

THURSDAY 21 MAY 2009

Present

Anderson of Swansea, L
Chidgey, L
Crickhowell, L
Hamilton of Epsom, L
Inge, L
Jay of Ewelme, L
Jones, L
Swinfen, L
Teverson, L (Chairman)

Witnesses: **Mr Gareth Thomas MP**, Under-Secretary of State, **Dr Tamsyn Barton**, Deputy Director, Europe Department, and **Mr Marcus Manuel**, Director, Pan Africa Strategy and Programmes, Africa Directorate, Department for International Development, examined.

Q1 Chairman: Minister, can I welcome you and thank you very much for attending, and I hope it is a way in which we can make our ties with DfID stronger than they have been in the past. Certainly the department's work is something that a number of our members have been particularly interested in and have a growing interest. If I could just go through the house rules, as it were, the evidence session is in two parts, as you know; firstly generally around DfID matters, but then moving on to our EU-China study, particularly in relation to Africa. Both of these are a public event, and so are webcast. They also are transcribed, clearly we will send you a copy of that transcription, and if there are any errors in that, then please do come back to us. We normally finish the evidence sessions by around midday, but I am not sure if you need to get away before that, or exactly what timing you are expecting. Slightly less than that, by the looks of your face, I am not sure.

Mr Thomas: I am at the Committee's disposal.

Q2 Chairman: Excellent, that is a good start. I was going to ask whether you would like to make an opening statement of any sort, but perhaps also you would like to introduce your colleagues to the Committee?

Mr Thomas: Lord Teverson, thanks very much. I wonder if I could just introduce, as you say, Marcus Manuel, who is one of the directors of our Africa programmes, and Tamsyn Barton, who is the head of our Europe department. I have no opening statement to make, I am happy to take questions.

Q3 Chairman: Yes, really starting off on a broad theme, on EU development co-operation, what is the Government's assessment of Europe's response to the impact of the global financial and economic crisis on developing countries, obviously something that is very much in our mind; and what bilateral discussions, if any, did you have with development ministers from other Member States? So it is really particularly around the effect of the global economic crisis on the work of development.

Mr Thomas: We have actually been working very closely with a number of European countries directly, and with the Commission and other parts of the EU architecture, for want of a better phrase, particularly in the run-up to the G20 summit. One of the lessons which members of the Committee will be familiar with from previous recessions, in terms of the Government's analysis of how previous recessions have impacted on this country and other countries, is that often the response to the needs of the poorest has not been as good as it might have been. One of our concerns, particularly my Department's concerns, has been working with the rest of government and then with allies to make sure that we are doing all we can do to try and help mitigate the impact of the global recession on the world's poorest. So with that in mind, we have been seeking to do a number of things: firstly, to try and make sure at the very minimum that the commitments that EU countries have made in terms of overseas development assistance are stuck to. Obviously, in particular, those programmes

that kind of directly help the most poor, so those that you would classify as being directly related to the millennium development goals, or those that are helping in terms of the productive aspects of countries, societies, those that deal with and encourage economic growth. Two specific things that we have pushed for both in the run-up to the G20 and have continued to track since, most recently as Monday and Tuesday, were trying to get the EU to agree a new vulnerability instrument, the FLEX, which seeks to provide funds to help some of the social spending programmes in developing countries, to be able to continue, given the loss of revenues that some countries are seeing as people lose their jobs, et cetera. Secondly, I mentioned productive capacity and economic growth. We want to see more investment in that part of the development response to developing countries' needs, so we have been pushing for an additional €200 million for the EU-Africa infrastructure trust fund as well. I was in Brussels on Monday and Tuesday for the General Affairs Council, for the development part of that council, and again pushed in a sense European states to firstly follow through on aid commitments, keep the commitments that are there, and secondly to continue to deliver on operationalising the new vulnerability instrument. I can happily try and list all the different conversations that I have had with development ministers, but I hope, Lord Teverson, that gives you a flavour of the discussions I had.

Q4 Lord Anderson of Swansea: Minister, you have said that we have had conversations on this, we pressed on that. What is the evidence of the effect? Am I correct in saying that a number of countries are already falling behind on their millennium development goal commitments? Is there any evidence that they are now falling further behind?

