

Public Accounts Committee

Oral evidence: [The effectiveness of Official Development Assistance expenditure](#), HC 2048

Monday 8 July 2019

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Members present: Meg Hillier (Chair); Sir Geoffrey Clifton-Brown; Chris Evans; Nigel Mills; Anne Marie Morris; Lee Rowley; Gareth Snell.

International Development Committee Member present: Stephen Twigg, Chair.

Gareth Davies, Comptroller and Auditor General, Linda Mills, Parliamentary Relations Manager, National Audit Office, Keith Davis, Director, NAO, and David Fairbrother, Treasury Officer of Accounts, HM Treasury, were in attendance.

Questions 1-144

Witnesses

I: Matthew Rycroft, Permanent Secretary, Department for International Development, Sir Simon McDonald, Permanent Under-Secretary, Foreign and Commonwealth Office, Jean-Christophe Gray, Director of Public Services, HM Treasury, and Harriet Wallace, Director for International Science and Innovation, Department for Business, Energy and Industrial Strategy.

Report by the Comptroller and Auditor General

The effectiveness of Official Development Assistance expenditure (HC 2218)

Examination of witnesses

Witnesses: Matthew Rycroft, Sir Simon McDonald, Jean-Christophe Gray and Harriet Wallace.

Chair: Welcome to the Public Accounts Committee on Monday 8 July 2019. We are here to look at how the Government spend official development assistance. Happily, for the past five years the UK has met the UN target of spending 0.7% of gross national income on overseas aid. In 2017 overseas development assistance expenditure totalled £14 billion. But things have changed in recent years, with Departments receiving a greater proportion of the ODA budget—it is not just DfID that is spending it. We want to look into what the NAO has uncovered and how DfID and the Treasury are assessing the impact of the expenditure from other Departments.

We are delighted to have an array of senior civil servants in front of us. From my left to right we have Harriet Wallace, who is the director for international science and innovation at the Department for Business, Energy and Industrial Strategy—one of the shortest titles we have had for some time. A very warm welcome to you, Ms Wallace—I think this is your first time in front of the Committee. We have Jean-Christophe Gray, the director of public services at HM Treasury, who was in front of us just a week or so ago. Welcome, Mr Gray. Matthew Rycroft is the permanent secretary at the Department for International Development—I think this is your first appearance before us, Mr Rycroft, but no doubt you have been in front of our sister Committee a lot. Welcome to you. Then we have Sir Simon McDonald, the permanent secretary at the Foreign and Commonwealth Office. Is this your first time in front of us?

Sir Simon McDonald: The second.

Chair: Forgive me. We are delighted to welcome Stephen Twigg MP, who chairs the International Development Committee—thanks to recent changes in House of Commons procedures, he is able to join us as a guest. We are very pleased to add to the wealth of expertise that I am happy to chair on this Committee. Before we get into the main questioning, Sir Geoffrey Clifton-Brown has a few questions for Sir Simon McDonald.

- Q1 **Sir Geoffrey Clifton-Brown:** Good afternoon, Sir Simon. I have been deputised to ask you a few questions about the leaks of our ambassador to the United States reporting back to you. How damaging is that?



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Sir Simon McDonald: We don't yet know, Sir Geoffrey, but there is clearly significant damage, which we must assess over the days and, I suspect, weeks and months to come.

- Q2 **Sir Geoffrey Clifton-Brown:** Your boss, the Foreign Secretary, has announced that there will be an inquiry. What form will that take? Will it be a criminal inquiry or a civil service Cabinet Office-led inquiry?

Sir Simon McDonald: In the first place, it will be a Cabinet Office-led inquiry and it will be Government-wide. Although all the emails and details originated from the Foreign Office—from the embassy in Washington—they were distributed across Whitehall, so the readership was very wide. It will be a large-scale inquiry in the first place, led by the civil service.

- Q3 **Sir Geoffrey Clifton-Brown:** And then, if there is evidence of wrongdoing, will it change to a police inquiry?

Sir Simon McDonald: It could, yes.

- Q4 **Sir Geoffrey Clifton-Brown:** Are you immediately reviewing the system of distribution of those reports from our ambassadors around the world? How sure are you that it could not happen elsewhere?

Sir Simon McDonald: In my experience, the human factor is usually the most important. Yesterday, I reminded heads of mission around the world that there is more than one means of communicating, and that with especially sensitive material it is best to choose a limited-distribution means of communication.

- Q5 **Sir Geoffrey Clifton-Brown:** Given that all the ambassadors come back to the United Kingdom from time to time, is there not a better way of reporting back to the Foreign Office?

Sir Simon McDonald: I believe that ambassadors need to be able to communicate instantly and honestly with head office. How that is arranged technically—how that is handled—is what we need to look at. I do not think we should ask ambassadors not to communicate essential information.

- Q6 **Sir Geoffrey Clifton-Brown:** This is a sensitive question that you may not wish to answer. Given the potential damage that has been caused, is Sir Kim Darroch the right person now to continue to represent us in the United States, or will you be thinking about recalling and replacing him?

Sir Simon McDonald: Sir Kim is doing an excellent job for Her Majesty's Government in Washington.

Sir Geoffrey Clifton-Brown: I didn't expect you to say anything else. Thank you very much.

- Q7 **Chair:** Is there any evidence at this stage that the leak was not internal but was through an external hacking?

Sir Simon McDonald: That will be in the scope of the legal inquiry, but we are on day one, Madam Chair, so I cannot or will not speculate.



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Q8 **Chair:** There are secure systems by which the Government can communicate among themselves. Was this a breach of that secure system or—as you say, it was widely spread—did it go through the mainstream email systems?

Sir Simon McDonald: We do have secure systems, and they are being upgraded right now. We have a new system that is coming on stream this quarter, so I hope that the systems will be even better in future.

Q9 **Chair:** But this was distributed through what you would call a normal email exchange.

Sir Simon McDonald: Yes, it was.

Q10 **Chair:** And you say the system is being upgraded. It is just coincidental that the upgrade—

Sir Simon McDonald: That has been in hand for some years.

Chair: Years—exactly. With Government IT projects, we wouldn't expect anything less. Thank you very much.

We want to move on to the main subject. Could I urge witnesses to speak up clearly? The room is quite crowded and it is often very difficult for people behind you to hear, so could you speak up clearly? And if another witness says something that you agree with, you don't need to repeat it; you can always just agree with them. We welcome that. Obviously, we are over this subject and you are over it, so we can cut to the chase—and on that, to set an exemplary example, I call Stephen Twigg.

Q11 **Stephen Twigg:** Thank you very much, Chair, and I thank the PAC for inviting me to be a guest. I want to start with Brexit and go straight to Mr Gray. About a tenth of ODA is through European Union institutions. How does the Treasury see this period in terms of that money and making sure that we continue to get value for money for it after Brexit?

Jean-Christophe Gray: I suppose there are two parts to that, Mr Twigg. The first thing to say, of course, is that, as Ministers have previously said, this matter relates to the United Kingdom's future relationship with the EU27. Obviously, there has been a Government policy; I won't try to speculate on what a future Government policy on that relationship may be.

The second element—I dare say Mr Rycroft may want to add to this—is that DfID has already set out that it has a number of contingencies and options in the event that the moneys—I think it is about £1.5 billion a year—would need to be disbursed through other channels. The reason for that—and these are two sides of the same coin—is this. First, DfID is the largest departmental spender of aid; it also has the widest number of distribution channels for that, including, for example, multilateral channels. This Committee will be familiar with the fact that there is some flexibility with things such as the World Bank. The Government is committed to the 0.7% and, as I say, there are options available for how to do that. They will in the end be decisions for Ministers, and all the

usual—I'm sure we will talk about them more—VFM and accountability rules will apply to that spend when it is made.

Matthew Rycroft: The Department for International Development will be ready for all scenarios, to ensure that the Government's policy of spending 0.7% of our gross national income on official development assistance is met. If there is some version of the Prime Minister's deal with an implementation period through to the end of 2020, the Government's position is that all financial commitments until the end of that period will be met, which would see us continuing to pay official development assistance into the EU budget. If we leave without a deal, it will be up to the Government at the time to work out what our policy will be on those payments.

- Q12 **Stephen Twigg:** The last time the Department did a multilateral development review, the European Union institutions emerged very positively, in contrast to some of the other multilaterals. What is your sense of where the European Union stands, in terms of us potentially choosing to continue to put most of that £1.4 billion through European institutions? Is there an open door, or might we hit a barrier with the Europeans themselves?

Matthew Rycroft: A lot will depend on the nature of the UK's exit from the European Union, but suffice it to say that in all scenarios the Department will be ready to continue to operate with the EU27, bearing in mind that their objectives and ours, on humanitarian emergencies and long-term sustainable development, are very closely aligned and will continue to be so. I have often talked about the UK as a development superpower, but the EU is also a development superpower and we need to continue to work together in whatever Brexit scenario we are in.

