



House of Commons
Committee of Public Accounts

Tsunami: Provision of support for humanitarian assistance

First Report of Session 2006–07

*Report, together with formal minutes, oral and
written evidence*

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The Committee of Public Accounts

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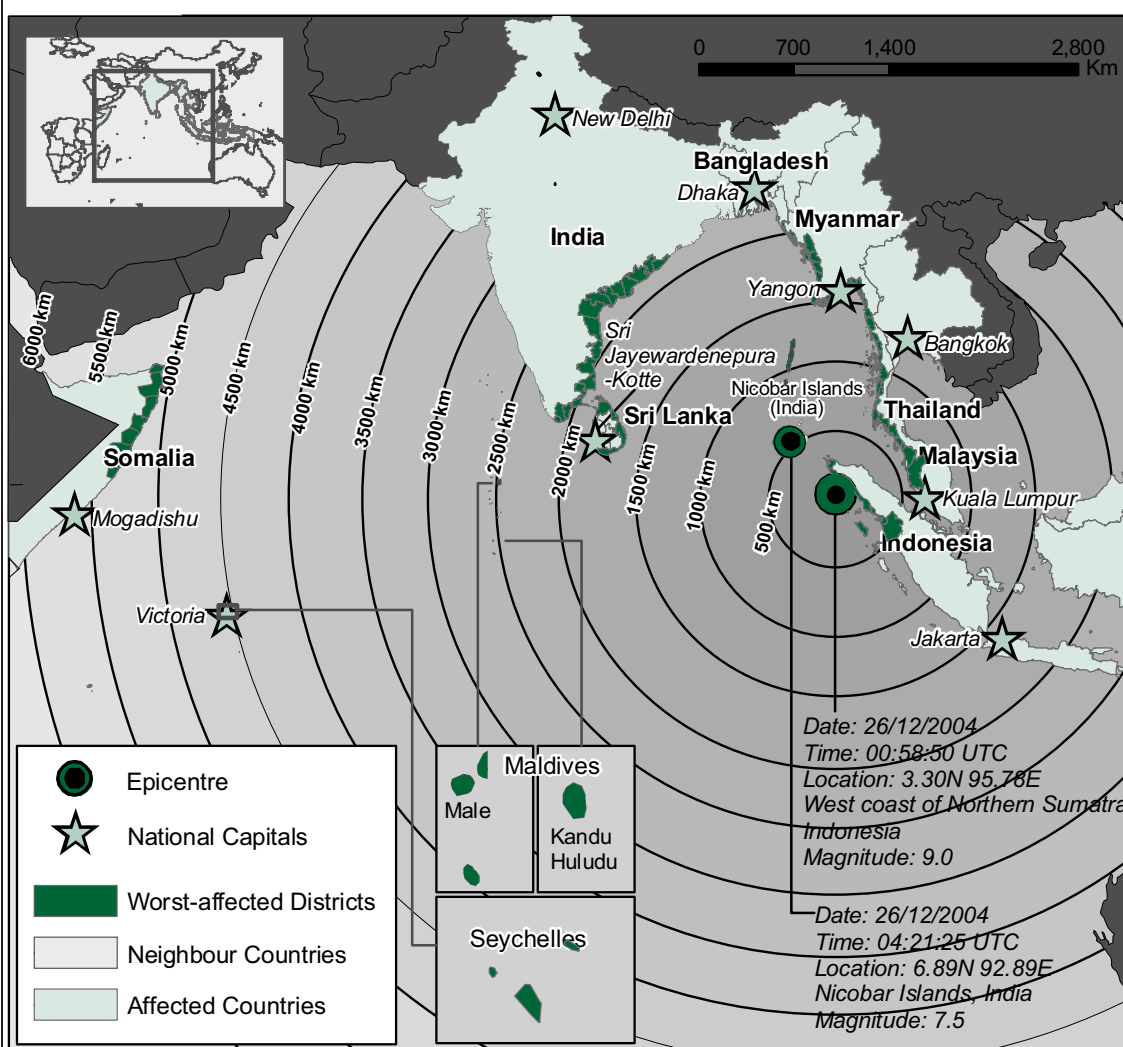
Contents

Report	<i>Page</i>
Summary	3
Conclusions and Recommendations	5
1 The Department's Response to the Tsunami Disaster	7
Background	7
2 Funding the Humanitarian Assistance	9
3 The Co-ordination of Humanitarian Aid	12
Formal minutes	14
List of Reports from the Committee of Public Accounts Session 2006–07	17

Summary

On Sunday, 26 December 2004, an earthquake registering 9.0 on the Richter scale occurred under the Indian Ocean off the western coast of Sumatra. The earthquake triggered a series of tsunami (large sea waves) which devastated coastal and immediate inland areas in Indonesia and Sri Lanka, and coastal areas of a number of other countries bordering the Indian Ocean. The area affected is shown in Figure 1. Across the region some 300,000 people died, including 141 Britons. Many more were injured and some 1.6 million people were displaced or otherwise affected by the disaster.

Figure 1: Area worst affected by the Tsunami



Source: United Nations

NOTE

Map provided courtesy of the ReliefWeb Map Centre, United Nations Office for the Coordination of Humanitarian Affairs. The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations.

When disasters occur, lives can be saved by the prompt provision of appropriate assistance to the areas affected. The Department's response to the tsunami disaster was both rapid and impressive, and ensured that appropriate assistance was delivered to survivors.

The government committed £75 million in humanitarian assistance to the victims of the tsunami. By May 2006 - some 16 months after the disaster - £64.1 million had been spent either directly by the Department or through grants to third parties. But some £9 million of the grants given to third parties remained unspent, and were sitting in bank accounts earning interest.

Focusing on the lessons learnt from the tsunami, there are areas where the Department and the international community may be able to improve the effectiveness of the response to future disasters. In the context of their work in the UK, the Department need to continue to work with partners in the humanitarian relief sector to develop further that sector's capacity and to help provide a wider choice of partners with which to work when future emergencies occur. And, as the Department recognise, they need to develop a more systematic framework for working with the Ministry of Defence which would enable more efficient utilisation of military personnel and equipment in disaster areas.

In the international context, the Department need to continue to work with the international community to raise the level of awareness of their eight-point plan for the reform of the United Nations' humanitarian aid system, and so to influence the implementation of beneficial change.

On the basis of a Report by the Comptroller and Auditor General¹ and two memoranda provided by the Department for International Development (the Department),² we examined the Department's performance following the tsunami and the subsequent action taken to obtain assurance that the funds disbursed for humanitarian relief were properly spent and accounted for.