Mr Thomas: I think there is no doubt that we will see slower progress to meeting the millennium development goals as a result of the recession. There is evidence, I think, from the World Bank that an estimated 50 million people will lose their jobs, I think, by the end of the next year globally as a result of the global recession. The bulk of those, not exclusively

so, but the bulk of those will be in developing countries, so we know, for example, in Zambia, that some of the copper mines have laid off considerable numbers of people, that is just one example. Obviously, that is one very direct example of people in a sense having seen the development progress in countries like Zambia in recent years, then inevitably there is going to be a step back from that progress. Our effort is therefore to try and mitigate as much of the impact as we can do of the impact of the recession, trying to make sure that social spending programmes continue, investment in schools and healthcare, and in infrastructure, for example, as well. But there is no question that the impact of the global recession, in my view, will result in slower progress towards meeting those goals.

Q5 Lord Anderson of Swansea: Does that mean that individual partners are reducing what otherwise they would have paid under the MDGs?

Mr Thomas: Oh, I see what you mean. In terms of some developed countries, in terms of the donor commitments that they have made -- I beg your pardon, yes, there is evidence that the rate of growth in development budgets in some countries has slowed, and in some cases, there have been cuts in development budgets. One of the reasons why we have sought to continue at a European level, in discussions with the General Affairs and External Relations Council, to continue to press for ongoing commitments for countries to meet their overseas aid commitments by 2015, the commitments that were made in the run-up to the Gleneagles summit, is to keep the spotlight and the pressure on, in a sense the reverse pressure, for countries to maintain development spending, where obviously in some countries there is pressure to cut development spending.

Q6 Lord Hamilton of Epsom: It seems that much of Europe is actually in recession and going backwards. That must mean, surely, that the VAT receipts are not going to rise, they

are going to fall. Is it not in those circumstances rather ambitious to have an idea of spending another €200 million on Africa, when actually the budget must be getting tighter by the day?

Mr Thomas: Well, I do not share your view. I think inevitably you have to make choices in terms of how you spend the assistance that each country can do, and what we know from previous recessions is that if you continue to invest in the productive capacity of a country in key infrastructure, you are likely to be able to see that country emerging quicker from recession than if you did not put that investment in. So I actually think we need to do more to try and get investment into infrastructure and programmes and not less. If I may, Lord Hamilton, in April in Lusaka, Britain helped to convene an international conference with southern African and eastern African countries with some of the major donors, including the Commission, but also the World Bank and the African Development Bank, precisely to secure agreement for further finance into roads and railways, ports and other key infrastructure, so that we can resolve some of those trading barriers caused by poor infrastructure.

Q7 Lord Anderson of Swansea: But billions have been spent on Africa, have they not? Do you think we have good value for money on that? We do not seem to have an awful lot to show for it.

Mr Thomas: I think we have more to show than some think. The progress in terms of getting children into school has been considerable, you can chart a series of countries where there has been rapid progress, Ghana, Zambia, another example of Tanzania, countries where progress in education has taken place, to give you just one example. Similarly, there has been progress in healthcare. By no means perfect, I would not want to give the Committee a sense that everything is hunky dory, and we are going to achieve the millennium development goals in every country, that is clearly not the case, but can we show where our aid money has made a difference? Yes, I believe we can do. If the Committee wants, I would be very happy to provide a series of examples to reassure members.

Chairman: I think that would be very useful, thank you, Minister.

Q8 Lord Chidgey: My question really follows on a little bit from Lord Hamilton's, so I will try to keep it short. Minister, you have mentioned to us that you are supporting a €200 million investment fund from the EU to Africa. There is a slight distinction I want to ask you to make between investing, an aid programme and a development programme. It is not quite clear, when you talk about infrastructure investment, which is, if you like, the meat and drink of aid programmes to try and improve infrastructure, compared to investment in -- I think your words were the productive capacity of a country. What are the principles, what are the guidelines that are operating, in terms of those sort of investments in the productive capacity, the commercial and business side of development of an African country through the EU?

