Government Response to the Committee's Tenth Report of Session 2013–14

Second Special Report of Session 2014–15

Ordered by the House of Commons to be printed 8 July 2014
The International Development Committee

The International Development Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Office of the Secretary of State for International Development.

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The Reports of the Committee, the formal minutes relating to that report, oral evidence taken and some or all written evidence are available in a printed volume.

Additional written evidence may be published on the internet only.

Committee staff

The current staff of the Committee are Dr David Harrison (Clerk), Chloe Challender (Senior Committee Specialist), Louise Whitley (Committee Specialist), Adam Mellows-Facer (Committee Specialist), Anita Fuki (Senior Committee Assistant) Paul Hampson (Committee Support Assistant) and Hannah Pearce (Media Officer).
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Second Special Report

On 30 April 2014 the International Development Committee published its Tenth Report of Session 2013-14, Department for International Development’s Performance in 2012-13: the Departmental Annual Report 2012-13, HC 693. On 27 June, 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 Department for International Development (DFID) welcomes this report by the International Development Select Committee, which examines DFID’s work as described in its Annual Report and Accounts 2012-13. Government responses to the report’s conclusions and recommendations are set out below.

Response to the conclusions and recommendations

Increase in humanitarian spending

Recommendation 2: We recommend that DFID do not provide funds to support disasters in middle income countries by raiding bilateral development programmes in low income countries. Other wealthy OECD countries must play their part in providing humanitarian assistance. We further recommend that DFID set out annually its provisional budget for humanitarian relief, what is held for contingencies for unpredictable events and how it will be deployed if not called upon.

Partially agree. The Government’s Humanitarian Policy commits DFID humanitarian action to be based on need alone, autonomous from political, military, security or economic objectives. We therefore do not accept the Committee’s recommendation to limit our humanitarian support to low income countries. In particular, for those countries caught up in conflict, this is development in reverse - by the end of 2013, total economic loss in Syria (a middle income country pre-crisis) as a result of the conflict was estimated at US$ 144 billion, equivalent to 276 per cent of GDP. As well as reversing decades of gains, complex humanitarian emergencies can have huge knock-on effects for surrounding countries where they increase immigration and put pressure on domestic resources, which can result in further tension, radicalisation and in turn a cycle of deterioration across generations.

We do however agree with the Committee that other OECD countries should play their part in providing humanitarian assistance and we also note that other partners are
increasingly contributing assistance, including some Gulf States. Any decision to provide UK humanitarian support takes into account support provided by others. We always encourage others to contribute their fair share.

DFID’s contribution to humanitarian emergencies is largely in protracted and chronic crises and through our core contributions to the United Nations and Red Cross. Budgets for these are set through DFID’s internal resource allocation process, which takes place after the Spending Review settlement for DFID has been determined.

DFID’s Conflict, Humanitarian and Security Department holds a small annual contingency for use in rapid onset emergencies. This contingency has historically been fully spent in-year. Any underspend would be deployed on other activities. DFID holds a central contingency that can be called upon for major rapid onset emergencies. As far as possible, resources are managed by DFID divisions during the year to accommodate emerging pressures. If central contingency is not required for humanitarian events it will be deployed on other, additional, activities. Ministers take stock throughout the year to ensure best value decisions are made on where to deploy the contingency.

**Spending on Low Income Countries**

**Recommendation 4:** We recommend that the percentage of expenditure on low income countries rise over time.

**Disagree.** The Department recognises that countries generally need less external assistance for poverty reduction as their per capita income rises, and the majority of DFID’s expenditure is in low income countries. The Coalition Government has stopped bilateral aid to several middle income countries including Russia, China and India, and is graduating out of others including South Africa. At the same time, spending in fragile and conflict-affected states, which have some of the most persistent and entrenched problems, is rising.

DFID will continue to plan to spend the majority of UK assistance in low income countries. However we believe that the eligibility for bilateral aid is more complex than only levels of income, instead hinging around the level and persistence of a country’s extreme poverty, its ability to self-finance poverty eradication, and the positive spill-over effects of giving bilateral aid to that country on the poverty of neighbouring countries. It is therefore sometimes necessary to work in both low and middle income countries using appropriate instruments, including new and innovative approaches such as non-grant based instruments in countries that are more able to finance their development needs.

**Recommendation 6:** In the case of Pakistan, it is unlikely that expenditure would be so high if the country were not having to confront Islamic extremism; if this is the case, the budget can only be justified if there is clear evidence that DFID support is effective in reducing the extremist threat. If not, we recommend that DFID consider
reducing spending in Pakistan and increasing it in low income countries. We also draw attention to our report on Pakistan and our recommendation that aid should not be increased unless the Pakistan Government increases its tax collection and the political leadership pay their fair and proportionate share of taxes.