- Q13 **Stephen Twigg:** Finally, are you confident that value for money will be at the heart of that and that the mechanisms are in place? There is clearly a risk with such a large amount of money that that won't be the case.

Matthew Rycroft: Yes. If we have a no-deal Brexit that requires us to spend a proportion of the 0.7% in ways other than through the European Union, we have systems in place to ensure that those will all offer value for money for the UK taxpayer.

- Q14 **Sir Geoffrey Clifton-Brown:** Mr Rycroft, are you confident that, even at the present time, we are co-operating with these European funds as effectively as we could be? I recall a conversation some years ago with a Commissioner where he was saying that there was much more scope—this may now have happened—for co-operation. In other words, there are some areas where the EU would like to be operating and where we are operating strongly, and we could take the lead. Likewise, there are other areas where they are operating and where we are not particularly strong. Is there more room for co-operation in that sort of scenario?

Matthew Rycroft: I think there is always room for co-operation. In any Brexit scenario, we will want to continue to co-operate with the EU27. There are parts of the world where the EU has a strong track record of

delivering development assistance, for instance in the western Balkans, where the UK bilaterally has stepped back in recent years. After exit from the EU, we would want to step back into that region, for example.

- Q15 **Sir Geoffrey Clifton-Brown:** Supposing we do leave with a deal and have the two-year implementation period, is it likely that after that our bilateral work with the European Union would increase or decrease? Are we more likely to want to do our own thing or will we continue at the same sort of level?

Matthew Rycroft: In the long run, we would not be spending the £1.5 billion through the EU, but we would be seeking to maintain at least the same sort of levels of co-operation that we currently have. But that co-operation would need to be different, because it would not be the UK as a member state, but the UK working with the EU27, so it would be a different type of co-operation. I would foresee in some parts of the world a greater level of co-operation than we currently have, offset by having less co-operation in other parts of the world.

- Q16 **Chair:** Mr Rycroft, in your planning for a no-deal exit from the European Union, will the shutters just come straight down, and if not, what is the wind-down time for the collaboration with European aid?

Matthew Rycroft: It would depend on the nature of our exit—

Chair: I am asking about a no-deal exit. Every Department is preparing for that, but we don't get the chance to ask you about it very often. What would the situation on the ground be practically? How would it play out?

Matthew Rycroft: If Ministers at the time decided not to pay anything else into the EU after our exit date, but continued to meet the 0.7% commitment, we would need to meet the balance of the aid that would have gone into the EU for the remainder of the calendar year through alternative means. In that scenario, by definition, we wouldn't be doing it through the EU, so we would find other routes. As Mr Gray said earlier, there are other routes open to us, including the World Bank and other multilateral institutions, which we know have a variety of ways of offering value for money.

- Q17 **Chair:** So you think that you could change tack quite quickly—to turn on a penny—on this.

Matthew Rycroft: We will be ready to do so, if that is the scenario we are in at that time.

- Q18 **Chair:** Okay. Assuming that on 31 October we have a no-deal Brexit, that gives you only a few months before the end of the financial year. Have you been talking to some of these other bodies about their ability to absorb and support a different approach from the UK in spending aid?

Matthew Rycroft: The 0.7% commitment is a calendar year commitment, so it would only be two months of the calendar year, but you are right that there are also financial year commitments that we would need to get right. Yes, we have sufficient links in place with those

multilateral institutions to be able to work with them in any of these scenarios.

Chair: It all sounds very rosy.

Matthew Rycroft: I don't want to pretend that it is easy, but I do want to assure you that we have been doing our planning, as other parts of Government have been doing, so that we will be ready for any plausible scenario.

Chair: Talking of planning, Stephen Twigg has some further questions.

Q19 **Stephen Twigg:** We are going to move on to some questions about delivery against the UK aid strategy. The NAO Report, really building on work that has been done by the Independent Commission for Aid Impact and by the International Development Committee, highlights concerns about capacity, coherence and clarity of responsibilities. Mr Gray, how do you know whether we are making progress in implementing the aid strategy? How does the Treasury know? What indicators do you use?

Jean-Christophe Gray: I might start by explaining the origin of the aid strategy itself, because I think it is relevant to the thread that runs through.

Stephen Twigg: Not least because it originated in the Treasury.

Chair: We don't need too long a history lesson.

Jean-Christophe Gray: It was started jointly with DfID, actually. There was a recognition at the spending review that there was this shift, proportionately, away—a sort of 70/30 split between DfID and other Departments. To keep reflecting that I think it was important—the Government certainly felt this was the case—to have a coherent strategy that set out the objectives to which all of Government were working. In a sense the strategy was the first part of there being a sort of common thread.

Then you have a number of elements, some of which we have built on, and some of which already existed. For example—I think we talked about this when I was in front of your Committee—all of what might be called the traditional accounting officer, value-for-money rules and regulations, and processes, are in place here, all the way through “Managing Public Money”, the Green Book and all the other instruments that this Committee will be familiar with.

Secondly, across Government, the Treasury, DfID and other colleagues—and we come together in a SOG, a senior officials group—are able to build on the sectoral governance boards for the various areas of expenditure, so there is a joint funds unit that is the governance structure for the CSSF and the prosperity fund, for example. They are publishing annual reports. They are providing monthly, quarterly and annual summaries of the programmes. Some of the newer areas of spend, be it around climate



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finance or science, also have their own cross-Government boards that are in place to do so.

Then most recently the Government, through the senior officials group, has developed a monitoring framework that sets out a series of sub-objectives for each component of the aid strategy, and it has indicators against those things. I do not pretend it is an exhaustive list. Those are some of the ways we can look at what is going on.

Q20 Stephen Twigg: And the framework you have just described was agreed recently, in 2019.

Jean-Christophe Gray: The monitoring framework was agreed in 2019. Quite a few of the other components that I have talked about—the joint funds unit, the boards and so on—have been in place for longer.

Q21 Stephen Twigg: Why did it take three years to agree a framework?

Jean-Christophe Gray: I would describe it as part of an evolution. First, a strategy was published. Secondly, we published—I think we shared it with your Committee—the value-for-money guidance in 2018. That was cross-Whitehall value-for-money guidance for all Departments. Then, as part of the ongoing work, we published the monitoring framework. We did other things in between. For example, the senior officials group provided colleagues across Whitehall with guidance on how each Department might want to present information in its annual report and accounts.

I recognise—I think the Report speaks to this—that we need to continue evolving the framework, but I would hopefully make a reasonable case for the fact that we have been building on elements from early 2016, which was just after the aid strategy was published.

Q22 Stephen Twigg: I will come to Mr Rycroft on this in a moment, but can I take it next to the spending review? I am told by the Chair that I should first ask you if and when there is going to be a spending review.

Chair: And they all laugh, as we predicted.

Stephen Twigg: Mr Gray didn't laugh.

Chair: The Treasury is not allowed to.

Jean-Christophe Gray: I am tempted to refer hon. Members to the answer that Sir Tom, the Chancellor of the Exchequer and others gave some time before. I think the Chancellor said last week that he thought decisions on the spending review would be for his likely successor, so I shall leave it at that.

Q23 Chair: Sir Simon, when do you expect the spending review to be? Now you have been given a cue—I should have got the Treasury officials to answer after you.

Sir Simon McDonald: I listen very carefully to the Treasury.

Q24 Chair: Mr Rycroft.

Matthew Rycroft: There has to be some allocation from the Treasury for the '20-21 year in the coming months, I would say. We look forward to that.

- Q25 **Chair:** What about from a business point of view—when do you need a spending review by, and what will happen if you don't have it?

Harriet Wallace: Obviously, it is a Treasury decision of how and when to do that. Either there will be a full spending review or, if there isn't, we would have discussions about what needed to be worked through until that happened.

- Q26 **Chair:** When is the point of no return for you on knowing whether there is going to be a spending review, or whether some sort of deal will be done to roll over certain projects? Mr Rycroft, from your point of view.

Matthew Rycroft: From my perspective? The expectation around Whitehall is that it would be good practice to have the allocations for the next financial year by, say, November or December—that sort of time.

Chair: That is very consistent with the last witnesses we had. Very impressive. Mr Twigg.

- Q27 **Stephen Twigg:** Mr Gray, you mentioned that you came before the International Development Committee last year. When you came before us, you said that "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." In the light of that, how will the next spending review be different, in terms of how it looks at ODA spending, learning from the experience of the past three or four years?

Jean-Christophe Gray: The first thing I should say is that on the precise details, and whether or not, Ministers will want to take a view at the time as to how they want to run the spending review, but—specifically on this point about the evidence that we will have—perhaps a good example as a case study is the prosperity fund. It was one of these cross-Whitehall joint funds, and an innovation from SR15.