Mr Thomas: Let me try and do justice to a question which can provoke a three-day conference, in a sense.

Q9 Lord Chidgey: I am sorry about that.

Mr Thomas: By productive capacity, I mean investment in infrastructures, it makes it easier for businesses to trade with each other, both in-country and cross-border. We have programmes that spend money on what is called aid for trade, which might be the infrastructure programmes, it might be capacity building in all sorts of other ways to try and help the economic sector of a country continue to develop. As you say, we have then spending programmes in other areas, in education and in health, to tackle environmental sustainability, et cetera; and then a whole series of ways of monitoring how that money is being spent, and the European Commission then have similar processes to monitor how money is spent. One of the areas where we think that the Commission has a particular advantage, in terms of expertise, is in infrastructure and development, and that is one of the areas where we try to work with them quite closely. So the conference that I referred to in my

answer to Lord Hamilton that took place in Lusaka, the North South Corridor Conference, it was called, was an area where we did work extremely closely with the Commission, both the Trade Commissioner, who is one of our and your own in that sense, Lady Ashton, but also with the Commissioner for Development, Louis Michel.

Q10 Lord Crickhowell: I do not want to jump ahead and widen to questions we are going to come on to on China and so on, but one specific really question related to definition, when you talk about infrastructure. When we met Commissioner Michel's cabinet, we were asking questions about the difference between the way China does its infrastructure policy and the way the EU, and the very specific point he or one of his cabinet made was that it is no good just building roads, for example, because they get neglected and collapse and very soon are wreckage; you have to develop a transport policy and a policy wholly connected to make the infrastructure work. Would you just like to develop that a little bit? I mean, that was clearly what the EU felt it was doing. How far does DfID, when it says, "Okay, infrastructure", develop that into a coherent whole, that makes the infrastructure actually useful?

Mr Thomas: Can I do that by taking another example first, just to take education? People can understand that you have to build a school and you have to recruit teachers, and you have to pay for equipment, but you also, as you recognise, have to have a system in place then to support that school being built, those teachers being recruited and trained, that equipment being bought and provided and accounted for. You are absolutely right to say it is not just enough to stick the tarmac on the road, you have to then have the system behind it. So you have to try and make sure that the developing country has the road fund maintenance funding available, that it has the engineering capacity in its Government departments to track how that infrastructure spending is taking place. Some of the reviews that are done both by the Commission and by ourselves focus on that system-wide response, not just the bricks and mortar side of a particular programme, so we look to make sure that the whole objectives of

a project have been met, not just the instantly recognisable results of kilometres of tarmac laid, or numbers of schools being built.

Q11 Lord Anderson of Swansea: Minister, how do you meet the argument that much of the potential benefit of development in Africa is dissipated by a booming population, in a country like Nigeria, for example, where the development can be overwhelmed by a booming population which overwhelms the health system, the education system and leads to deforestation and environmental problems? Does the European Union and does the UK have any population dimension to its aid policy?

Mr Thomas: That is a bit like Lord Chidgey's question, you can have a three-day conference on that question. Let me try and give a short answer in response. We are very conscious of where population growth levels are arising fast. I think of not just Nigeria, but there are a series of other developing countries, often countries where there has been conflict in the past, where population is growing rapidly. There is obviously not a direct correlation between levels of poverty and population growth, but all our broad evidence and sense is that in countries where population growth is rising, in a sense, you need to try to get to work faster and better with the developing country and concern to meet the commitments on the millennium development goals, to get better health, to get better education --

Q12 Lord Anderson of Swansea: And also to reduce the population increase.

Mr Thomas: Well, through better education, you do see often better or reduced levels of population growth. I have to dig out the statistics and perhaps give you a fuller letter on how we see the links between population growth and our aid programmes, but if that is something the Committee wants, I am happy to provide it.

Chairman: Thank you very much, Minister. One of the things I should have made clear earlier on, if Dr Barton or Mr Manuel want to come in at any time, that is entirely fine, but perhaps I could ask Lord Hamilton to take the next question.

Q13 Lord Hamilton of Epsom: What are the mechanisms in place to supervise the spending of EU development funds to ensure they are well spent and represent value for money, and what are the mechanisms by which DfID oversees the development activities of the European Commission?

