



House of Commons
International Development
Committee

**The Future of UK
Development Co-
operation: Phase 2:
Beyond Aid:
Government Response
to the Committee's
Tenth Report of
Session 2014–15**

**First Special Report of Session 2015–
16**

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International Development Committee

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First Special Report

On 2 February 2015 the International Development Committee published its Tenth Report of Session 2014–15, *The Future of UK Development Co-operation: Phase 2: Beyond Aid*, HC 663. On 26 March the Committee received a memorandum from the Secretary of State for International Development which contains a response to the Report. The memorandum is published as an appendix to this Report.

Government response

Introduction

The UK Government welcomes the opportunity to respond to this timely report from the International Development Committee on the second phase of the inquiry on *Future of UK Development Cooperation: Beyond Aid*.

The Government appreciates the report's recognition of the UK's commitment to aid. HMG welcomes the endorsement of the continuing need to maintain development spending at 0.7% of GNI and the existence of DFID as a standalone Department represented at Cabinet level. The Government is grateful to the Committee for shining a spotlight on the recent positive assessments the UK's International Development efforts, namely the OECD DAC Peer Review of the UK published in December 2014 and the Commitment to Development Index, published in January 2015 by the Centre for Global Development. The UK ranks fourth out of 27 countries and is the only G7 country to appear in the top five in the 2015 Commitment to Development Index.

As a 0.7% donor the UK recognises that delivering commitments on aid will continue to be crucial. For example, since 2011 UK aid has helped over 10 million children go to school. Aid has underpinned the improvement in social indicators, such as the halving of child mortality and number of people living in extreme poverty. Aid will continue to be necessary in helping countries move to self-financing an exit from poverty, but we will also need to look beyond aid. The world has changed and the way we approach aid and development has changed too. Ending global poverty can only be achieved through ensuring the international system works for developing countries. The UK's approach to the post-2015 development framework and finance for development, the G8 agenda on tax, trade and transparency, and the Global Partnership for Effective Development Cooperation all demonstrate how the UK is shifting the debate to a 'beyond aid' focus.

The UK's future work on international development will need to be set within this changing international context, including the Post 2015 development framework which is yet to be finalised, and the Financing for Development agenda. Policy Coherence for Development will undoubtedly be central to the Post 2015 development landscape. DFID will continue to work with UK Government partners, other UK institutions and

international organisations to ensure coherence of policies that affect developing countries and to take advantage of opportunities that exist outside DFID to bring in skills and experience that support poverty reduction.

The UK approach has been to take a case-by-case approach to policy coherence, bringing together parts of government to work on issues of common interest. For example the response to the Ebola crisis is a truly cross government effort. Seeking out opportunities and working in the most effective way with partners for each issue allows innovation, for instance in the recent Girl Summit on ending female genital mutilation and child, early and forced marriage.

DFID will continue to explore opportunities to make our operations more streamlined and efficient. This means delivering the One HMG programme of co-location, consolidation, harmonisation and regionalisation and exploring scope for joint units. DFID will ensure staff have the skills and the knowledge needed to deliver the changing agenda in 2015 and beyond.

Response to conclusions and recommendations

Note that the recommendations and responses are grouped in a different order to that in the Committee's report.

We do not see it as necessary to explore further in this report the case for aid. Aid absolutely still matters, notably for humanitarian purposes and to support poverty reduction and human development in low-income countries. It also has a limited role helping to build partnerships with emerging powers and other middle income countries. Increased awareness of the range and scope of development challenges must not come at the expense of effective aid policy. In Phase 1 of this inquiry we recorded our full support for the 0.7% aid target. *We strongly endorse the continuing need to maintain development spending at 0.7% of GNI.* (Paragraph 15)

Agree

We are pleased to see the Committee again endorsing the continued need for aid in tackling poverty in the world's poorest places. Investing less than one per cent of our national income on aid – an internationally agreed target - will both help countries deliver the economic, social and political development they need and will create a safer and more prosperous world for the UK.

DFID will continue to drive value for money across our programmes to maximise the results achieved, and use smart aid to focus on ending the developing world's dependency on aid through jobs and economic growth.

2. As grants of aid become less appropriate in some countries, so new forms of development co-operation are necessary. *During our recent visits to countries like India, we have noted how the UK could act as a partner in a very wide range of areas, including health, law, education, culture, planning and transport. We recommend that the UK Government increase its efforts to facilitate links between the UK and*

MICs in these areas, and use a new set of approaches and financial mechanisms, a number of which we explored in Phase 1 of this inquiry. (Paragraph 21)

Partially Agree

The Government is grateful to the Committee for the insights emerging from the first phase of its inquiry. As countries develop we want to work with them to plan for a supported transition from grant aid, shifting our assistance from supporting basic services such as education and health, to providing more targeted technical assistance to help countries lead their own development, such as support for raising domestic taxes, working with local governments to target pockets of poverty, strengthening the institutions that support economic and infrastructure development; and building strategic partnerships to tackle global public goods.

