towards the delivery of the global goals and towards alleviating poverty, then the key bit of this is that people have to know how to do that. They have to make good judgments and they have to have a planning process and a design process that is going to deliver a programme that is the best it can be and the best spend of taxpayers' money. That is the bit that is missing. It is not about people subsidising other activity. It is about giving people the information they need to really understand how they can do this well.

Q279 Lloyd Russell-Moyle: Would the peacekeeping activity not happen without it being classed as ODA?

Penny Mordaunt: The restrictions on peacekeeping activity is that it is not all ODA-able.

Q280 Lloyd Russell-Moyle: No, but some of it now is because the definition has changed.

Penny Mordaunt: Some of it is.

Q281 Lloyd Russell-Moyle: It has that increased peacekeeping contribution. Does it mean that we are now doing more?

Penny Mordaunt: It will mean that we can do more. I always think that on this front—my personal view—the best return that Britain can make is from capacity building. There is a big need for that and we would be really good at doing more of it. The brake on that is that only some of it



is ODA-able, and that limits the flexibility people have. I think that even if we have these limits in place, by all Departments working together we can just be smarter about how we do this.

Q282 Chair: For the final question, can I take us back to the discussions with OECD, DAC and in particular the issue of what happens if the UK does not succeed in getting the changes that we have been seeking? Previously, the Government have suggested that the UK could adopt its own definition of ODA, but our understanding from various expert witnesses is that there is no work going on in the Government to develop a UK-specific definition. Would it be fair to say that the Government have put this idea to one side in favour of a focus on trying to build consensus in OECD?

Penny Mordaunt: There are two things I would say. For the reasons I set out, there are massive benefits to us being part of that system. It is an incentive to others and it is quality control on what others are doing. We Brits always play by the rules and are very well-behaved, but it helps with others. I think that as our development offer needs to evolve—and a few weeks ago I set out how I think it needs to evolve—as we set up new instruments and institutions, we need to keep thinking about not just the external rules but how we operate ODA in Whitehall. We define ODA as it goes into CDC, for example, when it leaves our balance sheet, not when it is invested. The consequence of that is that if we choose to make investments in the future on that basis and profits come back in, those profits will not count towards our budget, and we cannot take them out and spend them on anything else without it counting negatively.

Chair: That is a very good point, yes. I understand.

Penny Mordaunt: I could mention 20 other examples to you. I think that we need to keep thinking about these things. Do they make sense? Do the benefits of being part of systems make sense? Do the benefits of operating under the current rules that we have make sense? I am keen on becoming a complete geek in this area and I am looking at these things and asking questions about them. I am looking at what other people are doing. I think that if we want to do more of this activity in the future, we need to keep these issues live and we need to keep thinking about them.

Q283 Chair: Henry said that you had used the word “pragmatic” on a number of occasions, and I get the sense you are taking a pragmatic approach. Would it be fair to characterise your approach as wanting to stay within the rules-based system if at all possible?

Penny Mordaunt: I think there are huge merits to doing that. To date, we have not been presented with a stark choice and I do want to stay within those rules. If I am presented with a stark choice, I will always pipe up and say that the course of action the United Kingdom should take is the one we think is right; the one that will alleviate suffering; the one that will help our friends if they are in trouble. We have never been put in



HOUSE OF COMMONS

a position where we have not been able to do that within these current rules. We are trying to stay ahead of that curve. My colleague is highly optimistic about our chances of further reforms that we are asking for, but I think they help us because they enable others to do the right thing. If we want to encourage other nations to increase their development contribution, that is part of the way to do it and ensure that the quality is there.

Chair: Secretary of State and Darren Welch, thank you both very much indeed for coming to give evidence to us today.