**Disagree.** 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. It also identified Pakistan as a fragile state, in a fragile region, requiring an increase in aid to help it counter the range of challenges it faces. Extremism and terrorism contribute to conflict and instability and represent the most significant long-term security threat to Pakistan and the wider region, as well as a continued threat to the UK. The Government of Pakistan has taken some positive steps to address this, including through the recent National Internal Security Policy. The UK remains committed to working alongside the Government of Pakistan to help tackle shared threats, including through counter-terrorism and security co-operation.

Conflict and fragility are also drivers of poverty and barriers to poverty reduction. Some 60 million people in Pakistan (one in three) live on around 30p a day. In 2013-2014 DFID spent £253 million in Pakistan and expects to spend £310 million in 2014-2015 subject to project performance as well as continued progress with key policy reforms, including on tax. This investment will help create a more prosperous country that will help millions of poor Pakistanis, but will also improve stability and security in Pakistan, the region, and beyond.

Tackling the challenges faced by a fragile state, including violent extremism, requires a comprehensive approach that addresses the root causes of conflict and instability and DFID’s programme in Pakistan reflects this. First, by addressing the underlying conditions that might enable violent extremism to take root through: reducing poverty, providing basic services, increasing economic opportunities and promoting inclusion. Secondly, by supporting the Government of Pakistan to build an effective state that is better able to respond to violent extremism through supporting democratic processes and institutions, strengthening governments’ capacity to deliver core state functions, and improving safety and access to justice.

In the Government’s response to the Committee’s 2013 report on Pakistan we agreed with the Committee’s recommendation on tax collection, and in June 2014 we provided an update to our response. The Government has made it clear to the Government of Pakistan, both in public and in private, that it is not acceptable in the UK for British taxpayers to fund public expenditure in Pakistan if the Government of Pakistan is not taking steps to increase its own tax take. The UK is helping the Government of Pakistan to achieve its tax reforms and meet the target of increasing its tax to GDP ratio by 50%, including through the provision of expertise from HM Revenue and Customs.
**Budget support**

**Recommendation 8:** We note the decline in DFID’s spending on budget support. We recommend DFID assess the consequences of this decline, examining in particular the effect on countries’ capacity to provide basic services and on donor coordination.

**Agree.** The Department agrees that it is important to understand the consequences of using different instruments to deliver development support in a country, including budget support. The best way to examine the latter is through the current joint donor evaluations of budget support which are coordinated by the OECD’s Development Assistance Committee’s Evaluation Network, and of which DFID is an active member. Evaluations across Africa are currently underway (for example in Sierra Leone), and findings have recently been produced from Zambia and Tanzania among others. We will continue to input into and take account of these evaluations.

Decisions on which aid instrument is used are taken on a case by case basis and can be found in business cases for all DFID projects. Where appropriate, business cases include assessments of the consequences of moving from one way of delivering aid to another. DFID takes into account evidence and analysis of what instruments offer the best value for money for achieving the specific results that are being targeted.

Finally, while the Department’s use of general budget support is declining, where appropriate it continues to use sector budget support and other (non-budget support) ways of working with governments and using their systems which enhance partner countries’ capacity to provide basic services. Furthermore, in all of DFID’s country programmes, not just budget support recipients, it will coordinate with other donors to the extent possible.

**Managing the delivery of the 2013 ODA target**

**Recommendation 9:** DFID should provide the reassurance that its expenditure is rational and cost-effective and not rushed out at the end of the year, which is the impression that can be given by its spending profile in 2013. We recommend that DFID carefully monitor its ability to meet the 0.7% target given uncertainties about both its own spending and that of other Departments and the GNI figure, which is itself subject to regular revision.

**Agree.** DFID recognises it is important to carefully monitor the delivery of the 0.7% target. Each year DFID formulates and implements a robust strategy for the delivery of the UK Official Development Assistance (ODA) target. DFID is responsible for monitoring total UK ODA, and monitors spend across the whole of government on a monthly basis. We therefore work closely with other government departments to maintain accurate and timely forecasts with clear quantification of risks associated with forecasts. High quality, accurate management information is used on a timely basis in
year to inform decision making on delivery of the UK ODA target. Towards the end of the calendar year real time ODA management information is used to track progress.

DFID continually monitors GNI forecasts during the year, informed by the latest Office for Budget Responsibility and Office for National Statistics information. Ranges of possible GNI are prepared through the year with spending plans adjusted accordingly.