Mr Thomas: Well, there are a series of ways in which we supervise spending of EC development programmes, let me start with the EC, from in-depth evaluations that look at, as I said in answer to Lord Crickhowell, not just the bricks and mortar element of a programme, but also the systems behind the bricks and mortar part of the programme. You will be familiar with the Court of Auditors, which is another way in which part of the European architecture supervises development spending works. The Court of Auditors will often use in-depth evaluation reports, if they have been done in the particular area they want to investigate, and take that on a stage further. There is another form of monitoring of more specific projects, the results oriented monitoring system, forgive me for the title, where that, in quite a simple sense, looks at whether what was planned to be done has been done, or whether it is on track to be done. There are a series of internal reviews, mid-term reviews of particular funding programmes, so you can review progress at different points and make adjustments to programmes. How do we get involved in those reviews? Well, we get involved both at country level, where we have a strong country presence, our staff in offices there will talk to the Commission about how they think particular Commission programmes are going. If we have concerns, we will flag those concerns at a country level, and through our European unit in the Department back into the Brussels machinery. There will be discussions in Brussels through working groups to review particular spending instruments,

and how they are working in practice, and on occasion at ministerial level, when there are discussions around budgets for the European Development Fund, or more generally, then you can have the opportunity to raise concerns if one needs to do that.

Q14 Lord Hamilton of Epsom: Chris Patten, as you know, at one stage was the Commissioner responsible for this in Europe, and previously he had been Secretary of State for Overseas Aid or whatever it was here, he used to complain that proportionally, he had far fewer staff in Brussels than he did in London to manage these aid flows. Has that situation changed? There is still quite a lot of criticism that the EU distributes aid very badly. Is it not time we started to repatriate some of this aid if it has not been well spent by the EU?

Mr Thomas: In terms of country staff, yes, it is changing, it has changed quite substantially, but frankly, it could change some more. We do need to increase the capacity of what are called the EC delegations, our equivalent of DfID offices or embassies. But there has been a dramatic change in the quality of aid, and that is partly because of the increased capacity of staff from the European Commission in the developing countries. So I think the difference in quality is quite dramatic, between the time when Chris Patten was there and now. Do I think we should repatriate aid from Europe? Absolutely not. I mean, I just think about the huge number of donors that are in the developing countries already, and the huge pressure that puts on the developing country government to deal with all those different donors. There are already a number of major European donors in-country, working with the developing country government. If you repatriated aid and all 27 Member States had to set up missions as a result to provide development assistance, you increase the pressure on the developing country, so they are spending all their time meeting officials and staff from Member States, instead of being able to actually get on with the job of meeting the needs of their population. So what we actually need to do is to encourage donors to harmonise their aid still further, to be willing to work together much more directly, and so by working through the Commission on

occasion, we try to focus in on the areas where we have a very direct comparative advantage, and I suggest that education and health are two of the areas where we have particular expertise. We do think the Commission has expertise in, for example, the big infrastructure programmes, and it is much more sensible for us to allow them to get on with doing those infrastructure programmes, rather than us trying to recruit huge numbers of engineers, et cetera, to monitor new infrastructure programmes that we might otherwise do. Frankly, that type of co-ordination we have to increase, so we have been pushing for further aid harmonisation, to use the jargon of the time. There was a conversation in the Accra in October last year to see what further steps we could get the major donors to agree to sign up to, to reduce the lack of co-ordination that many developing countries are faced with from the way donors operate.

Q15 Lord Swinfen: What proportion of our development funds are siphoned off by the EC or the EU in the way of administrative charges?

Dr Barton: I would not say that any of them are siphoned off. As already mentioned by your colleague, the Commission is quite leanly staffed. Only, I think, about 7 per cent of its costs are administrative costs, and that is staff and associated costs. That is much lower, for example, than the World Bank.

Q16 Lord Swinfen: That 7 per cent is on top of the percentage that is removed in this country from our development funds for the cost of running DfID?