At the time, when bids were being tabled, we put in place structures to consider the objectives and the capabilities. Effectively, Departments were asked to fill out evidence notes to explain the channels that they would use in order to be able to set up those funds. The second thing that happened was that the fund was deliberately backloaded—to use the jargon—in that it started out very small in the first year, and only built up, reflecting the fact that it would take time to roll out. As I said, we now have annual reports from the prosperity fund, so irrespective of the precise mechanics of how Ministers want to receive their advice and the like, we will be able to have a stronger evidence base for the outcomes so far of those prosperity fund projects and Departments putting together the bids will probably have a more granular understanding of the effectiveness of the delivery channels.

I would have thought that we would certainly consider building on the kind of process we had in SR15, when the Treasury, DfID and a member of



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what is now the Infrastructure and Projects Authority sat on a kind of challenge panel specifically designed to look at the ability and credibility of the delivery plans here. As I said, we might want to widen that type of approach—we might not do it as a challenge panel—but I think we will want to give Ministers that kind of look. While I dare say Treasury Ministers will retain their sovereignty over allocation matters, we have the ministerial group that oversees the work of the SOG, and that might well want to look at some elements of this. I think we will be able to draw on all of that and, although I picked the prosperity fund, the same would be true of elements of the CSSF and a whole range of things—we might come on to the Newton Fund and the like later—and we will be able to pick up on those.

Q28 Stephen Twigg: We will definitely come on to cross-Government funds in a moment. Briefly, Mr Rycroft, do you have any comment from a DfID point of view on what we have just heard from the Treasury?

Matthew Rycroft: We have already begun our initial preparations, working closely with the Treasury, on the ODA aspects of the spending round, whether for just the next financial year or for longer, and we look forward to continuing those. The one thing I would add is that, given that the Department pride ourselves on our collaborative working, our contribution to the fusion approach and so on, one might expect some joint bids, so that Departments come together collectively and propose bids for the use of ODA in the future.

Q29 Stephen Twigg: Thank you. One final question from me in this section, again for Mr Gray. In the International Development Committee's report, we raised a specific issue with the bidding process and said, "We are concerned that the current bidding process enables departments to bid for ODA without due regard being made of their capability to administer these programmes effectively." That was, I think, reinforced by the NAO Report. Are you able to tell us whether you will explicitly ask Departments about capacity at the bidding stage in future?

Jean-Christophe Gray: Yes. As I said at the time, as part of the evidence notes for the bids in SR15, ask for evidence as to which channels and which capability would be used. That is why we had the Infrastructure Projects Authority on the challenge panel. I acknowledge that some of these were new, for example the prosperity fund, and did not have a track record to fall back on. The answer is yes; I would just say that we tried as best we could at the time to consider those elements at SR15 as well.

Q30 Sir Geoffrey Clifton-Brown: Mr Rycroft, as far as ODA expenditure is concerned, does it matter if you do not have an expenditure review, or have a very late one? As far as ODA is concerned, you will still continue to get your 0.7% of GNI, come what may—unless one of the leadership candidates has some catastrophic change of policy.

Chair: I think Sir Geoffrey has just nailed his colours closely to the mast on that.



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Matthew Rycroft: Even if they did, they would still need to win a vote in the House of Commons to overturn the existing legislation, which—subject to your views—I very much doubt would happen. We are planning on the very strong assumption that the 0.7% will stick, but we still need an allocation, because we need to work out, within the 0.7%, which Departments get which allocations, and we need to look at the governance arrangements. Both those things will be important parts of the forthcoming negotiations. At the moment, the Department for International Development has about three quarters of the aid budget, but the remaining quarter is spread around others, and I think they would all need to know, within the timescale I indicated earlier, what their allocations will be for the next financial year.

- Q31 **Sir Geoffrey Clifton-Brown:** So the other Departments bid to the Treasury for that one quarter or so. Do you have any say over that? Do you evaluate how they might carry out their projects?

Matthew Rycroft: As you have heard, the Treasury is very much in charge of the spending round, but they do—

- Q32 **Sir Geoffrey Clifton-Brown:** Yes, but do you as a Department have any input into the process?

Matthew Rycroft: They did ask last time, and they are already asking this time, for our views on issues such as that. I think it is fair to say that we have a good—

- Q33 **Chair:** “They” as in the Treasury?

Matthew Rycroft: The Treasury asks the Department for International Development for its views on how other Departments are doing with their capacity in terms of spending official development assistance, yes.

- Q34 **Sir Geoffrey Clifton-Brown:** So you see those bidding documents at the same time as the Treasury?

Matthew Rycroft: I don’t think Treasury Ministers have worked out the precise timetable yet.

- Q35 **Stephen Twigg:** Would you like to see them at that time?

Matthew Rycroft: Happily.

- Q36 **Chair:** That’s good. Be a bit bolder, Mr Rycroft; this is your moment to bid for it.

Jean-Christophe Gray: If I may interject, at SR15 the challenge panel, which was composed of Treasury, DfID and the IPA, saw the evidence notes for all the bids. We were directly involving DfID colleagues with their expertise in the assessment of the capability around those bids.

- Q37 **Chair:** How do you use the report of the Independent Commission for Aid Impact, which I know Mr Twigg’s Committee oversees? How does that feed into this process?



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Jean-Christophe Gray: The first thing to say is that we would be confident that Departments, in drawing together their bids, would want to draw on recommendations and advice from ICAI. Obviously, ICAI reports would be available for all Ministers, including Treasury Ministers, to consider when they are seeing the bids.

- Q38 **Sir Geoffrey Clifton-Brown:** But, given that some of those ratings for other Departments are much lower than DfID's, how is your new challenge process likely to affect those ratings? The Report makes it clear that the ratings of some of the non-DfID ODA projects are much lower; DfID basically gets a good or excellent rating, but some of the departmental ratings are down in "poor". How is your new challenge process of evaluating those non-DfID departmental ODA projects likely to bring them up in the independent commission's ratings?

Jean-Christophe Gray: Perhaps the first thing to say touches on something that Mr Rycroft was saying. Very largely led by DfID colleagues, across Government there has been quite a push on capability improvements and expertise improvements across Whitehall. DfID has been very active in that.

Secondly, alongside that in the aid strategy for 2015, the Government committed themselves to a good or very good rating on the transparency ratings by—well, it is by the 2020 publication, but it refers to 2019 aid, so it is aid that is currently being disbursed. As I said, I think we will have greater evidence for some of those newer programmes.

Having said all that, I think there are a good number of programmes in what I might call other Departments than DfID, which have been spending aid for a very considerable period and that have a good track record, be it for, example, Defra's disbursements.

- Q39 **Chair:** We have Ms Wallace here from BEIS, and Sir Simon from the Foreign Office. Can you talk us through how you would do the evaluation about the impact of any bids you are putting in, how you fit in with what the Treasury does and how you use DfID and the independent commission's work? So, we will start with Ms Wallace.

Harriet Wallace: We have an evaluation strategy for each of our funds and we get those done by independent experts. We publish them, so we very much—

- Q40 **Chair:** What kind of independent experts are you using?

Harriet Wallace: One that we use a lot is called Coffey International; they are people who have practised in this field. Obviously, we also look very seriously at reports from the NAO and ICAI, and we try to learn from what those say, and we have had strong evaluations of some of the BEIS ones; we have had some that are more challenging.

What we try to do is to learn from those, continually improve and we are absolutely looking at our further capability-building, and we will look at that alongside our spending review—



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Q41 **Chair:** Going back to what we were asking Mr Rycroft earlier, when do you go to DfID? Do you do it before you go to the Treasury, to get their advice, or do you—at what stage are you discussing this with DfID?

Harriet Wallace: We work very closely with DfID. We have DfID colleagues on our governance panels as we manage our funds. We are in close discussions with DfID's capability-building team. They help us run courses and we are discussing with them our future strategy also, because they have valuable expertise that is incredibly helpful for us to draw on.

Q42 **Chair:** And Sir Simon, from your Department—?

Sir Simon McDonald: It is a similar story at the Foreign and Commonwealth Office. We work very closely with DfID. Our budget, as the Committee knows, has changed in structure in the last nine years. In 2010, we had only 6% that was ODA; next year, it will be 50%. So we have had to change a lot of our ways of working and DfID has helped us very much in that process.

So, a lot of the key officials, including the present head of our portfolio management office, are from DfID and again DfID has helped us with training programmes. Since the launch of the aid strategy, 850 Foreign Office officials have had training in this area.

Q43 **Stephen Twigg:** Sir Simon, that increase from 6% to 50% is dramatic, isn't it?

Sir Simon McDonald: It is.

Q44 **Stephen Twigg:** The total budget is presumably smaller, so it is—?

Sir Simon McDonald: The total budget has not increased¹.

Q45 **Stephen Twigg:** Exactly. So how much of the 44-point increase is new activity and how far is it activity that you did anyway that you are now able to badge as ODA?