1 C&AG's Report, Tsunami: Provision of Support for Humanitarian Assistance (HC 803, Session 2005-06)

2 Ev 15, 16-18

Conclusions and Recommendations

1. The Department were successful in responding rapidly and effectively to the Tsunami disaster on 26 December 2004. The Department's emergency response team, which remains on continuous stand-by, was able to respond quickly to news of the disaster and to take action with partner organisations such as the Red Cross to airlift supplies to the affected areas. The Department should seek to share their techniques for achieving an effective needs-based response with others in the international community e.g. Governments, Non-Governmental Organisations and Charities.
2. The Department adopted a structured approach to the selection of partners, and provided funds to many well-recognised aid organisations that they work with on a regular basis. Developing a broader capacity base in the humanitarian relief sector would provide the Department with a wider choice of partners to work with in the future and could enable them to deliver an even better level of humanitarian assistance.
3. The process of co-ordination of relief efforts between the Department and the Ministry of Defence could be more systematic. Military assets can provide valuable assistance in emergencies, and the Department recognise that they and the Ministry of Defence need to develop a more systematic framework for co-ordination and working together. The two departments should now set a firm timetable for agreeing such a framework, so that it might be in place before another humanitarian emergency occurs.
4. The public in the UK were generous in donating money and items to tsunami disaster appeals, but the items donated could not always be used. Over £300 million was raised by the Disasters Emergency Committee. Other items, such as tents and blankets, were also donated. Advice on how best to provide assistance for disaster relief is available from Global Hand's website and the Disasters Emergency Committee, but the Department, with the voluntary sector, should publicise that advice more widely to enable the public to make more appropriate donations.
5. Over £50 million in project grants were made to third parties such as United Nations agencies and Non-Governmental Organisations (NGOs), but 16 months after the disaster some £9 million had still to be spent by recipients. Until final accounts are rendered by grant recipients no audit can be undertaken, and without audited accounts there can be no independent assurance that moneys provided by the UK taxpayer were used for the purposes for which they were provided. The Department needs to obtain audited figures from grant recipients for grants provided, and to recover unspent balances where appropriate.
6. The UN humanitarian aid system needs to be strengthened particularly in the areas of leadership and co-ordination. The Department have put forward an eight-point plan aimed at improving the system. Some progress has been made in implementing this plan, in particular with the development of a UN Response Fund. The

Department need to continue working with bodies such as other Governments, NGOs, and voluntary organisations in the international community to raise awareness of their proposals and so to influence the implementation of beneficial change.

1 The Department's Response to the Tsunami Disaster

Background

1. On Sunday, 26 December 2004, an earthquake registering 9.0 on the Richter scale occurred under the Indian Ocean off the western coast of Sumatra. The earthquake triggered a series of tsunami (large sea waves) which devastated coastal and immediate inland areas in Indonesia and Sri Lanka, and coastal areas of a number of other countries bordering the Indian Ocean. The Department activated their emergency response team upon hearing news of the disaster, and dispatched the first shipments of practical aid within 24 hours. The team is on continuous stand-by, and benefits from being staffed by people who have been dealing with humanitarian disasters for a long time, and who have experience both of the work of the Department's headquarters and in the field, delivering humanitarian assistance.

2. Although the disaster occurred during the Christmas break, senior officials and ministers came back to deal with the emergency. In addition, a committee, initially chaired by the Deputy Prime Minister, was formed to co-ordinate the response of departments across Whitehall. These steps helped keep Parliament informed of developments.

3. The speed with which the Department responded to the tsunami disaster was impressive, and resulted in appropriate assistance being delivered to the affected areas very quickly. The Department attributed the success of their response to the action they took to dispatch people to the affected areas to assess needs on the ground. Based on these assessments, and the wishes of the recipient countries, the Department were able to draw on their £2 million stock-pile of emergency aid equipment to provide immediate relief.

4. Based on the needs assessments that the Department and others had made in the countries affected by the tsunami, a budget for humanitarian assistance of £75 million was announced on 10 January 2005, some two and a half weeks after the emergency struck. The response strategy developed by the Department was shared with United Nations agencies, Non-Governmental Organisations (NGOs) and the Red Cross to assist them in framing projects that the Department could then go on to support.

5. In assessing the competing requests for assistance and deciding which ones to support the Department took a range of factors into account. They considered the capacity of the relief organisations to implement their proposed projects, whether the proposals were likely to be cost-effective, and which projects could assist the poorest members of the communities worst hit by the tsunami. Having analysed the proposals put forward by the relief organisations, the Department pledged assistance amounting to £76.8 million, including £40 million to the UN Flash Appeal, £13.2 million in grants to the Red Cross movement and NGOs, a £9.5 million addition to the aid programme to Indonesia and £14.1 million for costs directly incurred by the Department.

6. The decision criteria adopted by the Department as to which projects to assist had the effect that, in many cases, grants were awarded to partners that the Department had worked with on previous occasions. The list of grants shows that more than 90 % were provided to well-recognised relief organisations.

7. Military assets—both manpower and equipment such as helicopters—can be an important resource in providing logistics support and delivering humanitarian assistance. The Department work closely with the Ministry of Defence (MOD) when humanitarian emergencies occur, and have developed a co-ordinated response based on over 20 years' experience. In responding to the tsunami, the Department worked with the MOD on logistics and the delivery of assistance, for which the Department paid the MOD's marginal costs, where those costs offered value for money judged against commercial operators.

8. In Sri Lanka, the Department's field office had encountered difficulties in the management of military assets. Two ships and a number of people arrived very rapidly, which overwhelmed the small local office. The Department recognise that what is required is a systematic framework for co-ordination and close working with the MOD.

9. In addition to the official response, many members of the public in the UK felt they should raise money and donate useful items. Some donated money to the appeal launched by the Disasters Emergency Committee (DEC)—a committee comprising thirteen major UK aid agencies. The DEC appeal was launched at the end of December 2004, and by the time it closed in February 2005 it had collected some £300 million. Apart from money, the public also donated items such as blankets and tents. Not all the items donated were appropriate which led to some waste, the scale of which is not known.

2 Funding the Humanitarian Assistance

10. Of the £76.8 million of assistance pledged by the Department, by May 2006 £13 million had been spent directly by the Department, and £52.6 million provided in grants to third parties. Due to the enormous sums contributed to the relief effort by the public and by other nations, the Department considered that it would have been a waste of public expenditure to spend the remaining £11.2 million directly on the emergency. The Department therefore allocated £3.4 million to the United Nations-led Central Emergency Response Fund and earmarked a further £7.5 million to disaster risk reduction projects. One such project relates to the development of a tsunami early warning system for the Indian Ocean. While other countries and aid agencies are developing the science relating to the system, the Department are developing the capacity for the alerts generated by the system to be communicated to local people.

11. In May 2006 - some 16 months after the disaster - 82 % of the £52.6 million paid to third parties had been spent and some £9.3 million had not yet been fully accounted for. Figure 2 summarises the position.