Mr Thomas: But with respect, we cannot have it both ways. We cannot have a situation where we simply hand money over to a developing country and then do not have the staff to track how that money is being spent. And that is partially the administrative costs.

Q17 Lord Swinfen: I asked what cost was coming off from the EU. I am not saying that we should not track the money.

Mr Thomas: But with respect, the EC also needs to have staff in-country; exactly the complaint that Chris Patten made, that he did not have enough, frankly, call it what you will, administrative capacity, in the developing country, on hand to monitor how EC spending was taking place, and to actually support that developing country to make sure the money was well used. I would completely agree with you that we have to try and bear down and minimise those administrative costs, but we also have to recognise that some of those costs are essential, and entirely right, if we want to support the developing country, and if we want to make sure that our aid is well spent.

Chairman: I am going to bring Lord Chidgey in, but one thing just struck me, I remember a conference actually with Dr Barton, and the German delegate there said, “In Germany, if we were offered aid from 27 different nations, we would find it pretty confusing as a developed country, let alone as a developing”, which is part of trying to get this balance right.

Q18 Lord Chidgey: One of the complaints that has arisen in some developing countries in Africa is part of the aid disbursement programme is a huge proliferation of previously unheard of NGOs, which sort of lock into the ability to have access to the development funds and disburse them in the country somewhere, which comes back to the tracking aspect: what mechanisms does DfID have for tracking, if you like, for the control of funds that are disbursed in that way to otherwise previously unheard of local NGOs?

Mr Thomas: Well, we will not simply give money to an NGO we have not heard of or have not worked with.

Q19 Lord Chidgey: But the country might that you are giving the money to, if you are disbursing directly to the country.

Mr Thomas: I see what you mean, if we are disbursing money through budget support or sector support, et cetera, into the developing country. What we do is to make sure that we work with a country on their public financial management systems, and that we at the same time work with them when it is necessary to help them develop the structures they have in-country to monitor that public financial management. So on occasion, we have helped countries set up the equivalent of our public accounts committee, or to develop the capacity of their equivalent of our national audit office, so in that, in a sense, very institutional way, we will be engaged, and our staff in-country will, particularly in our bigger offices, usually have a pretty good feel for the civil society networks.

Q20 Lord Chidgey: Any oversight, any vetting?

Mr Thomas: There is oversight of our civil society spending. Our EC delegations have to oversee how their money is spent, if it has been allocated to NGOs, the EC has a spending programme for working with civil society organisations, but in a sense, the best thing we can do to make sure the developing country is spending its money well, be it through government departments or be it through civil society groups, to help them toughen up their public financial management systems, so we put quite a bit of time and effort into exactly that.

Q21 Lord Jones: Do you support the move towards the provision of a greater proportion of EU aid through budget support, by which funds are transferred by a donor directly to the exchequer of a partner country? It follows the question: does this form of support allow for strict monitoring and auditing of the aid itself?

Mr Thomas: Well, the short answer to your question is yes, but. I will give a little bit more explanation. Yes, there are very good reasons for wanting to increase budget support, and in a sense, I hope I have alluded to some of them in other answers. Let me just run through some of them. You are giving increased ownership to the country, the resources that are

coming into that country, to properly support what that country wants to do. You are actually helping to achieve a more stable macroeconomic framework in that country, because the country is having to in a sense be clear about all the resources that are coming into the country, they are on budget and can be tracked, et cetera. I alluded to some of the reduction in administrative costs that comes from giving money through budget support. You know, I could go on. The but is we have to have confidence in the country's commitment to wanting to reduce poverty for all its citizens, we have to have confidence that they want to do the right thing in terms of public financial management, and we have to have confidence in their commitment to certain key political freedoms, for example, around human rights. We do have a series of mechanisms for monitoring and for auditing how budget support is working, and we do have, in the agreements that we sign before budget support is committed, opportunities to withdraw from budget support, to suspend it, to delay it, et cetera, if we have concerns about particular things that are going on. So, for example, in Tanzania, we delayed budget support spending because of problems that there were in the Bank of Tanzania at the time. Now once it was clear that the Government were trying to sort those problems out, getting rid of a number of staff, we again disbursed, or the Commission again disbursed budget support. So there are ways of monitoring and auditing, but yes, in general, I think it is a good instrument to use, but we would not, of course, use it in a country like Zimbabwe or Burma, for all the obvious reasons. A country like Ghana, we would obviously see it as being a much more sensible thing.