Sir Simon McDonald: Some of it is indeed activity that was always classifiable as ODA-eligible, but we are now more incentivised to be more rigorous, and we have done a lot of work, again with DfID's help, to make sure that everything that can be classified is classified. But there has been a shift undoubtedly, because the overall budget is not increasing. More of our work is focused on ODA-eligible countries than in the past.

Q46 **Lee Rowley:** Turning to page 42, paragraph 2.14, of the Report, which talks about performance, how do you identify poorly performing programmes?

Chair: Who is that to?

Lee Rowley: Anybody who wants to answer.

¹ In financial year 2018/19 the FCO's core departmental and agency expenditure, including spend on behalf of the cross-Government Funds, was £2,824m, while spend in financial year 2010/11 was £2,598m. While this represents a small increase in the FCO's total expenditure, the FCO's core departmental non-ODA spend has not increased during this period



Matthew Rycroft: Shall I take it first, given that we have three quarters of the budget? The first thing is that we are each responsible for the programmes within our own Department. In the Department for International Development, we pride ourselves on our very strong track record on delivering value for money and impact, and one can only do that if one has very strong monitoring and evaluation processes in place. For each particular programme, at every stage in the cycle there will be a high degree of scrutiny over precisely that question, Mr Rowley. For each programme, there will be annual reviews. There are examples I could give you about programmes that have either stopped as a result of poor performance, or have been significantly scaled back or changed as a result of that feedback.

The ICAI certainly sees DfID as a learning organisation, and I would agree with that. If there is a particular bit of learning from one bit of the organisation, whether it is a functional cross-cutting issue or a bit of the world—a bit of geography—where something is not going well, we have systems in place to ensure that everyone else with responsibility for programmes is able to pick that up.

- Q47 **Lee Rowley:** Paragraph 1.12 of the Report states that the framework, which was being referred to a moment ago, and the questions do not include “an assessment of value for money.” How do you know whether programmes are performing poorly if you do not have a value for money test?

Matthew Rycroft: The NAO Report is clear that the Department for International Development has very strong monitoring in place for the DfID part of the aid budget, which is three quarters of it. We are able to make that assessment, and we do, day in, day out. The argument though was that the systems were not fully in place yet for the totality of 100% of the aid budget to be deemed value for money, which goes to the governance points that Mr Gray was talking about.

- Q48 **Lee Rowley:** How many projects do you have in DfID at the moment?

Matthew Rycroft: It depends how you count them, but it is certainly thousands.

- Q49 **Lee Rowley:** Okay. How many are value for money at the moment by your calculations?

Matthew Rycroft: We have a scoring system, but I assure you that we stop those parts of projects that are not offering value for money.

- Q50 **Lee Rowley:** How many are value for money at the moment?

Matthew Rycroft: I would have to write to you with that figure.

- Q51 **Lee Rowley:** Roughly?

Matthew Rycroft: They are all either very strong value for money or reasonable value for money. In one or two exceptional circumstances, there are parts of programmes that we stop because they demonstrably do not provide value for money. There are some parts of the world that we



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are operating in that are a particularly difficult context in terms of security, bearing in mind that there is a very strong correlation between the fragility of a country and poverty. More and more of our work is in fact in fragile places where by definition it is hard to do this sort of work. We have a strong track record of cutting or shifting programmes where the value for money evidence is not there.

Finally, there is one other category of programme where we know that the evidence does not exist, and one of the purposes of the programme is to create that evidence, which we can then use later. Those programmes might have a slightly longer lead time before it was decided that it was not going to work.

Q52 Lee Rowley: What is your definition of reasonable value for money? It is a subjective scale, so what is your definition of "reasonable" within DfID?

Matthew Rycroft: I wish there was a simple answer to that question. I wish there was a machine that one could put the numbers into and out would trot a nice answer on whether it was value for money. It does not work like that, as you know, in international development. It is a matter of judgment. The judgments that DfID colleagues make around the world—often working in extremely difficult circumstances—are ones that they make as close to the ground as possible. It is country-specific, because we know that development is country-specific.

Q53 Lee Rowley: So the value for money test for DfID can be qualitative, but not necessarily quantitative?

Matthew Rycroft: Yes, in the first instance. Then we have people whose full-time job it is to check those judgments, qualitative as they are, and then to provide a degree of scrutiny—that is all within the Department before we get to the ICAI, the IDC, the NAO and others.

Q54 Lee Rowley: What proportion of your value for money tests are qualitative?

Matthew Rycroft: I will have to write to you with that.

Q55 Lee Rowley: Roughly?

Matthew Rycroft: I will write to you with that.

Q56 Lee Rowley: Are all your programmes output-based, or will you measure inputs and processes?

Matthew Rycroft: We have a range. I think that it is fair to say that we are on a journey. Of course, 0.7% is an input measurement. One of the things that struck me, coming into the sector 18 months ago, was how much of the sector is input-based, rather than based on outputs or, better still, outcomes. We are moving to increasingly focus on outcomes and, where that is not possible, outputs. A typical programme would have a mixture of all those things. We would need different types of measures to measure those different types of outputs, outcomes and inputs.

Q57 Lee Rowley: When will you get to your destination?



Matthew Rycroft: Never.

Lee Rowley: Never?

Matthew Rycroft: It will always be possible to improve. We will always be operating in the toughest environments. Those environments will continue to change. It will never be possible to say that we have reached the nirvana of perfect international development.

Q58 **Lee Rowley:** Assuming we all accept that nirvana is not going to be achieved, how can we get close to it? You will be here again in future, so if you are on a journey, tell me how far I should expect the car to have gone down that road by the next time you are here.

Matthew Rycroft: I would signpost that something that you should be holding us to account on, and that we should be focusing on, is data. Data is extremely difficult to come by in this world, for reasons that I have already given, but it is very valuable. Technology will allow us to get a better and better hold over the data and, I hope, will allow us to have more quantifiable answers to the sorts of questions that you have been asking. Even then, there will still be elements of judgment and risk. There will always be imperfections, if one is seeking to end extreme poverty, which is incredibly difficult.

Q59 **Lee Rowley:** In that spirit, give me some data. Give me your current proportion of projects that are based on output or outcomes in their evaluation and the amount that I should expect next time you are in front of this Committee, or at a time of your choosing in the future.

Matthew Rycroft: I have already said that I will write to you on the first point. I am happy to commit to, say, a 20% move towards outcomes over two years.

Lee Rowley: But we don't know what the baseline is now.

Matthew Rycroft: I will write to you on that.

Q60 **Lee Rowley:** Why are ODA projects extended without an evaluation on performance? I am looking at paragraph 21.

Matthew Rycroft: All projects and programmes have assessments before extensions. There was one exception for very particular reasons, but the norm is that for an extension to be allowed, it has to go through a very rigorous process.

Q61 **Lee Rowley:** Okay, but the mid-term evaluation that covered that fund was not published until after you decided to extend it.

Matthew Rycroft: Sorry; I thought you were talking about DfID funds. I will defer to BEIS for that.

Harriet Wallace: When that was extended, we looked quite carefully at what it was already producing, and we had some initial analysis from the external experts who are developing our evaluation. Those initial results were already showing that it had made a promising start in its first year.



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On that basis, there was a Government judgment that it was worth expanding the fund.

- Q62 **Lee Rowley:** The Somalia stability programme and the Punjab education support programme were both extended to phase 2, according to figure 20, before their first phases ended. I presume that is back to you, Mr Rycroft.

Matthew Rycroft: That was because there was an underspend in one of them. In other words, the tendering made a saving and then the saving was put back into an additional part of the programme.

- Q63 **Lee Rowley:** Explain that to me. If your project is estimated to cost x and you find a saving in an element of that project, why doesn't the overall budget of the project go down rather than be reallocated elsewhere? The money probably wasn't needed then, was it?

Matthew Rycroft: Absolutely, sometimes it does do that.

Lee Rowley: Okay, but not in these instances.

- Q64 **Chair:** Can I just make a quick point? You said that you made a saving in the tendering of the project.

Matthew Rycroft: We are talking about a very small amount of money.

Chair: One question is whether there were lessons about tendering for other similar projects. Secondly, it is not the same as the project itself—tendering is a very different bit of it. Were there lessons on the tendering?

Matthew Rycroft: It is fair to say that the National Audit Office's Report, thorough though it is, captures only a small part of the actual programmes. It would be rash to extrapolate too much from these programmes, but rest assured that all the lessons—

- Q65 **Chair:** I am asking partly because those of us who are on the Committee all the time spend a lot of time asking questions about how the Government are procuring, letting and managing contracts. The rest of Government doesn't do very well on tendering, so it would be amazing if you have done it better than anyone else, because you could share that experience. However, we would expect that, by the law of averages, you would have some problems with some tendering. Where are you learning? What lessons are you learning and how are you applying them to other projects? Are you honing that skillset in DfID? That money is wasted if you are not. If you tender more expensively than you need to, that is literally money down the drain, isn't it?