The profile of DFID’s spend is also driven by its commitments. DFID has a significant level of multilateral spend which is due towards the end of each calendar year, for example to the World Bank. These payments alone make up around half of DFID’s spend in December each year.

**Multilaterals**

**Recommendation 11:** The MAR must only be a starting point when assessing a multilateral’s ability to provide value for money in country. We repeat our previous recommendation that DFID should evaluate the comparative benefits of delivering specific aid objective between bilateral or multilateral vehicles. We further welcome DFID’s decision to undertake a thorough assessment of its work with UNDP; this should pay particular attention to its work with Parliaments and the role of making more use of the Westminster “brand”.

**Agree.** DFID agrees with the recommendation while recognising this will only be feasible and appropriate in some areas. Comparison of value for money across delivery routes will increasingly guide the decision whether to allocate resources to multilateral organisations or alternative delivery routes, as set out in our response to the Committee’s report on the Multilateral Aid Review (MAR).

The department will work to identify ways to make meaningful comparisons between bilateral and multilateral aid. We also continue to improve the availability of data on the costs and effectiveness of different delivery routes, and to work with multilateral organisations to strengthen the evidence base to guide allocation across these. DFID is currently developing programmes for 2015-16 and beyond, and as part of this we are working to strengthen the coherence of our overall portfolio within sectors and within countries, taking full account of where multilateral organisations work.

DFID has undertaken a Portfolio Delivery Review with UNDP. This takes a comprehensive approach to assessing both DFID’s core and non-core funding to the organisation and promotes a strategic dialogue between UNDP’s senior management and a DFID Director General to ensure better understanding of DFID needs and good quality delivery. In relation using Westminster expertise, DFID and the Foreign and Commonwealth Office (FCO) are working together to assess options for using UK parliamentary and party experience to strengthen democratic systems overseas. The results of this work will be used to inform our strategic relationships with major partners such as UNDP.
Recommendation 12: We welcome the changes DFID has put in place to improve the value for money provided by bilateral expenditure through multilaterals. We recommend DFID monitor these changes and report to this Committee on their effectiveness.

Agree. We are pleased that the Committee has recognised these improvements. We agree these changes are monitored and will report on this to the Committee.

Contractors

Recommendation 13: We welcome the Department’s acknowledgement of the validity of ICAI’s criticisms of aspects of its relationship with contractors and its commitment to make changes. We recommend that DFID assess the effectiveness of these changes and report to this Committee.

Agree. ICAI undertook a follow up review in February 2014 with the report included within their Annual Review published June 2014. We welcome ICAI’s broad recognition of progress to date in that DFID has undertaken significant activity in relation to its use of contractors making both procurement and programme management priority issues. Whilst we have made good progress, we also welcome that ICAI recognise DFID is at the early stages of a medium-term transformation programmes to enhance both procurement and programme management capability.

Programme management

Recommendation 15: We recommend that advisers work closely together with programme managers and take more responsibility for the management of programmes.

Agree. Improved programme leadership is at the centre of the programme management reforms currently being enacted across the Department. We are introducing the role of Senior Responsible Owner (SRO) for every project by January 2015. The SRO will be the named individual with defined responsibility and accountability for the design, delivery and closure of the project. The introduction of this role – building on best practice from across the Civil Service – can be held by either an adviser or programme manager depending on the context and the individual’s skills and competencies. We are making a parallel investment in capability to strengthen commercial and programme delivery skills and enhance accountability for decision making. The introduction of the SRO role will break down silos and encourage teams to work together throughout the programme cycle, building stronger collective responsibility for delivery.
Bureaucracy and business case procedures

Recommendation 18: There seem to have been unintended consequences of the Secretary of State’s decision to examine all business cases over £5 million, namely that staff are spending even more time than in the past on perfecting them. We recommend that the Secretary of State review her decision. We further recommend that DFID staff spend less time writing the perfect business case and more in thoroughly assessing which areas to allocate funds to and in monitoring the implementation of programmes, including by spending more time in the field.

Partially agree. We consider that the level of delegated authority and Ministerial oversight is an important part of the accountability the department has, through Ministers, to the taxpayers. Poor planning can result in serious failures. Time spent on getting the business case right can deliver efficiencies and cost control throughout the life of a project. We agree that improving monitoring and management of programmes is just as important, and have introduced streamlined rules and leaner processes, including shorter business cases, with a much stronger focus on delivery. These are designed to rebalance incentives and enable staff to spend more time monitoring and managing programmes, including field visits, while ensuring that sufficient time and effort goes into good quality programme design.