Figure 2. Grants awarded by the Department, and amounts spent			
	Grants paid by the Department	Amount spent by recipients	Balances to be accounted for by recipients
	£m	£m	£m
United Nations agencies	31.1	26.5	4.6
NGOs	13.1	12.3	0.8
DFID Indonesia Aid Programme	8.4	4.5	3.9
Total	52.6	43.3	9.3
<i>Source: Department's Memorandum ³</i>			

³ Ev 15

12. The Department attributed the slow pace with which the grants were being spent partly to the time it had taken to get some of the projects underway, and partly to the generosity of funding provided by other sources. Included in the unspent balance was £300,000 in respect of two grants made to the United Nations Children’s Fund (UNICEF). A review by the Department had suggested that in this case funding by DFID had continued even though UNICEF had been unable to spend all the resources they already had at their disposal. The Department were following up all unspent grants as in some cases, including UNICEF, there may be balances to be repaid. Final accounts would be received over the next few months and the Department would obtain independent audit certificates for all grants that they had made.

13. The Department described the steps they had taken to ensure that humanitarian aid was used cost-effectively. They explained that there was a range of actions and measures, as shown in Figure 3 below.

Figure 3: Are Projects Cost Effective?

Actions which were taken to assist in making projects cost-effective included:

- Ensuring that the specification of the project being funded fitted with the Department’s response strategy and that the partner had a track record of delivering a cost-effective service;
- Imposing appropriate conditions, including the ring-fencing of grants, to ensure that UK moneys were spent as intended;
- Monitoring the projects as they progressed;
- Ensuring that there was no “mission creep” on projects which were delayed;
- Obtaining independent audit certificates to confirm that moneys had been spent in accordance with the terms of the grant; and
- Undertaking evaluations of lessons learned. Reviews were being undertaken within the Department and internationally by the Tsunami Evaluation Coalition, and the OECD had peer-reviewed the Department’s policies and operations.

Source: DFID Evidence⁴

14. There are risks of unjustified cost-inflation and overcharging in the provision of goods and services in an emergency situation, and unsubstantiated allegations had been made that Oxfam, for example, had suffered losses due to corruption in Indonesia. The Department had guarded against cost-inflation and overcharging by detailed monitoring on the ground which provided assurance that they had not been overcharged or held to ransom. So far as they were aware, no UK taxpayers’ money had been involved in any corruption in tsunami aid projects. There had been allegations of corruption involving money from other sources in Sri Lanka and Indonesia. In Sri Lanka the Auditor General was investigating some of the allegations, and in Indonesia some 550 complaints of corruption were being followed up.

15. The audit process also has an important role to play in maintaining public confidence in the provision of public services and acting as a deterrent to fraud or corruption. The Department place reliance upon their own internal audit arrangements and also upon the audits of individual grants (conducted by NGOs' auditors). The work that the UK National Audit Office undertake at a national and international level provides additional assurance. In the case of the tsunami, there was a large number of organisations and countries involved in the relief effort and each looked for its own audit assurance as to how its money was spent. One of the lessons learnt from the response to the tsunami was that rather than having many auditors to follow the expenditure, there should be a more joined up audit approach which should deliver savings by reducing the administrative burden on recipient countries and organisations. The Department were aware that the National Audit Office were involved in developing such a harmonised and co-ordinated audit approach.

The Co-ordination of Humanitarian Aid

16. Against the background of the Department's successful response to the tsunami disaster we asked them to identify what went well, and what could be improved for the future. The Department told us that evaluations of the tsunami emergency had emphasised the importance of having the right structures, the right systems and the right skills in place. They considered that while individual UN agencies, such as the World Health Organisation, World Food Programme and UNICEF, had performed well in responding to the tsunami, others had not and there was a need for the UN system to improve co-ordination during emergencies. To assist co-ordination, the Department had seconded a number of experienced staff to the Office for the Co-ordination of Humanitarian Assistance (OCHA) during the tsunami emergency, and since then OCHA had recruited an additional 20 permanent staff for this work.

17. Looked at from the perspective of a recipient government, such as Sri Lanka or Indonesia, the skills of the different aid providers that descend on a country following a disaster, such as the UN agencies, the European Union, NGOs, official bodies and the Red Cross, need to be properly co-ordinated. Otherwise there are high transaction costs and administration costs for the recipient country. The Department consider that OCHA should have the clear mandate for the co-ordination of humanitarian aid across the UN and other aid providers, requiring aid providers to relinquish an element of their independence to OCHA.

18. Even before the tsunami emergency the Department had developed an eight-point plan for UN humanitarian aid reform to address the weaknesses that they had identified in the UN system, including those weaknesses which became apparent during the tsunami disaster. The eight points are identified in Figure 4.

Figure 4: Proposed Reform of the UN Humanitarian Aid System

The Department have proposed the following eight-point plan for the reform of the UN Humanitarian Aid System:

- i. Establishing Central Emergency Response Fund to provide a source of funding for an immediate response to sudden disasters;
- ii. Strengthening the leadership and co-ordination of the humanitarian system by appointing humanitarian co-ordinators;
- iii. Providing common funding to support the work of the humanitarian co-ordinators;
- iv. Establishing global benchmarks to assist in measuring the collective actions of the humanitarian community;
- v. Establishing an international disaster risk reduction system;
- vi. Focusing UN Flash Appeals on immediate life-savings needs only;
- vii. Developing clear agreements for using military assets in crises;

Source: DFID Evidence⁵

19. Through their eight-point plan the Department have sought to encourage other aid donors to improve and reform the humanitarian aid system. Implementing the reform programme will require the agreement of the international community, and already progress has been made in some areas, particularly with the development of a UN Response Fund, which now stands at US\$ 260 million. In addition, the UK is encouraging reforms by increasingly linking the award of grants to progress in implementing reform. However, the Department recognise that it might take two or three years to complete the reform process. Until then the Department need to continue working with the international community to raise awareness of their proposals for reform, and so to influence the implementation of beneficial change.

Formal minutes

MONDAY 30 OCTOBER 2006

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon
Mr Greg Clark
Mr David Curry
Mr Ian Davidson
Mr Philip Dunne

Helen Goodman
Mr Sadiq Khan
Mr Austin Mitchell
Mr Don Touhig
Mr Alan Williams

Oral evidence

Sir John Bourn KCB, Comptroller and Auditor General, was in attendance and gave oral evidence.

Ms Paula Diggle, Treasury Officer, was in attendance.

The Comptroller and Auditor General's Report on The delays in administering the 2005 Single Payment System Scheme in England (HC 1631) was considered.

Ms Helen Ghosh, Permanent Secretary, Mr Andy Lebrecht, Director-General for Sustainable Farming, Mr Ian Grattidge, Deputy Finance Director, Department for Environment, Food and Rural Affairs and Mr Tony Cooper, interim Chief Executive, Rural Payments Agency, gave oral evidence (HC 1696-i)

The National Audit Office Supplementary Estimate (Refurbishment of the NAO), was considered.

Sir John Bourn KCB, Comptroller and Auditor General, was further examined, Mr Jim Rickleton, Assistant Auditor General and Mr Phil Woodward, Director of Finance, National Audit Office, were examined (HC 1697-i).

The witnesses withdrew.

Draft Reports

A draft Report (Tsunami: Provision of support for humanitarian assistance), proposed by the Chairman, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 19 read and agreed to.