Matthew Rycroft: We are on track to make £500 million of savings from procurement—tendering—in this spending round period, which is a strong contribution to our efficiencies.

- Q66 **Chair:** How have you done that?

Matthew Rycroft: We had a suppliers review under the previous Secretary of State, where we looked at the whole range of our commercial activity about how we design programmes and commission, implement, monitor and evaluate them, working with private sector suppliers at all the different stages. We have met our targets to increase the proportion of suppliers that are small and medium-sized enterprises, and we have learned some significant systemic lessons about how the whole business—not just the procurement part but all the people doing frontline delivery in DfID offices around the world—can contribute to that.

Q67 **Lee Rowley:** To go back to the Newton Fund, Ms Wallace, do you think it delivers value for money?

Harriet Wallace: We can give many examples of projects that it has delivered that have been incredibly valuable. For example, there was a project in which UK researchers worked with researchers in Brazil to try to understand what was going on with the Zika virus. That was one of the first teams to understand the link between the virus and microcephaly. The fund has also worked on projects on antimicrobial resistance in China that persuaded the Government to stop allowing the use of last-line antibiotics for animal feed. It has supported a really wide and diverse range of projects, and the feedback that we get from those we work with and in-country teams is that it has been incredibly valuable in many cases.

Q68 **Lee Rowley:** Back to my question: does the fund deliver value for money?

Harriet Wallace: The evidence that we have suggests that it does. We are working on key performance indicators to quantify that better. With such a range of different projects, it is quite challenging to develop key performance indicators, but we are working on that with the OECD.

Q69 **Lee Rowley:** What is your evidence base?

Harriet Wallace: We have a large number of case studies of projects that it has supported. Those really show some of the fantastic things that it has supported.

Q70 **Lee Rowley:** Is that in the public domain?

Harriet Wallace: Yes, they are on the website of the Newton Fund, where you can read them if you are interested. We also put many of the projects out on the UK's development tracker website—

Q71 **Lee Rowley:** And the methodology for assessing value for money on a project-by-project basis is what? When I go and look at your website, will there be a section of a report, presumably on a project-by-project basis, that explains to me some kind of indicator on value for money?

Harriet Wallace: The way that the projects are assessed is twofold. One is the ODA assurance process to ensure that these are properly ODA-eligible and delivering development impact—

Q72 **Lee Rowley:** That is not value for money. What is the second part?



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Harriet Wallace: The other is a rigorous peer review process to check that it is good research. We are working on a value-for-money framework, but it is not yet fully developed. We have contracted some experts to help us with it. It is genuinely challenging to do that in a rigorous way. However, the evidence that we have of its impact—

- Q73 **Lee Rowley:** How do you know that there is value for money if you don't have a value-for-money framework?

Harriet Wallace: We have a lot of qualitative assessments of the value for money of projects. The evaluations that we have commissioned and published so far assess that it is delivering valuable impacts in line with its strategy. We want to pin down a stronger value-for-money framework, and we are working on that.

- Q74 **Chair:** It is amazing that this has been going for so long and there is not a value-for-money framework, as Mr Rowley just teased out. We expect that, as Mr Mycroft suggested regarding DfID funding, sometimes you will do something that may not have the same strict value-for-money measures; there may be reasons that you do something—to start a ball rolling or to respond to an emergency—where it is harder to achieve pure value for money. However, on something like this, where it is pounds going in for very clear outcomes, I cannot really understand why there isn't a clearer and more robust value-for-money impact, especially given that you are in the Business Department; this should surely be bread and butter to you.

Harriet Wallace: We have an extensive evaluation programme, and we have published evaluations looking at the whole thing. Those have set out that the evaluations are strong in terms of the impact it has created. What we want to do is underpin that with more rigorous VFM assessment across the fund as well.

- Q75 **Lee Rowley:** I have read one of your evaluations of the Newton Fund—the mid-term evaluation. Page 46 demonstrates that there was no evaluation of value for money; the line is completely blank. How can we assess value for money with the Newton Fund based on that, since it does not assess it?

Harriet Wallace: That is exactly why we have commissioned a value-for-money framework and are developing it. It is genuinely hard. I was at the OECD this April, discussing this with other countries that are moving into this space, and everybody is struggling with exactly how best to measure the impact of this sort of research, because some of the impacts are more intangible than others. BEIS has strong VFM and KPI frameworks on things such as our international climate finance; some of those are more straightforward to count, for example with planting trees—

- Q76 **Lee Rowley:** This is three quarters of a billion pounds that is going out of the door from your Department into places around the world, and we are saying that we do not have a value-for-money test on that, and it has been running for the best part of five years.

Harriet Wallace: It is genuinely challenging to quantify some of this.



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Q77 **Lee Rowley:** How is it challenging? These are scientific assessments, in universities, with demonstrable, deliverable outcomes. How is that challenging?

Harriet Wallace: If I give you some example of what the fund does, there is a really wide variety—

Q78 **Lee Rowley:** Could you just answer the question and explain how it is challenging?

Harriet Wallace: It is challenging because the impacts vary enormously. Some of the projects are capacity building; other projects are working on particular innovations. There is a really wide variety and they are very different.

Q79 **Chair:** But there are plenty of examples of variety in other spheres, including no doubt in your Department. Some of them will be longitudinal, and we do not expect that you will get value for money on some of those, but that does not mean you should not have a value-for-money measure, as Mr Rowley has highlighted.

Harriet Wallace: That is exactly why we are developing a more rigorous one.

Q80 **Chair:** Why so late?

Harriet Wallace: It takes time to develop these things. We have been working very hard to develop our processes as we have developed the fund. We have had an evaluation process in place throughout.

Q81 **Lee Rowley:** If it takes time to develop this framework, was it sensible to double the amount of money we were throwing into the Newton Fund over the next couple of years without knowledge, on the basis of the lesser amount we had spent, of whether it worked?

Harriet Wallace: Ministers took a decision to expand this, because they could see the opportunities to bring the best researchers that the UK has to offer, who are often global experts, to work alongside developing countries on projects to tackle things that those countries are wrestling with. That is what the fund has done. We absolutely want to keep improving how we do this, and that is why we are working with colleagues across Government and external experts to improve our capacity and our systems. Many of these things we are working hard to improve.

Q82 **Lee Rowley:** I am still confused. If the other countries want them, why does your mid-term evaluation report say: "Most of the delivery partners found issues with the usefulness of the strategies, with some indicating that they barely refer to them at all and consider them too generic to be useful"? That is on page 61. Why, for example, is there "no sustainability or exit strategy in place", as it says on page 19? That does not suggest to me that our money is being spent wisely, and I have no clarity about how it has been structurally set up to prove or disprove that either way.

Harriet Wallace: The results of some of the projects speak for themselves.



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Q83 Lee Rowley: Give me a project.

Harriet Wallace: For example, the one I was talking about in Brazil on the Zika virus.

Q84 Lee Rowley: Excellent. So what is the quantitative assessment of the output? How many lives saved?

Harriet Wallace: It is not straightforward to translate it into lives saved.

Q85 Lee Rowley: How many viruses were stopped? How many inoculations given, or whatever it is? What is the KPI?

Harriet Wallace: What the project produced was a better understanding of how the Zika virus operates. That is underpinning research to enable the development of vaccines. The antimicrobial resistance one that I talked to you about produced a change in Chinese Government policy to no longer allow an antibiotic to be used in animal feed. Another example is one that we worked on with India, which developed a device that allows the monitoring of maternal health during pregnancy to be able to pick up obstetric haemorrhage or pre-eclampsia. It is being trialled in 10 countries, including across Africa, to try and improve maternal healthcare in all sorts of remote regions where that is more challenging.

Q86 Lee Rowley: So what is the baseline that you are expecting to improve on that particular project?

Harriet Wallace: In terms of maternal health, these are conditions that at the moment cause 50% of maternal deaths.

Q87 Lee Rowley: And how are you intending to change that number. What is your objective, based on the trial?

Harriet Wallace: The trial produces a device; it is not for a research fund to determine how that is rolled out. What our fund is there to do is to produce innovations that can then be used. Hopefully, if it all works well, it would be able to reduce those sorts of conditions significantly.

Q88 Lee Rowley: Just on the final point on the Newton Fund, your mid-term evaluation made eight recommendations, one of which said: "Concerted action is needed to gather consistent and comprehensive monitoring data". That is recommendation 6. Then recommendation 8 says that there needed to be a further evaluation of the Newton Fund, because one was not scheduled. Have both those recommendations been put in place?

Harriet Wallace: We are developing and monitoring an evaluation further. We have already commissioned work some time ago to do that, so that is in train.

Q89 Lee Rowley: But are you doing another specific evaluation on the Newton Fund: yes or no?

Harriet Wallace: We will, yes.

Q90 Lee Rowley: You will, so that is recommendation 8. On recommendation 6, are you gathering more data.



Harriet Wallace: Yes, we are.