Controls over operating costs

Recommendation 19: DFID has low administrative costs compared to other development organisations. This is not in itself a virtue. We recommend that DFID continue to assure itself that it has such low costs because it is more efficient, not because it is failing to do the job properly or sub-contracting work which would be better done in-house. We further recommend that DFID carefully monitor the consequences of the reduction in administrative staff to ensure that ‘front-line’ staff are not forced to spend too much time on routine administrative work.

Agree. We agree that it is important to understand the efficiency of the organisation and monitor and improve the effectiveness of our operations. We are continually strengthening DFID’s performance management and reporting to better understand this and drive efficiency in DFID’s operations.

Over the past three years, DFID has increased the numbers of staff based overseas, with over 50% of its total workforce now operating out of overseas offices. These numbers reflect the focus on front line delivery and the emphasis placed on working in fragile states. DFID’s front line delivery budget increased to £139 million in 2014-15 (from £91 million in 2011-12), to ensure the effective management of DFID’s increased programme budget.

However, at the same time, our corporate services delivery models are changing, including outsourcing some activities to the FCO, in line with the Civil Service Reform
plan. In addition, we are also reviewing our operating models to help build in more strength in programme, commercial and financial governance and management. For example, we are introducing Smart Rules - clear, lean and consistent processes for programme management with defined roles, responsibilities and accountabilities. These reforms will focus staff time and effort on delivery rather than unnecessary administration. Feedback processes are being designed to accompany the launch of the Smart Rules to ensure this vision is achieved.

Staffing in Country Offices

Recommendation 21: We recommend that DFID staff do more to develop an understanding of the politics of the country they are working in and engage with the politicians.

Agree. The FCO and DFID have worked together to develop international competencies to complement the Civil Service Competency Framework. These are being used to help recruit and assess employees working in an international context. The competencies are being rolled out gradually in FCO and DFID during 2014.

The focus at a more senior level includes the requirement to work internationally across our donor partners and with local government officials and politicians.

Recommendation 23: We recommend that DFID emphasise that language acquisition is an implicit expectation of all posted overseas; look at other ways to encourage staff to obtain language skills, for example, by including language skills in the expected competencies of senior civil servants and in promotion criteria; and carefully monitor progress.

Partially Agree. We agree that language skills are an important factor for staff to be able to live and work in many locations.

DFID’s language offer is available for both developmental and anticipated duty travel purposes, and to improve the level of English capability of our staff appointed in country.

There is a strategic drive for cross government collaboration for improving language capability. In the future we hope to improve these connections and make better use of the services available from both FCO and the Ministry of Defence.

DFID’s new international competency framework recognises the importance of languages, ensuring knowledge of them can be formally taken account in recruitment, performance and development where appropriate. DFID’s working language will predominantly be English. For those offices which operate in another language we expect staff posted from the UK to have learned that
language, for example Portuguese for staff working in Mozambique. However we will not instruct staff to undertake language training for each and every post.

To enable work with partners and host governments an understanding of local languages will prove helpful. Our staff already show a willingness and effort to converse in local languages wherever possible which is widely welcomed and promotes partnership. We also note that our local staff appointed in country play an important role in our programme delivery and work closely with our UK home civil servants to ensure understanding and effective dialogue.

We will continue to highlight the opportunities and benefits of language acquisition and will work with our overseas offices to ensure that learning local languages, as well as developing an understanding of the local custom and integration, continue to feature highly in the induction programme for staff and families moving to a new country location.

We are also working to ensure that we have accurate data to assess language skills capability through information gathered in our HR systems.

**Recommendation 25: We recommend that postings to countries other than the six most difficult countries should normally be for a minimum of four years.**

**Disagree.** The length of tour for the majority of overseas postings should be determined by business need and the requirement for someone to be available with the necessary knowledge, skills and experience to complete the assigned work in line with programme milestones. This goes in hand with our focus on developing improved workforce planning and maximising the use of the resources available. Implementing an increased minimum tour length would not necessarily add value and would potentially increase costs; retaining a flexible approach to tour lengths is the most pragmatic approach and allows us to align the appropriate resource to planned business or programme priorities as well as an ability to respond quickly and effectively to changing business needs.

We must also ensure that we maintain a balance between business needs, personal needs and career development. Increasing a standard tour length may restrict applications from staff with families and therefore limit the depth and quality of the pool who undertake overseas assignments. Equally staff may consider an extended tour length restrictive to their opportunities for career development by committing to an extended period in one role.