Presentation to the CFCC, August 2020

**Reforming the Department for International Development (“DFID”)**

**Introduction**

My interest in British overseas aid comes from two coinciding sources. I am a chartered accountant and when you have been involved in difficult audits you learn when to smell a rat. Secondly, I was partly brought up in Zimbabwe, then one of the richest countries in Africa, with huge natural resources. The strands coincided when I visited Zimbabwe in October 2018 by then reduced by Government corruption to a basket case, despite receiving £80 million of British aid in that year. I had done some homework and therefore had some local introductions and some idea of what to look for.

By luck I obtained an introduction to a senior DFID official, who did not appreciate the implications of my auditing experience and admitted to me that:

1. DFID seemed to have forgotten that it was a development organisation, rather than a charity, and was no longer involved in infrastructure spending, but focused on social projects which any competent government should have completed itself and where opportunities for “skimming” by local kleptocrats were high.
2. DFID had problems with corruption in Zambia, Democratic Republic of Congo, Uganda, Mozambique, Somalia, Nigeria and Afghanistan.
3. DFID appeared to be unaware of the conflict between focusing on corrupt countries with weak governance and British and American legislation against corruption and money laundering. The risk to DFID of employees becoming trapped into both offences could therefore be very high.

After my return I did additional homework on and around the activities of DFID, including finally getting the comments of former Ambassadors on the Department’s published loss figures.

However, although my friends who also have experience of international business at a senior level agree with my assessment, an effective audit of DFID’s activities would almost certainly involve massive loss of face for senior politician (particularly David Cameron) and loss of face and job for some very articulate Civil Servants. I was therefore unable to make headway during the premiership of hopeless Theresa May. The lockdown came before I was able to speak to a friend in the Cabinet. Then came the announcement of the FCO / DFID merger, which (as in case of all mergers) will be a disaster if not properly handled.

**The FCO / DFID merger**

If the merger is to be successfully implemented, it will first be necessary to take a hard and sceptical look at what DFID really does. We particularly need to be aware of the “elephant in the room”: corruption in aid recipient countries. From personal experience and research, I believe that DFID is a deeply flawed organisation and if so, the merger is likely to be a disaster, unless DFID is drastically reformed beforehand. As precedents, in the business sector the outcome of almost all mergers between a reasonably well run and a flawed organisation is that the latter comes out on top, so the likelihood is that DFID will contaminate the combined Department. To deal with this looming disaster, an effective audit and investigation by an Independent Commission for Aid Impact (“ICAI”) (the body set up by David Cameron’s Government to oversea the effects of DFID’s activities) needs to be commissioned to quantify DFID’s activities and past spending, as a first step in ensuring that the aims, culture and objectives of the future super department are not tainted by the past. This audit needs to be undertaken transparently by fully independent persons.

**Mechanics of reform**

If outcome audits are instituted it should not be difficult to count and value the visible outcomes, for example dams and bridges, and compare them with the amounts spent. Then DFID officials need to explain how much of the difference has been stolen, or wasted in extravagant administration. The audits also need to ensure that DFID has an effectively functioning compliance department and genuinely supports whistleblowers. Having met senior ICAI staff my fear is that the ICAI might pull its punches when auditing DFID, since the obligation to spend 0.7% of GNP is still in place and since turkeys do not usually vote for Christmas.

If ICAI staff can learn to “think outside the box” additional auditors would not be required. However, it is likely that the Government will need to hire additional Chartered Accountants with experience of tough international audits on a temporary basis to conduct the requisite full outcome audits of DFID’s real (rather than published) activities. The audits should cover every country in which DFID operates, since local conditions vary widely. Consolidation of the resulting outcome audits would give Parliament and the public (for the first time) a chance to assess how much of DFID’s £14 billion per annum had been usefully spent. Also, closure audits (in countries including China where DFID no longer has a useful role) would follow the same procedure, but the host country would also be asked to confirm DFID’s valuation of its activities.

**Recommendation**

If it turns out (as I suspect) that a large proportion of DFID’s spending has no visible outcome, the combined Department should adopt commonsense operating procedures, running off all activities which do not conform with the new guidelines.

1. A “zero tolerance” policy towards corruption in aid recipient countries, modified only in special circumstances (for example in the Middle East where previous British Government blunders have contributed to some states’ current situation).
2. Responding to environmental disasters and other major problems outside host Governments’ control.
3. To avoid accusations of neo-colonialism, otherwise getting involved only if invited by a host Government, or by a major international charity, for example the WWF.
4. Only doing work which facilitates the establishment and growth of friendly host countries’ physical and intangible infrastructure (for example capital expenditure, specialist training and ensuring equal access for women to education) that the local Government cannot perform by itself, and probably working in partnership with the Government concerned, so that the latter has real “ownership” of the project.
5. To avoid local resentment, paying European salary rates to staff doing jobs that local people cannot do, but not paying more than local rates to DFID staff doing jobs that local people can do equally effectively.

Only those of DFID’s staff involved in genuine development should be included in the combined Department. Its charitable activities, as in the case of the administration of the British Dependent Territories and CDC should be focused in a separate sub-Department, working wherever possible in partnership with relevant charities, whose spending of British donations should incidentally be included in the total of published British aid.