- Q91 **Lee Rowley:** Thank you very much. Finally—I presume this is to either Sir Simon or Mr Rycroft—how concerned are you that the proportion of total ODA expenditure going to the poorest countries has decreased recently?

Matthew Rycroft: I am not concerned about that, for several reasons. First of all, 60% of the extremely poor people in the world live in middle-income countries. Secondly, some of the biggest humanitarian emergencies of our time are playing out in middle-income countries—for instance, Jordan, Lebanon and Turkey, on the borders of Syria. We continue to assess those sorts of geographical priorities in order to ensure that our programmes and humanitarian programmes go to where they are most needed.

- Q92 **Lee Rowley:** Why has our aid spend in China significantly increased in the last five years?

Matthew Rycroft: DfID doesn't spend any DfID ODA in China, but DfID does work very closely with the Chinese on how they do development. When several of us were in China recently we were able to talk to them about how, for instance, they do the belt and road initiative. Given DfID's leading role as a donor around the world, I think it is fair to say that there is a good deal of interest from the Chinese in working with us on how they do that.

- Q93 **Lee Rowley:** Somebody spent the best part of £150 million in the last three years in China, so who would that be?

Chair: Mr Gray, do you know? Have you got a spreadsheet there?

Lee Rowley: And what about Colombia?

Matthew Rycroft: The same—prosperity fund.

- Q94 **Lee Rowley:** Brazil?

Matthew Rycroft: Prosperity fund.

- Q95 **Lee Rowley:** All these are significantly large countries, with large GDPs. Why is it sensible for us to put money into them? China has a GDP five times as large as ours.

Matthew Rycroft: Just to repeat, the Department for International Development does not spend ODA in any of the countries that you have just mentioned.

- Q96 **Stephen Twigg:** As a follow-up to that, because this is something we highlighted in our Report, can I ask Mr Rycroft, isn't it a concern that, when DfID isn't spending money in these countries nevertheless that proportion of ODA is being spent by the 20-whatever per cent. of ODA that is being spent by the Departments? Isn't that a concern?

Matthew Rycroft: Clearly, the next spending round will need to determine what the future proportions should be—



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Q97 Stephen Twigg: Which I am coming to in a moment: where the money is being spent at the moment in those countries. I think China is a really interesting example. There are cases where some of the examples you have given are good, if they are working with China to improve how they do development. However, not all prosperity fund programmes are of that nature, are they?

Matthew Rycroft: It is not for me to speak for the prosperity fund, but let me say on its behalf that everything that it spends, in order for it to count as ODA, must meet the Development Assistance Committee rules, and therefore the primary purpose of that spending must be for the growth of that country's economy or for the people of that country.

Q98 Stephen Twigg: Absolutely, but obviously the DAC rules are much wider in scope than the UK aid strategy, which includes a greater focus on fragile and conflict-affected states. I take your point that prices such as Syria's have affected the figures, but isn't there a concern that this shift in the non-DfID part of ODA must mean that DfID has less to spend in the Sahel, the DRC and east Africa?

Matthew Rycroft: As you know, the actual amount of DfID spend has not gone down; the proportion has gone down but the number has stayed flat over the last five years, broadly speaking. All spending of all other Government Departments, including the prosperity fund, is within the DAC rules. It is an important part of the aid strategy to pursue prosperity, by which we mean mutual prosperity—our own and those countries'.

There are some wonderful examples from the prosperity fund, for instance in Mexico and others that you and your colleagues have mentioned, of doing both those things at once—helping the prosperity of those countries and at the same time, as a secondary benefit, opening the door for British companies and investors to benefit.

Sir Simon McDonald: Other Departments complement DfID's activities. DfID's work is focused in 30-odd countries. As you know, Mr Twigg, 142 countries are ODA-eligible, and the FCO spend is spread across 120 countries. These are different sorts of projects—smaller, agile and, usually, riskier. That work complements what is happening in DfID. As Mr Rycroft said, all of it is compatible with the Act.

Q99 Stephen Twigg: With the Act or with the DAC rules?

Sir Simon McDonald: With the DAC rules.

Q100 Stephen Twigg: We are going to come to that distinction. I have no quarrel with other Government Departments delivering part of ODA—I think it makes sense, although we could have a discussion on the precise mix—but the DAC rules are wider in their scope than the legislation and, indeed, the aid strategy of the Government. For the Foreign Office and BEIS, is the principle of "leave no one behind" really in the DNA of your Departments in the way that it is in the DNA of DfID?

Sir Simon McDonald: We are learning, Mr Twigg. All our ODA spend is primarily—as it has to be, according to the Act—for the principal benefit of

the recipients, all of whom are eligible for ODA, according to the DAC rules. However, the spend has increased rapidly in recent years. We know that we have to improve, and we think that we are, because other Departments represented here are helping us.

Stephen Twigg: Ms Wallace?

Harriet Wallace: BEIS ODA funds work with a really wide set of countries across the globe; our international climate finance and our global challenges research fund focus on the poorest, and the Newton Fund focuses on middle-income countries. Those absolutely complement DfID's work.

On international climate finance, we work with middle-income countries, because that is where many of the emissions come from. If we are to tackle the challenge of climate change, we absolutely need those countries to be part of it. When we work with middle-income countries, we also work on things that can benefit not only that country but others across the globe—often regarding shared challenges. When we work with them on the research side, it is often with match funding, so we are leveraging effort there and trying to help them to build their skills for the future.

Q101 **Stephen Twigg:** The NAO Report says: "Neither DfID nor HM Treasury has assessed whether allocating the ODA budget to departments other than DfID has had the impact intended." Is that correct?

Jean-Christophe Gray: We want to continue to improve this, as some of my colleagues said earlier.

Q102 **Stephen Twigg:** It is pretty damning from the NAO, isn't it?

Chair: It is an agreed Report.

Jean-Christophe Gray: Well, what I would say is, and we talked

a bit about this earlier, is that of course the aid strategy brings together a whole series of components. And you have, be it the CSSF' (conflict, stability & security fund), be it the prosperity fund, be it the international climate finance fund, be it the research group—be it all the work that DfID does across its thousands of projects, I think you have, at a sectoral level, a good deal of scrutiny. Indeed, if I may, the one area that I might just take the risk of gently pushing back is that I think there is sometimes a suggestion that this area of spend is less scrutinised—

Q103 **Stephen Twigg:** No, no, no—I accept it is heavily scrutinised.

Chair: Well, we are scrutinising it now. That is the point.

Stephen Twigg: We would take that personally, if you said that to us. We're the scrutineers.

Jean-Christophe Gray: If you will let me finish the point, what I meant was that across all the accounting officer/managing public money/consolidated budget guidance-type rules that this Committee scrutinises very carefully, you have just had, as we have just discussed, the OECD falls, you have had ICAI, you have an extremely activist NGO



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community, and those exist elsewhere as well. We have made some of the changes that we have described in terms of the monitoring framework as well. I think that if you are looking at the progress that is being made, say, in dealing with girls' education or health outcomes around the world, you can see the impact and the results of those things.

However, do I take the point from our NAO colleagues that in the run-up to the spending review we will want to look across the board to see what more we can do? Absolutely.

Q104 Stephen Twigg: In previous evidence to the International Development Committee, Mr Rycroft has said that the view is that DfID's proportion of ODA should not fall below 75%. Is that the Treasury's view as well?

Jean-Christophe Gray: I am going to reserve allocation decisions for the future Chief Secretary and the Chancellor, whoever he or she may be in those roles.

What I will say is that there is a real acknowledgement and understanding that there are very good and strong reasons why a very significant proportion of ODA will continue to be spent by DfID, just in terms of its capabilities, its relationship with the multilateral development organisations and the like.

However, if the question is—I accept that this is not quite how you put it but I will go with the analogy none the less—if you look at the sustainable development goals, which is what this is all about, on humanitarian assistance, education, governance, peace, prosperity, human trafficking, climate change, research against diseases, I think you would be quite surprised and would be challenging us if there wasn't a whole-of-Government approach in pulling those together.

The analogy that I slightly had as I prepared for this Committee was public health. You wouldn't expect the Ministry of Housing, Communities and Local Government to be neutral in terms of housing; you wouldn't expect the Treasury on a topical issue, such as sin taxes perhaps, not to have a role—

Q105 Stephen Twigg: With respect, it is not about neutrality; it is about knowing that there is impact, knowing that it is effective, and knowing that we are getting value for money.

Q106 Chair: And Mr Gray, I remind you that you are in front of the Public Accounts Committee and we like to see measurement of impact, and if DfID is doing it better—this is a neutral position on where ODA is spent, but if DfID is evaluating it, that ought to be rewarded by money going to projects that were evaluated and that were VFM. However, where there isn't proof that something is value for money, or there is a very slow process to get a value-for-money regime in place—we recognise it might be different regimes for different things, or different time scales; Mr Rowley highlighted some of this. Are you taking that into account, or is it ultimately a political decision where the money goes?