We are also keen to share UK experience and expertise and agree there is scope to develop partnerships in a wide range of areas, including health, law, education, culture, planning and transport. These partnerships will help both India and the UK to create new relationships and future trading agreements.

3. We support the UK's principled stance against tied aid, but this should not stand in the way of building links between middle income countries and UK institutions. We recommend that the UK be confident about its decision to continue its 'beyond aid' engagement in middle-income countries. The UK may no longer have a traditional aid relationship with these countries, but it is spending ODA in Brazil, India and China—and is rather diffident about admitting this. We believe the Government should stand up for this course of action, rather than giving its critics opportunities by obfuscating about its perfectly legitimate activities in these countries. (Paragraph 22)

Partially Agree.

The UK is working with middle-income countries to tackle global problems, combat poverty and to address the issues that matter to poor countries. For example, the Global Development Partnership Programme supports collaboration with middle income countries including China, India and Brazil, on global development issues. DFID also works with UK Government partners, other UK bodies and international organisations to take advantage of opportunities that exist outside DFID to bring in skills and experience that support poverty reduction. For example the Newton Fund has been set up by the Department for Business, Innovation and Skills (BIS) to develop science and innovation partnerships that promote the economic development and welfare of developing countries.

4. We recommend that DFID think creatively about other ways in which it could develop non-aid forms of co-operation between the UK and MICs such as India, for example by linking up with smaller organisations, and by exporting UK knowledge in a wide range of areas. We remind DFID of ICAI's report on the Department's livelihoods work in Odisha state, which demonstrated how very good demonstration projects can have significant impact, especially when taken up by the Government of India. We support ICAI's recommendations that DFID focus on knowledge partnerships in the poorest states. (Paragraph 23) –

Agree.

DFID already creatively engages with middle income countries, building knowledge, research and innovation partnerships. There is scope to share UK experience in these areas and build collaborative partnerships for the future. For example, the UK's development relationship with India is changing. DFID will end financial grant aid to India from 2015, and will focus instead on sharing skills and expertise, investing in private sector programmes that will benefit poor people, and partnering with India on global development issues.

5. While we should continue to grant aid in some middle-income countries, we believe that as we have argued in previous reports the substantial and growing DFID spend in conflict-affected middle-income countries like Pakistan must not divert funds from poorer African countries. We encourage DFID and other Government Departments responsible for aid spending to maintain continuous improvement in management and accountability, so that well-informed, evidence-based decisions can be taken about when and where to use aid. (Paragraph 24)

Partially Agree

DFID has clear criteria for deciding where resources are invested to deliver the best value outcomes. DFID's programming is focused on countries where extreme poverty currently affects a significant proportion of the population and is projected to persist over the medium term, and where the country itself is unable to finance the reduction of poverty.

The Bilateral Aid Review identified Pakistan as one of 28 countries where people are most in need of UK aid and where aid can have the greatest impact. In Pakistan more than 60 million people (one third of the population) live in poverty on around 30p a day and it holds nearly one in ten of the world's out-of-school children (12 million) and one in eleven children die before their fifth birthday.

6. The growing profile of shared global problems, and global public goods, means we must be sure global institutions are fit for purpose. The international financial institutions must seek to include the needs of the BRICS and other emerging powers, or they will risk irrelevance. The UK Government must continue to push for reforms to the IMF and World Bank, in particular, to ensure they meet the needs of emerging powers as much as developed countries. (Paragraph 26)

Agree.

The UK will continue to push for reforms at the major international financial institutions to ensure they are relevant and responsive to the needs of all member states, including emerging powers and developing nations.

The UK supports moves to enhance the voice of emerging economies in the World Bank Group (WBG). The size of a country's economy will remain a key determinant of its influence on international organisations. The UK believes that any future reforms should take account of contributions to concessional lending organisations (e.g. IDA). At the IMF, the UK is committed to the full implementation of the 2010 quota and governance reform package and is open to discussing options that will maintain the credibility and legitimacy of the Fund.

Policy coherence for development

7. It is clear that there might be trade-offs between domestic and international priorities, as well as trade-offs between spending on poverty reduction and on global public goods. For this reason, we think it important to be clear about the overall PCD strategy. The UK will be challenged in the coming year to make significant commitments on PCD issues, including: global financial management, including shocks caused by changes in oil prices; security, in and originating from fragile states; climate change; and disease threats (illustrated by Ebola). The new SDG framework will require action on these both externally and in the UK. (Paragraph 35)

8. There are many successful examples of policy coherence in the UK. The UK's record is at the high end of international performance. However, we also note witnesses' concerns over the UK's patchy record on some aspects of PCD. We acknowledge that these are difficult issues, with potential trade-offs between national and international priorities, and between spending on poverty reduction and global public goods. We also note the criticism of the OECD DAC Peer Review that the UK lacks an over-arching strategy on PCD. *PCD is likely to grow in importance and it is therefore crucial that the UK improves its efforts in this area.* (Paragraph 37)

Partially Agree.