Conclusions and recommendations read and agreed to.

Summary read and agreed to.

Resolved, That the Report be the First Report of the Committee to the House.

Ordered, That the Chairman make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned until Wednesday 1 November at 3.30 pm.]

List of Witnesses

Wednesday 24 May 2006

Sir Suma Chakrabati KCB, Mr Richard Calvert and Mr Jim Drummond, Department of International Development.

List of written evidence

Department of International Development

Ev 15

List of Reports from the Committee of Public Accounts Session 2006–07

First Report	Tsunami: Revision of support for humanitarian assistance	HC 25
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The reference number of the Treasury Minute to each Report is printed in brackets after the HC printing number

Oral evidence

Taken before the Committee of Public Accounts

on Wednesday 24 May 2006

Members present:

Mr Richard Bacon
Mr Ian Davidson
Sarah McCarthy-Fry

Mr Austin Mitchell
Kitty Ussher
Mr Alan Williams

In the absence of the Chairman, Mr Alan Williams was called to the chair.

Mr Tim Burr, Deputy Comptroller and Auditor General, and **Mr Martin Daynes**, Director, National Audit Office, were in attendance and gave oral evidence.

Mr Marius Gallaher, Director, Alternate Treasury Officer of Accounts, HM Treasury, gave evidence.

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL:

TSUNAMI—PROVISION OF FINANCIAL SUPPORT FOR HUMANITARIAN ASSISTANCE (HC 803) & MEMORANDUM SUBMITTED BY THE DEPARTMENT FOR INTERNATIONAL DEVELOPMENT

Witnesses: **Sir Suma Chakrabarti KCB**, Permanent Secretary, **Mr Richard Calvert**, Director, Finance and Corporate Performance, and **Mr Jim Drummond**, Director, UN Conflict and Humanitarian Division, Department for International Development, gave oral evidence.

Q1 Mr Williams: Today we are considering the Comptroller and Auditor General's Report on the *Tsunami—Provision of financial support for humanitarian assistance*. In conjunction with that we will be taking account of the memorandum that the Department has provided, thank you. We welcome you, Sir Suma Chakrabarti, and your colleagues. Can I ask you, Sir Suma, if you will introduce your colleagues.

Sir Suma Chakrabarti: Thank you very much, Chairman. On my left is Richard Calvert, who is Director of Finance and Corporate Performance in DFID, and on my right is Jim Drummond who is Director of the UN Conflict and Humanitarian Division. Can I also introduce behind me, on my right, Mr John Rwangombwa, who is the Permanent Secretary at the Ministry of Finance in Rwanda. Mr Rwangombwa is shadowing me for a week and one of the things Rwanda is thinking of setting up is a Committee of Public Accounts so I thought he should come with me and see how it operates in the UK.

Q2 Mr Williams: Can I say to you, sir, if you are thinking of setting one up I have several people who I would like to send to you to take part in the Committee for a prolonged visit, if you wish! May I disappoint you, in fact, because this is a good Report. We are almost lost for words and questions. I think it is appropriate to give praise where praise is due and I think it is very due here. I hope you will take the questions in the spirit in which they are put forward. You pledged £75 million for the relief effort. Of this only £64.1 million was spent. Why was it not possible to spend it all?

Sir Suma Chakrabarti: You are right, Chairman, when £75 million was allocated for this (this was by 10 January 2005) we had £75 million in the kitty for allocation, and at that stage we were pretty sure that we would need the whole of that amount given the enormity of the tragedy. By the end of February, let us say early March, the Disasters Emergency Committee (that is the Committee of 13 major UK NGOs) had closed their appeal because of the amount of money that was coming in from the general public and from private companies. Also by then it was obvious that many other nations were contributing enormous sums and so it seemed prudent not to use up all the money that we had been allocated. I think it would have been a waste of public expenditure, frankly, if we had allocated further funds for that.

Q3 Mr Williams: One is glad that the flow of sympathy was matched by the flow of money. Does this raise the possibility that there are unspent grants being held by recipients at the moment and, if so, are we keeping account of them?

Sir Suma Chakrabarti: As the Committee will know from the NAO Report but also from our memorandum, there are some grants—a small amount—which are still unspent and this was partly because it took time to get projects underway and partly because of the generosity from other sources. So what we are doing is chasing those up and seeing whether there is still a sensible purpose for those grants and, if not, we are reclaiming them.

Q4 Mr Williams: You had a very short time in which to respond. There were more than 150 projects in the UN's Flash Appeal and you chose to focus on 14.

One can understand that you could not go across the range. How did you prioritise? How did you determine the 14 as against the others that you did not select?

Sir Suma Chakrabarti: I will not be able to go down to the level of the 14 and exactly why those 14 but I can give you the process, and I am sure Jim can add detail as necessary. What we did was put people in the field very fast. It is one of the reasons we were quite successful in this emergency, and in others too. We did field assessments very early on and in those field assessments what the teams are trying to look at is what are the needs, who are the most vulnerable, what would a proportionate response look like, which sectors, what sort of appraisal criteria might we apply, and then whether it is a UN Flash Appeal or proposals from NGOs or the Red Cross, we would assess against those assessments that we have made in the field. So we were able to look at the UN Flash Appeal when it came in against our own field assessments and judge which ones were most worth supporting and, frankly, which ones were most cost effective.

Q5 Mr Williams: I suppose that in making the allocations and having to do it in such a hurry you did not have a lot of time to choose the partners who would be recipients at the actual site of the disaster. In hindsight, do you think that those you did choose made the best use of the resources you made available to them?

Sir Suma Chakrabarti: I think I would say yes they did, on the whole. I am sure at the margins one or two of the implementing partners could have improved their performance. It is partly based on experience. We have worked in the emergency field obviously for many, many years and we have worked with many of these partners in other places too.

Q6 Mr Williams: There has never been anything so wide ranging.

Sir Suma Chakrabarti: That is absolutely right and that does bring up one of the lessons which no doubt we will touch on later about how to tackle such a huge emergency. In terms of the assessments, one of the things the team would be looking at is the capacity of each of the agencies to do what they were proposing to do. Did they have experience in this area before? Have they been in this sector before? Were they willing to link up with other partners in delivery or did they have a silo approach, which would have not helped? That would have been part of the assessment and experience about how good an agency is undoubtedly plays a part in this judgment.

Q7 Mr Williams: I suppose strengthening those agencies you found weak is really a matter for the recipient country rather than for you. Are there lessons that have been learnt both for you in the way in which you responded and also lessons that you think you would like to impart to the recipients to enable them to make better use of them in an emergency in the future?