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Jean-Christophe Gray: We absolutely take it into account, because our Ministers will ask us for advice on the VFM of spend, so we will absolutely take that into account. And I won't relist the list that I gave in my earlier answer about all the things we will be able to take into account.

Q107 **Stephen Twigg:** Can I tempt Mr Rycroft on this, because I think that Sir Geoffrey raised earlier the question of the involvement of DfID in overseeing—signing off—the 25%? Do you have any thoughts on how that could be achieved, because certainly that is something that we and others have recommended?

Matthew Rycroft: Yes, as I said in giving evidence to your Committee, Mr Twigg, from the Department for International Development's perspective, it is important to go into the upcoming spending round with an ambitious set of proposals both on how DfID would spend our share of the 100% and on how the governance of the whole 100% of ODA could be strengthened, including accepting the recommendations of this very helpful NAO Report.

Q108 **Chair:** There is a challenge here. If you put money into ODA funding—not so much Mr Rycroft, but the other Departments—is there a danger that you lose capacity for non-ODA funded projects in your Departments?

Harriet Wallace: Losing capacity—I think we see these as complementary. The ODA funding for research or climate absolutely complements the non-ODA.

Q109 **Chair:** So there has not been any impact on the rest of your Department. I suppose it depends on whether you are administering a fund that is perhaps less active. Maybe Sir Simon can shed some light on this.

Sir Simon McDonald: I would say that there has been an impact because of the significant shift that I have mentioned.

Q110 **Chair:** You have the biggest shift of any Department.

Sir Simon McDonald: The choice is to fund a lot of diplomatic activity through the ODA budget. It is now at £633 million a year, and 45% of that is for frontline diplomatic activities: funding the networks, mostly in sub-Saharan Africa. It is a platform that is provided for the whole of Government and is absolutely within the rules. Another section is for scholarships; £57 million is for Chevening scholarships. That means the Chevening scholarships are very much focused on ODA-eligible countries. Last autumn I made visits back to back. One was to Luanda in Angola, where I met the 14 new Chevening scholars. It was great to meet them. Two weeks later I was in Tokyo where we have two Chevening scholars.

Q111 **Chair:** That is interesting. When bits of Government stopped funding people to go through the stagiaire process in the EU, we ended up with a period when we had a very thin cohort of Brits in the EU. Given that Brexit is still on the agenda for 31 October, are you worried, looking forward as the Foreign Office, that we may lose influence in other parts of the world because a lot of your Department's money—that is a very good example—is going into countries to fit ODA spending rather than maybe



other world priorities?

Sir Simon McDonald: I am less worried than I might be because the Chevening programme has expanded massively, and the expansion has all been in ODA-eligible countries. If you look back 10 years it would be smaller numbers everywhere, and now we have significantly larger numbers coming from ODA-eligible countries.

Sir Geoffrey Clifton-Brown: Can I ask you, Mr Gray, to clarify, when your allocation of DfID's spending is decided, how expenditure on climate change resilience will be considered? There seems to be, in my mind at least, a little bit of ambiguity about this. On page 10 of the NAO Report, paragraph 11 states: "The UK Aid Strategy made a commitment to increase by 50% by 2020-21 ODA expenditure on support to developing countries to respond to the challenges presented by climate change." How does that fit in with the Government's target of spending £1.7 billion on climate change resilience?

Jean-Christophe Gray: I might have to double-check and come back to you on the exact nature of the £1.7 billion. The number that I must admit I had in my head was that we were spending around £5.5 billion across the spending review period on the international climate fund. But I will come back to you on that of course.

In answer to your question, it is fair to say that the Treasury will consider a series of bids and will look at projects and the capability within them. Also, that is not the end of the process of the SR. You then must go, just as it was until SR15, through the business case process that follows up and all the controls that follow before funds are agreed. I am sure that Ministers will want to continue to prioritise this important issue. I don't know, but it may well be the subject of, for example, a joint bid. Some Departments might want to come together to bid for future programmes in terms of the response to climate change. We would consider all of those and then make the allocations. It is possible to make joint allocations. We will offer Ministers a series of options.

Q112 **Sir Geoffrey Clifton-Brown:** Mr Rycroft, do you want to add to this?

Matthew Rycroft: My Secretary of State has announced his willingness to double the DfID proportion over five years.

Q113 **Sir Geoffrey Clifton-Brown:** Is the DfID proportion the £1.7 billion?

Matthew Rycroft: No. It is relatively complicated. The DfID share of the ICF figures, which Mr Gray talked about, goes up to £1.1 billion in 2020-21—next year. The Secretary of State has announced that we should seek to double that to £2.2 billion by 2025-26—five years on from that.

Q114 **Sir Geoffrey Clifton-Brown:** Is that now a Government commitment that he has made?

Matthew Rycroft: He was explicitly talking about the DfID share of that, but clearly it will be part of our spending or our bid.

Q115 **Sir Geoffrey Clifton-Brown:** Where will the money come from for that?

Matthew Rycroft: After the end of the negotiation on the spending round period, when we have our allocation for some of the five years in question, at least, we will work out within the Department how to allocate the money.

Q116 **Chair:** So it will come from existing resources.

Matthew Rycroft: They don't exist yet in the sense that we have not had the negotiation.

Q117 **Chair:** Will you be using that in the negotiation with the Treasury to get more, because you want to spend more overall on climate change?

Matthew Rycroft: It is certainly one of the things that we think that we should be doing more of, given the way that poverty is changing, the world is changing and, in this circumstance, the climate emergency that the planet is facing.

Q118 **Chair:** We cannot resist then, as Mr Gray is here, to ask, does the Treasury share the view that more should be done on climate change internationally and will you therefore increase the budget for that? Is that a Government priority?

Jean-Christophe Gray: I think that Government Ministers have been very clear, for example, at the time of the commitment, which I think has just been legislated for, in terms of net zero.

Chair: Exactly. That pledge and this suggestion.

Jean-Christophe Gray: I look forward to coming back to the Committee at the outcome of the spending review to explain how it is being done.

Chair: We shall be inviting you back or you will be invited to our sister Committee under Mr Twigg.

Q119 **Stephen Twigg:** If you are persuaded by DfID that increasing the amount in line with what the Secretary of State has said is viable, might we therefore see the DfID share of ODA go above 75%?

Jean-Christophe Gray: You tempted me on that one about five minutes ago. I will stick to the answer that I gave then.

Q120 **Sir Geoffrey Clifton-Brown:** I am slightly confused, because surely a lot of this expenditure is coming through BEIS surely. Is it a joint fund?

Jean-Christophe Gray: The international climate fund? I think that was part of the answer that Mr Rycroft was just giving a second ago.

Matthew Rycroft: The DfID focus on climate change is on climate resilience: working with developing countries around the world to enhance their resilience in terms of their people, their economies, their structures and their societies, given the future threats.

Q121 **Lee Rowley:** Can I take you to figure 14 on page 35? It shows an



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assessment of spend in Pakistan across many different initiatives. I presume this is Mr Rycroft's area. Can you tell me what happened there and why it went wrong?

Matthew Rycroft: The first thing to say is that I don't think it did go wrong. There were and are multiple strands of DfID, as well as other UK activity, in Pakistan—bearing in mind the importance of that country for multiple reasons. There were many programmes that the NAO looked at in detail. Just to bring alive this rather dry-looking chart, one of the programmes trains teachers and another programme helps to run elections. The alleged contradiction between the two programmes is that in Pakistan teachers must take time off to monitor elections. From that simple fact, the report concluded that there was a tension between the two programmes. I honestly do not think that it is a very significant issue.

Q122 **Lee Rowley:** So this is not an agreed report, then?

Matthew Rycroft: It is agreed, but we have had some very helpful discussion with the NAO offline about the realities, as we see them, and they have given us some very helpful advice as well. I am very comfortable with the record of the Department in relation to Pakistan.

Q123 **Lee Rowley:** It is slightly unconventional for a permanent secretary to come and slightly challenge an NAO Report. So, are you challenging that it occurred, are you challenging the significance of it, or are you challenging the relevance of it to this Committee?

Matthew Rycroft: I and we accept all the recommendations, and I am challenging the extrapolation from this example. And I think that when, as I understand it, the NAO colleagues involved themselves understood what this so-called tension was about, they too recognised what I have just said.

Q124 **Lee Rowley:** Again, I am slightly surprised by the challenge; it is not something that I have seen in my year and a half here. But putting that aside, on the previous page—page 34—the Report highlights that you have an “Integrated Delivery Plan” for the UK mission; I presume that is between yourselves and Sir Simon's team. So how did that not get picked up there?

Matthew Rycroft: It is not a problem.

Q125 **Lee Rowley:** The NAO thinks it is, and as this is a Committee that is charged with what looking at what the NAO says, I will take the NAO information on face value. So, I am going to assume that it is a problem.