DFID will continue to actively seek out opportunities to work effectively, innovatively and pragmatically with other government departments, through the National Security Council (NSC), Cabinet sub-committees, and with other UK institutions and international organisations to improve and ensure coherence of policies that affect developing countries, promote global public goods and meet the Sustainable Development Goals.

For example, the response to the current Ebola crisis has required a truly cross government effort. Ten Whitehall departments, as well as four arms-length bodies, have been involved, with the Prime Minister and Foreign Secretary chairing at least 16 ministerial COBRs. In addition to a surge of DFID staff working on the response in Freetown & London, over 800 British military personnel provided command and control, logistic and medical support in Sierra Leone. Public Health England (PHE)

offered clinical expertise and prepared to staff the labs needed to increase the testing capacity of the country. UK-Med, who run the International Emergency Medical Register, led a massive recruitment drive, working with DFID, NHS England, the Department of Health (DH) and NHS Trusts to encourage NHS staff to join the response. The Foreign and Commonwealth Office (FCO) and DFID encouraged countries from around the world to contribute.

9. The legislative framework provided by the 2002 and 2006 International Development Acts has been extremely important in preserving the purpose and identity of the UK aid programme. We think it important that we have legal protection for the objectives of development assistance. In order to secure this, the aforementioned acts would need to be updated. *We conclude that both Acts should be updated to reflect the wider purposes on the UK's international development efforts.*

And

11. We also note that the 2006 Act is based on the MDG framework which will expire in 2015. The Act will need to be amended or replaced once the new post-2015 Sustainable Development framework has been agreed. The new framework will inevitably include much wider set of Beyond Aid goals and targets. We recommend that the International Development (Reporting and Transparency) Act 2006 be revised or replaced once the post-2015 Sustainable Development Goals have been agreed. (Paragraph 45)

Disagree

It is too early to say whether the legislation will require updating following the agreement of the post 2015 framework. The Department will keep its legislative arrangements under continual review. Future administrations will consider whether updates are desirable or necessary.

10. *Policy coherence is increasing in importance. We recommend that DFID improve its reporting on PCD, in line with the requirement under the 2006 International Development (Reporting and Transparency) Act. Specifically, we recommend that the current short section within DFID's Annual Report is expanded.* (Paragraph 44)

Agree.

The Departmental Annual Report will continue to meet DFID's obligation to report on its achievements and progress toward the Millennium Development Goals in line with the International Development (Reporting and Transparency) Act 2006.

As DFID's activities adapt to meet the challenges of implementing the post 2015 agenda, DFID's Annual Report will also evolve to include greater reference to the broad range of DFID's policy coherence and beyond aid activities.

How the UK's approach should change

12. We support the continued existence of DFID as a standalone department represented at Cabinet level. Several donors have recently changed the way they structure their development approaches. We heard useful evidence about their new models. The UK is now an outlier in having an independent cabinet-level ministry responsible for both policy and implementation. It is too early to judge the benefits of other donors' new approaches. It may be that greater integration leads to close coordination between diplomacy, defence and development; or it may, conversely, be the case that integration leads to the co-option of development in the service of other national interests. Approaches are likely to be highly context-specific, and, as the OECD DAC says, mergers risk losing technical development expertise, which is more important than ever with a Beyond Aid approach. *We believe that no one cross-departmental model will guarantee a successful approach, and that other factors are likely to be more important, including political will, and the ability to develop and use the right cross- Government structures. (Paragraph 59)*

Agree.

Development is a strategic agenda for the UK Government. The continued existence of DFID as a standalone department ensures development issues are appropriately reflected in discussion in Cabinet, Cabinet sub-committees, and relevant cross departmental bodies. DFID is able to work together with other Government Departments and to set the agenda as an independent department. This supports the delivery of Policy Coherence for Development. DFID plays a central role in this integrated, cross-government approach.

13. We recommend that, in its response to this report, DFID consider the options for better management of cross-Government working set out in this chapter. (Paragraph 62)

See responses to specific recommendations as follows below.