Sir Suma Chakrabarti: I think the one lesson of success, if you like, for us that is important for recipients, but also for the rest of the international system and for public services generally, is the importance of having structures, skills and systems in place. I cannot over-emphasise that really. We have been in this business for a long time and what we have developed now is a system whereby we plan ahead for emergencies so we can put in the plan straightaway when the emergency hits, as we did with the tsunami. We have a structure which is dedicated to emergencies so that people working in it are highly experienced in these sorts of conditions and have field experience. They are not just headquarters-type people. They have been in the field and they have worked on emergencies. Several of them are behind me today. They know about what needs doing. So to the extent that countries need to have this sort of expertise, that is the sort of thing they need to create. For many developing countries to have a dedicated standing capacity—that would be quite a high opportunity cost for them.. So one of the things we need to fix (that is the conclusion we have each reached) is really the UN system needs to get much better at dealing with emergencies. That is one of the lessons that came out of the tsunami. It is coming out of Darfur and the South Asia earthquake, and I am sure we will touch on the whole reform initiative we now have for the UN system. That has been a big lesson. Internally, because we also can learn lessons from every single episode, there are two things that I think we need to do better on in DFID. One is around what we call in the horrible jargon “surge capacity”. That simply means that when you have a major emergency do you really have enough people to deal with all the issues that hit you from the public here and elsewhere? One of the things we found in the tsunami was that our public inquiry point, for example, was inundated with calls. We were finding it very difficult to keep up. The lesson was learned, so for the South Asian earthquake we did put in extra people to handle that sort of crisis. We are trying now to identify people for future emergencies within the organisation who will be immediately deployed as back-up to match the surge that comes with these things. The second—and it is a lesson for DFID and for the international system—is the need for much greater investment in disaster risk reduction. All the analysis that we have seen, the evidence we have seen by researchers tends to show that for a dollar spent on disaster risk reduction you can get up to two to four dollars’ return in terms of the savings of not having to deal with the disaster when it hits or being able to deal with it better. The whole international system has underinvested in early warning systems, earthquake-proof housing, those sorts of things, and that is something we are stepping up. Some of the savings that we had from this £75 million have been channelled into that as well.

Q8 Mr Williams: A couple of weeks ago we had this terrifying alert saying that this major earthquake had arisen in the Pacific, that it was a possible tsunami and it was possibly going to hit New

 Sir Suma Chakrabarti KCB, Mr Richard Calvert and Mr Jim Drummond

Zealand and possibly going to hit Banda Aceh within an hour. Did you have any time to do anything before you knew it was not a problem or did you just have to wait and see whether the tsunami had actually occurred?

Sir Suma Chakrabarti: I think I will ask Jim to comment on this but I seem to recall that we knew within an hour.

Mr Drummond: We knew very quickly of the risk. I think we also knew reasonably quickly after that that this was not going to develop into a major crisis and therefore we did not need to act upon it—fortunately.

Q9 Mr Williams: Were there not horrible thoughts at the back of your mind “what if we have got it wrong?”

Mr Drummond: Yes, we were tracking the data.

Mr Williams: Sarah McCarthy-Fry?

Q10 Sarah McCarthy-Fry: You were talking about early warning systems just now and I remember at the time of the tsunami they said that there were scientists around the world that had tracked and knew this was happening but the problem was that on the ground where it was likely to happen they were not able to get that message through. Is that what you mean by investing in infrastructure in the countries likely to be affected so that communications are better?

Sir Suma Chakrabarti: Yes, I think that is essentially what we mean. There is a mix of science and social science in this. One of the worries I had, and I guess Jim had, immediately after the tsunami was there was a lot of talk about “let’s build an early warning system in the Indian Ocean which matches what we have in the Pacific”. Fine, but then what happened was there was lot of unfortunate competition between the countries and the regions over who was going to house this or that part of the kit. There was, in my view, too much dependence on the science being the answer as opposed to some of the social science institutions, things like whistles on the beach and stuff like that, which was not taken account of. It was rather scientifically led. I think that process has developed through UNESCO and the International Oceanographic Commission and so on and it is now in a much saner place, a much better place, but it is still not fully there. Jim, do you want to add to that because you were part of the negotiating team on this

Mr Drummond: The technical solution for the Indian Ocean equivalent of the Pacific will be there probably by July this year, but getting the messages into the right places in countries and down to the local level is, as you say, much more difficult. We have got people in the field at the moment looking at how the countries are developing that capacity. We want to help them invest in that. Some of the money that we have not spent on the tsunami relief effort will go into investment into precisely those things locally.

Q11 Sarah McCarthy-Fry: Who has funded the scientific solution?

Mr Drummond: It was a consortium of countries. There was plenty of money.

Q12 Sarah McCarthy-Fry: It was aid that came from countries; it was not a question that we put this in but it is totally useless because it gives warning but who is it telling?

Mr Drummond: It was mostly funded by countries of the region and, frankly, there was more than enough money to do that and so we decided that we would not put our money forward for that but we would reserve it for more local effort to make sure that the message was heard.

Q13 Sarah McCarthy-Fry: If I can move to DFID’s Report on their response to the tsunami disaster, I was much taken when I looked at ring-fenced grants. Ring-fenced grants obviously meant that you could specify within the agencies where the money went so it was not just this avalanche of money coming in. You could ring-fence it for things that were perhaps not “sexy” enough or hitting the public imagination. It says here that UNICEF really complained that ring-fencing brought problems. In the event they were over-funded. Have they now changed their mind or are they still totally opposed to ring-fencing?

Mr Drummond: This is always a tricky dilemma. We can choose to ring-fence and then follow our money through to see exactly what it has been spent on, but if everybody is doing that and you are UNICEF and you are trying to manage your own priorities, that is quite difficult for you. I do not know whether UNICEF have changed their mind about it. It was certainly the case that they probably got more money in than they needed to and they may need to repay some.

Q14 Sarah McCarthy-Fry: The World Health Organisation also preferred a non-earmarked cash contribution.

Mr Drummond: What we often do is for organisations that we know well and whose systems we trust we will try to provide non-earmarked money. For organisations we know less well whose accounting systems we are not so familiar with we will want to impose quite tight conditions on them.

Q15 Sarah McCarthy-Fry: In something as far reaching as this, obviously the National Audit Office and you have done analysis of where British money is spent. Who is doing the overview of the whole thing? Is that being done at the UN?

Sir Suma Chakrabarti: That is essentially what we want to see happening. Yes, it is being done at the UN. Our view is that it is not being done well enough for a variety of reasons. You cannot just blame the UN because we are members of the UN and it is the member states that partly created the system we have. We feel that the UN is not performing its co-ordination role well enough at the moment. There are plenty of people in the UN who would agree with that and that is what the reform initiative was about.

Q16 Sarah McCarthy-Fry: Can I come back to where we first started on this because obviously DFID controls this £75 million but the Foreign Office was also very heavily involved because they were providing support to British people that were out there. In the NAO Report it says that we had the MoD involved and indeed DCMS for when they came back. How did you co-ordinate between all these departments to make sure you were not duplicating?