Q126 **Chair:** If it is a problem in Pakistan—we are not having an argument about that here, because the NAO Report is the NAO Report—how do you take the general principle of making sure that you evaluate this overlap?

Matthew Rycroft: Dealing with the general principle of how one evaluates and how one ensures coherence at a country level, I think that is a very good discussion to have and there are some excellent examples from Pakistan, as I discovered on my very first visit in this role. We have a very strong high commissioner; we have a very strong head of DfID office



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and a DfID team; it is our largest bilateral programme now, for very good reasons; and through this integrated delivery plan there is a mechanism to work out the totality of UK interests in Pakistan, overseen by the high commissioner—

Q127 **Chair:** I am just interested that you talk about how good all the people are—well, that's great. Then you mention the integrated delivery plan, and that is the bit that we are interested in really, because whether you have good people or not-so-good people, you would hope that the integrated delivery plan would make sure there was integrated delivery.

Matthew Rycroft: Absolutely.

Q128 **Chair:** So can you tell us how that works and where there are lessons to be learned for elsewhere in the world, and where it is not going so well, which perhaps it would be helpful to hear as well?

Matthew Rycroft: Where it goes well, you have a strong high commissioner or ambassador, who oversees the totality of UK interests in a country. You have a—

Q129 **Chair:** So that leadership in countries is—?

Matthew Rycroft: It is crucial, as Sir Simon knows. You have a strong DfID office, you have strong offices representing the other functions in a typical embassy; they won't all be present everywhere, but in large places like Pakistan they probably are. And you will have a sense of collaborative working, where everyone understands how their part fits into the whole. And you will have this ability to go through, programme by programme, to make sure that there are no genuine clashes or any genuine tensions, where different parts of the mission are doing stuff that competes.

I am very confident that, having leapt into the detail of the Pakistan example, fortunately it is not an example of what would be a serious problem. I am sure those sorts of issues do arise, but I am sure they do not arise in this case. There are country-by-country systems in place to prevent them from happening, and where there is a strong system—as there is in Pakistan—these things get ironed out before they become problems.

Q130 **Lee Rowley:** Highly dependent on people, then?

Matthew Rycroft: It is—absolutely—highly dependent on people. Where it does not work is when one or other of those things is not in place. Either you do not have the high commissioner or ambassador with that strength of leadership, or you have a part of the mission that is not operating in a collaborative way. So, the leadership is crucial.

Q131 **Chair:** I just wanted to ask about the international aid transparency index. Figure 11 on page 31 throws up some interesting points. Sir Simon, why is the Foreign and Commonwealth Office rated as “poor”, and why you have been bubbling along at just over a third since 2013?

Sir Simon McDonald: A few points. First, security is one of the issues we have, so what can be published on the security elements is constrained.



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Q132 **Chair:** If you cannot talk about that—obviously, we understand there are elements of challenge there—by how much would that reduce you from 100%, roughly?

Sir Simon McDonald: To give an example from the CSSF, where we have been pushing for more transparency, we now have 83 of 90 where we publish details on the gov.uk website every quarter. The remainder is the hard core where security is a continuing issue. Another problem we have is that the Foreign Office blends ODA with non-ODA spend, which makes it more difficult to present, but we do this successfully in the field. We are convinced that that is a good way to go, because in many projects there is a security/defence element that cannot be properly sourced from ODA, but it makes presentation more complicated.

Q133 **Chair:** There is no assessment for the Ministry of Defence over the last few years. Mr Rycroft, I suppose it falls to you to police this a bit. How do you champion this across Whitehall?

Matthew Rycroft: The first thing to say is that that very word is the right one to use. ICAI found that DfID is a global champion—that was the phrase—of transparency.

Q134 **Chair:** You can champion it, but you don't have any levers to deliver it, do you?

Matthew Rycroft: As in other aspects of ODA spending, we have the power of our example, we have our people, we have training programmes and we have systems. We make those available to other ODA-spending Departments. I suspect that the MoD was not spending enough ODA in those early years to score, but we can check that for you.

Q135 **Chair:** Mr Gray, when you are allocating ODA money to other Departments—it seems the Treasury still has the whip hand on that—do you consider the transparency index, given that there is a Government commitment to deliver better on this?

Jean-Christophe Gray: The Government did. The 2015 aid strategy said there was a target to reach that, so the Government collectively made it a requirement for Departments to reach that standard. The progress towards that—the capability sharing—is one of the things that the senior officials group has spent a lot of its time over the last couple of years working on collectively and, yes, it will be one of the elements that we will consider in the spending review.

Q136 **Chair:** How much will you weight it? Sir Simon has talked about mixed funding and the security element. Obviously, there are going to be some challenges, but how do you push back and challenge and say—I do not want to paraphrase Sir Simon wrongly—"Actually, that's a lazy way of looking at it. You could easily divide this up"? Who is policing what is going on in individual Departments to make sure that as much as possible is being made as transparent as possible?

Jean-Christophe Gray: It will be a collaborative effort. Within each Department you will have teams that are working with their other



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colleagues in the Department to improve this. The people who come to the senior officials group are the official development assistance leads in each Department. Secondly—

Q137 **Chair:** That is all very well, but if there were a mad, bad or dangerous Permanent Secretary or Secretary of State who said, “We want to hide some of this money; it would be unhelpful to have it all in the public domain”—I was the FOI Minister in a Department for three years, so I know exactly what some Departments do not want to release—how would you know, and how would you be able to stop it? Would you use that to say, “You haven’t made enough progress on this index. We’re not going to give you this”? I suspect those champions on their own are not senior enough to go back and say, “We’ve got to publish more,” and just be able to do it.

Jean-Christophe Gray: I was going on to say that they are part of the system. Reports such as this one, and figure 11, are ways of bringing out the progress that has been made. Secondly, with DfID colleagues, we are assessing the progress that Departments are making. Publish What You Fund, at DfID’s request, is compiling an evaluation, bespoke for each Department, on the progress they are making. We will not have the final published out-turn—that will come from Publish What You Fund in 2020—but Ministers will be able to have the progress so far in their deliberations on the spending review. It would be entirely open to the Chief Secretary to the Treasury to say, at the time of the spending review, “For X reason in terms of transparency, we think we should shift the balance of ODA”, for example, if that is what they chose to do.

Q138 **Chair:** Ms Wallace, where are you on the index?

Harriet Wallace: We are fully engaged on this cross-Government transparency project. We are already publishing very many of our projects on the public dev tracker website, and we are working to meet the Government’s commitment on transparency by the end of next year.

Q139 **Chair:** You think that will happen by the end of next year. What about you, Sir Simon? When do you think you will have got further up than your woeful level so far?

Sir Simon McDonald: We are collaborating with colleagues at this table to improve. We know we have to improve; we have improved somewhat, and we acknowledge we have further to go.

Q140 **Chair:** Is it a bit of a clash with the diplomatic service to have to be open about discussions that you are having privately, with the wheeling and dealing nature of your—

Sir Simon McDonald: We have discovered even today, Madam Chairman, that we are a very open part of Government.

Chair: A new signal of transparency—well, there we go. It will be very entertaining for us all, but perhaps not so good for the diplomatic service.

Q141 **Sir Geoffrey Clifton-Brown:** In the light of continuing sex scandals



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within NGOs giving foreign aid, can I ask the three Departments represented here whether you are absolutely satisfied that your governance arrangements in delivering ODA programmes would very quickly uncover any of those sorts of scandals?

Harriet Wallace: We have tightened up our requirements on all of our delivery partners, and in response to recent events, we have sought extra assurances from them that they are properly following the best guidance from DfID and others on this issue.

Matthew Rycroft: Yes. On behalf of both the Department and, on this issue, the Government as a whole, we have a single, joined-up way of requiring any organisation receiving British Government ODA to give us the necessary assurances on their oversight of their processes of what we call safeguarding.

Q142 **Sir Geoffrey Clifton-Brown:** And how would you treat a whistleblower, if you got one?

Matthew Rycroft: We do have whistleblowers, and we treat them seriously and confidentially. We have redoubled our efforts in the Department since the initial Oxfam and Haiti allegations came out in February 2018. We have ensured that we have more than enough people on our whistleblowing hotline to allow anyone who has any concern at all in this area to come forward privately.

Q143 **Sir Geoffrey Clifton-Brown:** Sir Simon?

Sir Simon McDonald: I pay tribute to the work that Mr Rycroft and DfID have done, leading for Whitehall. This is a collaborative area led by DfID.

Q144 **Sir Geoffrey Clifton-Brown:** And you are satisfied that your own Department conforms to those same regulations that Mr Rycroft was talking about.

Sir Simon McDonald: Yes.

Chair: Thank you very much indeed for your time. The transcript of this session will be up on the website uncorrected in the next couple of days, and we will be producing a Report in September sometime—well, around September, depending on what is happening in the Government, when Parliament is sitting and all sorts of things, but assuming the normal course of events. Thank you.