Q22 Lord Jones: The department, if not from your own experience, does recollect instances of misuse and builds on the knowledge of that, to avoid further?

Mr Thomas: We are trying to learn all the time from how aid is spent. We have increased our efforts to monitor how our own spending is managed. Part of the reform programme that Chris Patten and Neil Kinnock's pressures forced the Commission to adopt, I think in

1999/2000, has led to much sharper monitoring of European Commission spending in general, including in development, and we have tracked that process, pushed for further improvements in the way audits are carried out and in the way monitoring happens, and we are going to carry on pushing for further improvements.

Q23 Lord Jones: The how of monitoring, is it anecdotal, first, is it from the embassy? How do you get that insight, that information? What leads to action?

Mr Thomas: On occasion, an in-depth evaluation will take place, by Commission staff. You can have the Court of Auditors, who are independent of Commission staff, doing investigations, they will often use existing evaluation reports and go a stage further. We have our own way of seeing whether EC programmes are delivering, and if we have concerns, we can raise those concerns. Similarly, if other Member States who are working in areas where the Commission have particular programmes have concerns, they may talk to us, they may raise their concerns in-country with the head of the EC delegation whose responsibility it is. We will talk about such issues at country level, so DfID staff in Zambia or Ghana will work with other donors, looking at particular donor programmes, they will talk about how it is working. If it is an EC programme, that will be fed back to us, and it will be fed back to Brussels, and conversations will take place in Brussels around that. So there is a whole swathe of ways in which monitoring and auditing of programmes takes place.

Chairman: We need to move on on this question, but before we move on to EU-China, I know Lord Jay would like to bring up a particular issue around confidence.

Q24 Lord Jay of Ewelme: Thank you, I wonder if I could take us slightly off piste at the moment and ask about DfID attitudes to funding conflict prevention and peacekeeping in wider Europe and elsewhere. It is an issue which the Committee has been quite concerned about following recent Government announcements on planned reductions and

reprioritisations of expenditure. I think many of us would understand the budgetary constraints, but cutting back on conflict prevention and peacekeeping I think looks certainly to me like cutting back on an insurance policy against far higher expenditure on conflict itself or on reconstruction later on. I wonder if you could just say something about how DfID sees its approach to funding conflict prevention, and also how you see the relationship between the three departments most concerned, DfID, FCO and MoD, working on this issue at the moment?

Mr Thomas: Well, I completely agree with you that conflict prevention is a very significant issue, and it is actually something we would want to do more of, not less. The reason for that is simply just the location, where large numbers of very poor people are. I would not want to be held to this particular figure, but my understanding is I think about 60 per cent of the world's poorest are in conflict affected or, to use the phrase, fragile countries, where conflict prevention work is clearly necessary. We are currently working on a White Paper which will address a series of sort of global challenges, both in terms of the recession and, for example, climate change, et cetera, and conflict prevention will very much be an element of that White Paper, and I hope that any concerns that the Committee might have that we are somehow backing off from work on conflict prevention will be addressed once you have the chance to study the report. Perhaps just one other thing, if you like, at a more strategic level, that I should just flag, is we have had this year for the first time a conference on development which the department has hosted, and one of the key parts of that two-day conference focused on conflict prevention issues. So again, I hope that gives you some confidence that this is an issue that we are not in any way backing off from, quite the reverse. In terms of co-operation with your former colleagues in the Foreign Office, and also in the Ministry of Defence, firstly, as you will be aware, from your own past, there are close discussions at senior ministerial level. I often meet with my counterparts certainly in the Foreign Office fairly regularly, and

on occasion, where necessary, with MoD colleagues. The departments talk very closely together. You will be familiar with the provincial reconstruction team model, where representatives of all three departments in effect were in-country, and to be honest with you, not exactly that version, but I am sure in many conflict affected countries, we will want to step up that defence, diplomatic and development working together to get an even sharper response.