Sir Suma Chakrabarti: This is one of the better lessons learned over recent years. I think the British system has got a lot better at co-ordinating within government. It started off very early on with twice daily meetings involving ministers and officials from the various ministries and looking at the various aspects, consular as well as developmental and humanitarian, and then in our case on the humanitarian brief side we worked particularly closely with the MoD. That is a relationship that has travelled a long way over the last 20 years, from the Ethiopian famine onwards. It has got better and better. In this case we worked with the MoD around logistics and the delivery of assistance and they were instrumental in removing some of the logistic blockages in a number of places. The other thing that has to be remembered is that the MoD as far as we are concerned is still one supplier amongst others, so in terms of value for money we would still look at the cost of MoD airlift against commercial operators and see which provided better value for money. Price is not everything. Part of it is the shape of the planes, the loads, the landing strips and so on, but that did play a part. They did not get every contract therefore either.

Q17 Sarah McCarthy-Fry: Given that this happened on Boxing Day when a lot of government institutions were on holiday, and Parliament obviously was not in session, given the speed with which you responded, do you think this vindicates the fact that when there is a huge humanitarian disaster you do not need the mechanics of Parliament being here or ministers even to be in the country to be able to set the whole thing in motion?

Sir Suma Chakrabarti: First of all, you need the emergency response team to be there 24/7, and that is what we have. Secondly, you do need senior officials and ministers to be available. They do not necessarily have to be there on the spot but, as it happened, Jim and I both came back from holiday to deal with this. Other emergencies we might not have depending on the extent of the emergency. We were in constant contact with Hilary Benn, who also came back, and with other ministers. What is important about Parliament is keeping Parliament informed as you are going through this process of what is going on because obviously as MPs you are getting a lot of interest from your constituencies. That is the sort of thing we try to do with the process, whilst also trying to deal with the emergency as well.

Mr Williams: We could pass a law saying they are only allowed to happen when Parliament is sitting; that would solve the problem! Austin?

Q18 Mr Mitchell: You did not spend, as the Chairman said, all of the £75 million pledged. £64 million was spent but in this Report it looks as though that was rather mean. There was no need for the Department to spend all the resources because so much had been coming from the rest of the world. Why not allocate it to other parts of the disaster area rather than saying everybody else has responded, we will take it back? That does look very mean.

Sir Suma Chakrabarti: What we did with the savings against the £75 million was they were then reallocated to disaster risk reduction. They were reallocated within DFID. They were not returned to the Treasury or anywhere else.

Q19 Mr Mitchell: £7.5 million has been allocated to new projects. What are those and how has that been spent?

Sir Suma Chakrabarti: That is the disaster risk reduction projects like the early warning system work.

Q20 Mr Mitchell: What is it?

Sir Suma Chakrabarti: The early warning system work that we were just talking about. Do you want to set out what the £7.5 million was spent on?

Mr Drummond: Only a small proportion of it has been spent so far and allocated. What we are looking at is what we were discussing a moment ago about how we can improve country level early warning systems so that when the science is there it is actually being listened to on the ground. This is being taken forward through our country offices around Asia.

Q21 Mr Mitchell: £3.4 million was held in reserve? What happened to that?

Mr Drummond: That came back into my division and has been allocated to the Central Emergency Response Fund which is a new United Nations-led fund which is there for responding rapidly in emergencies. We have quite a number of under-funded emergencies, particularly in Africa where the UN for example in the DRC appeals for \$600 million and gets \$200 to \$300 million. So this fund will allow the United Nations to plug some of that gap.

Q22 Mr Mitchell: That is not part of £65 million which was allocated to rehabilitation and reconstruction?

Sir Suma Chakrabarti: No, that is an entirely different budget.

Q23 Mr Mitchell: Okay, thank you. I accept the problem because the last thing you want to send in a disaster area is accountants and auditors, unless the disaster is Enron or something like that where they might be useful, so it is difficult to see that it is all well spent. There seem to be two levels of response. One is the immediate response, the despatch of supplies, 15 flights, and you financed 25 other flights. Do you keep a central store of materials like tents and things that you send initially?

Sir Suma Chakrabarti KCB, Mr Richard Calvert and Mr Jim Drummond

Sir Suma Chakrabarti: Yes we do.

Mr Drummond: We have stores, some in the UK, some in Miami for the Caribbean hurricane season, and some in Dubai which tends to service the Asian crises. We try not to keep very large stores but what we want to do is to be able to get supplies in very fast, so if we have got suppliers who can give us tents very quickly without having to buy them in advance we will go for that. We have about £2 million worth of stores.

Q24 Mr Mitchell: What is it?

Mr Drummond: It would be tents, some vehicles, tarpaulins, water carriers, blankets, that sort of thing. Things that you would need very fast in this kind of emergency.

Q25 Mr Mitchell: And the rest of the money goes to UN agencies and NGOs. How do you decide where that is going because here you are in an emergency situation having to make a quick response. Is it because you have already developed relationships with the NGOs or the UN agencies so you know who to work with and who to trust and who is going to deliver?

Sir Suma Chakrabarti: As I was saying earlier, it is partly the assessment that we do first.

Q26 Mr Mitchell: Of the disaster?

Sir Suma Chakrabarti: Yes, we send in people to assess in the field immediately and then that shapes what is called our response strategy. That is then shared with the UN agencies, the NGOs, the Red Cross agencies and their proposals need to be framed with that response strategy in mind. You are right, one of the criteria we do have to use in an emergency situation is experience of the partner we might work with. Did we have a good experience with this partner or did we not? What are they good at and what are they not good at? That guides some of the quick analysis we have to do.

Q27 Mr Mitchell: Parts of the UN are not exactly famous for their economy and efficiency. What are the weakest parts of the UN and what are the best parts of the UN structures?

Sir Suma Chakrabarti: Again Jim might give more detail, but my memory is that I thought the World Health Organisation did quite well on a number of the health inputs. There were no major communicable disease outbreaks in either Sri Lanka or Indonesia. The World Food Programme did pretty well in distributing food that was very urgently needed. Those were the two main ones. I think UNICEF also did quite well on child protection, which became a bit of an issue obviously in some places. In terms of improvements, I think without a doubt both UNHCR, the refugees part of the UN system, and the Office for the Co-ordination of Humanitarian Assistance, OCHA as it is known in the horrible jargon.

Q28 Mr Mitchell: You have been able to secure some improvements?

Sir Suma Chakrabarti: That is right. They are fundamental to the reform of the UN system because they are the co-ordinating body. That is why, as Jim just mentioned, the Central Emergency Response Fund is important. That is going to be held by OCHA but they do have to improve their game at the same time.

Mr Drummond: One of the other things that we have been trying to help OCHA with is to strengthen their staffing capacity. They supply humanitarian co-ordinators in-country who co-ordinate the humanitarian response. They do not have enough people with the right skills but in the last year, partly as a response to the initiative we have been running, they have recruited 20 more from within the UN system and from the NGOs so their capacity is improving.

Q29 Mr Mitchell: When money goes into the UN as distinct from NGOs, which you perhaps have some influence over, do you have any say on where it goes? Is there any attempt to channel British aid and support to Commonwealth countries or anything of that nature or is it just put into a big disaster pool and it goes where the need is greatest?