14. The case for DFID's continued existence as a standalone department will be made stronger if cross-government structures ensure collaboration with other Departments is as efficient and coherent as possible. Witnesses put forward a range of possible approaches, from creating cross-Government taskforces, to ensuring that Operational Plans harmonise with FCO and other Government department strategies. (Paragraph 71)

15. We are reserving our specific recommendations for security, where improved cross- Government working is crucial given long-held concerns that the development agenda perhaps is downplayed to military priorities. (Paragraph 71)

16. We continue to support the existence of the NSC as a way of improving cross-Government working. However, we received mixed views on its efficacy as a cohering

framework for UK policy. At the moment the NSC fails to give adequate priority to DFID's concerns, and in particular conflict prevention. Any structure is only as good as the efforts invested in it. It is vital that development issues are accorded sufficient priority, and are not "bolted on" to existing military strategies. This will necessitate a broad understanding of security, which encompasses all the issues at stake in conflict-affected countries, including governance, the economy and social investment. Conflict prevention must also be a key priority: not only is it the right thing to do, but it repays the initial investment many times over. *We recommend the NSC to take a broader view of threats to UK security, and ensure that development is given the priority it deserves. We urge the Government to ensure that conflict prevention remains a crucial part of NSC activity.* (Paragraph 72)

Partially agree.

We agree on the importance of the NSC taking a broad view of threats to UK security. The nature of conflict and instability internationally is increasingly complex. The UK requires a fully integrated approach that draws from the full range of our development, diplomatic and defence capabilities, and prioritises conflict prevention.

We disagree that the NSC does not already take this approach. The NSC takes a broad view of UK security issues and the DFID Secretary of State, as a permanent member of the NSC, helps to ensure that conflict prevention and wider development considerations are at the heart of NSC decision making.

17. The Secretary of State told us that One HMG has been very useful. *We welcome the advantages of One HMG on a practical basis, and strongly endorse the concept of collocated offices being more streamlined and efficient. We agree that it is important culturally for FCO and DFID teams to feel they are part of one team. We also endorse the joint units run between DFID and DECC in India and Indonesia. They provide an important way of having long-term influence whether or not an aid programme is in place. We recommend that DFID look at opportunities for introducing joint units in other locations, especially in middle income countries, or where aid is of declining relevance.* (Paragraph 77)

Agree.

We will continue to explore opportunities to make our operations more streamlined and efficient, through One HMG and joint units. Co-location has happened in most posts which helps teams to work together more efficiently and represents value for money for HMG. DFID is regionalising some aspects of its operational model, setting up hubs in New Delhi and Pretoria.

The Committee was interested in more information on how the FCO's approach to human rights links to DFID's approach to development in Ethiopia. DFID and FCO work together closely on both agendas in Ethiopia – as part of a comprehensive overall

HMG engagement, which includes regular joint assessment and monitoring, and joint dialogue with the Ethiopian authorities.

18. To confront the new challenges we have described, DFID will need to develop skills that enable it to influence organisations and people in internationally, across Whitehall and in developing countries. These skills will include an enhanced language capacity. Some DFID staff have excellent language skills and are clearly able to exert influence with local interlocutors. It is also important that DFID make the most of locally recruited staff. *In light of the increasing significance of beyond aid issues, we recommend a competence review covering DFID's internal skill set, and also its role in influencing the approaches of other government departments and international actors, including multilaterals. DFID has a lot to learn from the FCO and other departments in terms of competences and vice versa. Ideally we would like to see a combination of the traditional influencing skills of the FCO and the project management skills of DFID.* (Paragraph 86)

Partially Agree.

DFID always looks at immediate and future business needs and works to ensure that staff have the skills needed to deliver. A skills audit is undertaken annually to check we are developing the skills we need to deliver on our objectives in line with the Civil Service Reform capability priorities.

19. With regard to independent monitoring and evaluation, we note that both the National Audit Office and the Independent Commission on Aid Impact have roles to play. We encourage the NAO ensure that PCD issues are fully reflected in its work. (Paragraph 89)

20. *Finally, with regard to Parliament, and specifically our own work as the International Development Select Committee, it goes without saying that we take our responsibilities for PCD extremely seriously. However, we have been constrained in the inquiry by the refusal of the National Security Adviser to appear before us. We recognise that parliamentary scrutiny of the National Security Strategy and NSC is led by the Joint Committee on the National Security Strategy (JCNSS). However, we also believe that the NSC should be accountable to other Committees, including ours, so we can test whether it is taking adequate account as such issues as conflict prevention. Select Committees must have access to all relevant branches of Government to complete their work. We support close working between other relevant select committees on PCD issues. We trust that our successor committee will continue to take a focus on a wide range of development including PCD, and working in partnership with developing countries, rather than a narrow focus on the delivery of aid programmes.* (Paragraph 91).

Disagree.

Parliamentary scrutiny of the National Security Council is of the utmost importance to the National Security Adviser and the wider Government. That work is led by the Joint Committee on the National Security Strategy (JCNS). The JCNS comprises members of both the House of Commons and the House of Lords, and scrutinises the National Security Strategy and the structures for government decision-making on national security, particularly the National Security Council (NSC) and the National Security Adviser.