Q25 Lord Jay of Ewelme: If I can just follow on, do you see a case within Whitehall for a stronger single conflict prevention pool which would bring in money from the FCO, from the MoD and from DfID, to ensure that at the beginning of a potential conflict, all the departments concerned are putting in the resources necessary in order to strengthen conflict prevention?

Mr Thomas: I can see why you would make that case. I think the key thing is that the departments have to talk together, and in a sense, it does not matter what particular funding instrument you have if people are not co-operating closely at senior official and ministerial level. The current Secretary of State, as previous Secretaries of State have also done, they have made very clear that they expect officials in the department to work closely with Foreign Office colleagues and on occasion where necessary with MoD colleagues, to get the response right not only in an Afghanistan, but also in a DRC as well. So I believe there is very strong collaboration in the DRC between the embassy there, for example, and the DfID staff.

Dr Barton: I just wanted to add something to reassure you, because I am also responsible for the Balkans, so therefore, in that context, I have come across the problem that you allude to, which was as a result of exchange rate changes, there was a big impact on the Conflict Pool's budget, and we worked together at country level with our colleagues particularly in the embassy but also defence attachés and MoD, and what DfID has done, even though we have rather small programmes there, we have made sure that all the priority projects under the

conflict pool were funded from DfID's own funds, rather than see those joint projects get lost. So I think the co-operation over the process of ensuring that the conflict pools continue to deliver, despite the impact of exchange rate changes, has been very good.

Q26 Lord Anderson of Swansea: The conflict pool may continue to deliver, there may be a White Paper in prospect, but the fact is, it is surely difficult to reconcile the commitment to conflict prevention with a reduction in the non-discretionary element in costs.

Mr Thomas: Forgive me, Lord Anderson, I am not sure what your --

Q27 Lord Anderson of Swansea: Sorry, there are two elements, are there not? There are some which we are committed to because of international agreements, and there is a discretionary element. Is it not correct that the cash available for the discretionary element has been reduced?

Dr Barton: This is as a result of the exchange rate changes, I think that is what you --

Q28 Lord Anderson of Swansea: Wholly?

Dr Barton: The peacekeeping costs have increased enormously, I understand, which is non-discretionary. Also some existing support arrangements for secondees and so on at the moment are non-discretionary, and certainly that has squeezed the discretionary. I am not aware of any other forces which have reduced -- you would know on the Africa side the discretionary proportion.

Mr Manuel: I am actually the senior reporting officer for the Africa conflict prevention pool which has now become the programme, so I have been very involved in this whole process. That is absolutely right, the exchange rate has been the entire reason why there has been a reduction, and in fact some additional money was found from various budgets at a collective level from the three Departments to try and offset that to some extent, it was not possible to

wholly offset it. But can I just echo, there is an extraordinary amount of work that happens on a tri-departmental level in-country, and the bids are built up from in-country, they are then submitted by the FCO Head of Mission to a collective group in Whitehall, and we then make decisions about allocations of that money and then recommendations are put up to three ministers. It is an extraordinary and I must say incredibly successful example of the tri-departmental approach, whether it is in-country at ministerial or whether it is at senior official level. The fact that we have managed to take a cut in the Africa side of 50 per cent, which is what the announcement was, but yet still maintain an incredible strategic thrust in what we are doing and do it in a very prioritised way, I think reflects the fact that the three Departments have managed to work together in that kind of way, but I am happy to brief you on that in more detail.

Mr Thomas: Lord Teverson, perhaps I should say, as Lord Jay will know, on occasion, senior Foreign Office officials and senior DfID staff have travelled together to look at programmes of work. You know, we have our differences of view from time to time with other Government departments, which is entirely normal, but the working relationships are, I would suggest, probably better now than they have ever been.

Lord Jay of Ewelme: Perhaps I could just say, having spent a good chunk of my career in what was then the Ministry for Overseas Development and a good chunk in the Foreign Office, I understand the pressures from both sides on this.

Chairman: I am sure this is an area we will continue to take an interest in, and I am sure our desires and objectives are much the same as your own. Perhaps we could move on to the China/Africa/EU aspect.