Sir Suma Chakrabarti: We do not make a distinction between countries in which Britain has an historic interest like the Commonwealth or other countries. It is very much for the UN to decide its priorities. We obviously think that poorer countries should get more of the funds.

Q30 Mr Mitchell: It is not by affinity; it is by poverty?

Sir Suma Chakrabarti: Absolutely. That is very much the principle we have applied to our own bilateral system and that is very much the principle we are pushing in the international system generally.

Mr Drummond: I mentioned the Central Emergency Response Fund and Jan Egeland, as the Emergency Relief Co-ordinator, will have the power of decision over that money, but he will have to come back and report to the donors as to what he has done with it and we will be able then to guide future allocations. We did discuss whether we should have some great process to decide on the allocations, but if you are trying to do things fast you have got to give someone the authority to make the right decisions and then hold them accountable later.

Q31 Mr Mitchell: Final question, to what extent is there a co-ordinated British response? You have got other departments involved, you have got the Foreign and Commonwealth Office and you have got Defence, both of which can make some contribution. Who co-ordinates that? What co-ordination is there?

Sir Suma Chakrabarti: It depends on the nature of the emergency. In this case because it involved so many departments and there were British nationals involved on the consular side, the Deputy Prime Minister chaired the initial meeting of the departments.

Q32 Mr Mitchell: So he was able to bang heads together?

Sir Suma Chakrabarti: Something like that. If it was a more localised issue, say Darfur, it is very clear that Hilary Benn has been taking the lead in co-ordinating the UK response.

Q33 Mr Mitchell: And you can call on Ministry of Defence planes and things for the ferrying of supplies or is it all commercial charter?

Sir Suma Chakrabarti: No, we have used a lot of Ministry of Defence assets throughout this whole process as well as commercial. One of the things we want to move to, and I think the Ministry of Defence is quite interested in doing it as well, is having a more systematic framework for the relationship between DFID and the MoD in these emergencies. Jim has been leading the discussion with the MoD on that and we are quite confident that we will get to a framework in the next few months.

Mr Williams: Kitty Ussher?

Q34 Kitty Ussher: This is a very good Report. We are rather annoyed by that because we like to ask very difficult questions! It makes it clear that you responded well and provided the type of amounts of money that were requested. What it does not do—and I do not know if this is something the Department does do—is after the event analyse whether the taxpayer actually got value for money in giving that amount of millions to that organisation. In any other aspect of government life there would be some quite stringent analysis, often from the NAO, as to whether those services could have been provided more effectively in terms of outputs or more cheaply for the same results. Do you do that kind of analysis?

Sir Suma Chakrabarti: I do not know whether in this case we have done a cost-effectiveness analysis of individual contracts and so on, but certainly in the appraisal before we let a contract, say it is a choice between should we use MoD airlift or a commercial airlift, we would have looked at all of those issues and looked at the cost comparisons. One of the things our team does is continually track the changes in freight costs. Unfortunately sometimes they went up during the tsunami, but that is what they do so they know what the best price is in the market for any one time.

Q35 Kitty Ussher: I understand you can do that for freight costs which is a rather discrete decision you have to make but if an organisation, be it government or non-government, comes to you and says, “We need £20 million now because we need to do A, B, C and D,” and you say, “Well you are a credible organisation, this is urgent, yes, here is the money,” at what point does somebody analyse whether that was in fact the best use of taxpayers’ money?

Sir Suma Chakrabarti: First of all, I do not think we would do that if somebody came to us tomorrow and said, “We want 20 million quid and we have got an idea for it,” just because there is an emergency there. It has to be lodged in our field assessment. Does it

fit with our assessment of what we think is required? That is part of the cost-benefit analysis we are doing before we would say yes to this. In this case we had five monitoring missions in the field throughout 2005 to look at whether these projects were working out in the way they said they would. We have an auditing function as well, which we touched on earlier. We have an evaluation which we put in the Library of the House a few weeks ago and sent to the Committee, with the supplementary memorandum last week.¹ There is another evaluation coming up from the Tsunami Evaluation Committee. This is one of the better examples, it seems to me, of *ex post* analysis of what did go right and what did not go right in terms of value for money.

Q36 Kitty Ussher: I understand that it has to fit with what you perceive is needed. Let me rephrase it slightly. It is day two of a crisis somewhere in the world. You have sent your guys there, they have not had any sleep, they have spoken to the government and everyone they can think of, and it is blindingly obvious it needed something or other—tents or sanitation—and then an NGO or a foreign government says, “We want to provide this and it is going to cost this much” and you pay the money obviously. How rigorously are the books then evaluated six months down the line to make sure that that money was spent in the most effective way? Perhaps it is about the auditing that you have just described. Can we have a bit more detail on this?

Mr Calvert: I think in terms of value for money, when we are buying goods or supplies particularly, it is relatively easy to do a traditional value-for-money assessment, “can we get something cheaper elsewhere on the market?” When we are supporting the programme of another organisation and an organisation says, “We are going to go and work on shelter in a particular country,” it is harder because we are supporting clearly a programme of activity rather than a specific set of goods. I think this is where the traditional value for money assessment is harder to apply and we move more into the area of looking at an overall assessment of effectiveness rather than an initial value for money assessment. We use our judgment from what we know of previous emergencies, is this an organisation that is going to be effective, are the kind of activities proposed sensible ones, and then we look back and assess that through our monitoring and evaluation in terms of did they achieve the kind of outcomes which they said they were going to achieve? In terms of value for money there is a distinction between where we are actually buying a set of goods or flights or those kinds of things and the support we put through organisational programmes.

Q37 Kitty Ussher: It is the support for organisational programmes that I am more concerned about. Of course, you are right to focus on the outcomes, but it could be that those outcomes are being provided at 20% higher costs than is needed if the organisation

¹ Report on DFID’s response to Indian Ocean Disaster, March 2006. Copies available at <http://www.dfid.gov.uk/pubs/files/report-dfid-response-tsunami>

Sir Suma Chakrabarti KCB, Mr Richard Calvert and Mr Jim Drummond

you were working with was managed more effectively or had better, more highly skilled staff. Is that a conversation that you ever have with those kinds of organisations?

Sir Suma Chakrabarti: It is and in fact one of the major lessons of the evaluation that we sent you was exactly that. Among the agencies and some of the NGOs there were issues about their skill sets and were they as effective as we hoped they would be, and that is why Jim says in the case of the Office for the Co-ordination of Humanitarian Assistance we are having to put in more skilled staff and support them with that because they did not have it.

Q38 Kitty Ussher: If there is a crisis tomorrow in a part of the world you had not worked in for a while, and one these organisations that you are concerned about said, “We need X amount of money and we need it now,” would you say, “Hang on, last time you had 10% or 15% wastage in your programme, you have not addressed the issues properly,” and what would you do?

Sir Suma Chakrabarti: We have that conversation continually. We would not just have it when the crisis hit. We would have to respond still to the crisis clearly because there is humanitarian need and it is part of the legal framework within which we work. At the same time we would be trying to fill those very skill gaps during the crisis as well. In the case of the tsunami the DFID team did supply on secondment a number of experts into areas where they felt the partner organisation was weak. For example, air operations. We felt the whole UN system was not much good at the logistics side in Indonesia to start with so we seconded an air operations expert.

Q39 Kitty Ussher: I think I am right in saying that in terms of the tsunami assistance there has been some press coverage recently that Oxfam, unfortunately, had a certain amount of corruption in its organisation and therefore the money was not most effectively spent. Was any British taxpayers’ money involved in that? Is this something that you have seen across the board in the past that we should be concerned about?

Sir Suma Chakrabarti: So far as I know and so far as any of us know, no British taxpayers’ money has been involved in any corruption in the tsunami whatsoever. There have been allegations of corruption against money from other sources in both Sri Lanka and Indonesia. In Sri Lanka, the Auditor General is following up some of those allegations. It is to do with who were the beneficiaries of some of the assistance. It is not clear whether it is misinformation, frankly—the lists were out of date—or whether it is corruption. He is following that up. There is not a proven case yet there. In Indonesia there is the Anti-Corruption Commission, the agency Transparency International, which is working with the Indonesians to track some 550 complaints of corruption that I have heard about, again, not to do with DFID money but from other sources. What our role is in those situations is to try and support roles

like the Committees of public accounts and the anti-corruption commissions and so on in those countries to try and do a good governance job essentially in trying to track some of this and audit all these claims that people have made.

Q40 Kitty Ussher: I have seen this in my own constituency in response to the Pakistani earthquake; fantastically well-meaning people collecting items to donate which are then transported, often through private arrangements. That is something that I have obviously supported but it concerns me that when physical items are being collected they are not necessarily the most effective way of using that type of donation. We had, amazingly, an entire community hall that is possibly three times the size of this room full from floor to ceiling with blankets and sleeping equipment and tents that people had donated or gone out and bought that had to be airlifted to Pakistan. What is your advice to people in this situation? How do you deal with that when it arrives?

Sir Suma Chakrabarti: This is a very, very important point for us. Clearly we admire people’s humanitarian impulse to do something in these emergencies and we must not choke that off in any way. We need to help channel that response and help them make sensible decisions about what is and what is not appropriate to send. In the tsunami instance, just to give an example, we had some good examples and some bad. Scottish Water donated bottled water for the Maldives and that was highly necessary.

Q41 Kitty Ussher: Had you asked for it?

Sir Suma Chakrabarti: We knew we needed water; they had offered it; it matched our assessment; and we brokered a free flight for them to get that water delivered. We also had some bad examples of inappropriate clothing and novelty soap which was not what was required. So where we have got to on this, there are two things we are trying to do. One is there is a new NGO called Global Hand which has been set up to offer this sort of advice to individuals and families who want to contribute in this way who can also offer brokering for how to get those goods to the right place, if you like, as well, and we want to try and support them. The second thing is we have produced a booklet with the Disasters Emergency Committee, this is the 13 British NGOs, which again will provide advice to communities, authorities and individuals on how to assess and how to screen what is appropriate and what is not.²

Q42 Kitty Ussher: I will try and encourage my constituents to do that next time.

Sir Suma Chakrabarti: We will send you a copy.

Q43 Kitty Ussher: Please do. I am sure the donations given were welcome but I was not sure it was the most effective use of that resource. A final question

² Note by witness: DFID and Disasters Emergency Committee, *Disasters and Emergencies Overseas: How you can help*, December 2005. Available at <http://www.dfid.gov.uk/emergencies/dec.pdf>

to the NAO: why are none of the issues around the effectiveness and capability of the partner organisations and their potential for corruption addressed in your Report, since this is taxpayers' money we are talking about?

Mr Daynes: We felt the Report should come out fairly quickly and should be closely scoped to reflect and tell the public really what happened to the pledge that was made. So it had very limited scope Report. It was never designed to be a full assessment of the value for money of humanitarian assistance because we knew that coming on downstream was the Tsunami Evaluation Coalition and indeed a number of other people who would be going over the bones of this later.

Kitty Ussher: My time is up. Thank you.

Q44 Mr Bacon: It is probably not your responsibility but Kitty has just prompted me by her question on the Disasters Emergency Committee. This is a Committee of 13 major NGOs who received hundreds of millions of pounds for this specific purpose in a very short period of time. What methods are there, other than that each is a charity with trustees and they have auditors, to scrutinise and to account for this extraordinary influx of money to those bodies which is not government money which is then spent by them, other than the normal mechanisms? Is there anything special that happens?

Sir Suma Chakrabarti: Not that I know of. Jim, do you know? It is certainly not a role for DFID, as you say, but it is an issue of their accountability.

Q45 Mr Bacon: It is merely the normal processes through the Charity Commission or, shall we say, Oxfam's auditors or whoever it is? Is that right?

Mr Drummond: I think the evaluation that is going to be published in July by the Tsunami Evaluation Committee will look at this and publish a view on it.

Q46 Mr Bacon: Because you are talking about sudden influxes of hundreds of millions of pounds, it may be that the existing processes for a normal period are not adequate for what is an extraordinary period. Does the Government have a view on that?

Sir Suma Chakrabarti: I am not sure the Government has a view on that but there are two issues which did come up which are relevant to your question which I might just air, I think. One is it is highly unusual for such huge sums to go through the NGO route into these economies, Sri Lanka and Indonesia in this case. The amounts of money that were going in did have macroeconomic impacts. Usually those governments would just deal with the IMF, the World Bank and ourselves on discussing how to deal with those macroeconomic impacts. There did need to be a discussion with the sort of players who do not normally have discussion, the NGOs, and that was something we tried to facilitate, how to make sure this money was on budget and not off budget and all those sorts of things.

Q47 Mr Bacon: Instead of which they met people, particularly in places like Banda Aceh, who said, "If you want me to drive this truck from here up to the top end of the peninsular, I will but it is \$3,000, please." They did meet that sort of thing, did they not?

Sir Suma Chakrabarti: I do not know, to be honest. That may or may not have happened. My point is just the volume of money coming in was so unusual, as you say, compared with other emergencies that it has had economic impacts that normally would not have been thought about. The other thing also—and this has worried some members of the DEC—is what do you do if all the money that was given for this emergency is not then fully required but there are plenty of other emergencies out there, like in Africa and so on, which are under-funded? There are some legal issues to be resolved there as to whether you can transfer money or not. That is something that no-one had expected frankly—

Q48 Mr Bacon: In that respect you are talking about private transfers?

Sir Suma Chakrabarti: Yes.

Q49 Mr Bacon: I would like to come on to page five and the unspent balances that were taxpayers' money given to these organisations and still in some cases remain as unspent grants. My question is: even if you do not have misappropriation, when you have got unspent balances sitting in an organisation, of whatever kind, with intelligent people sitting there thinking, "We have got money", the natural next step is, "There are things we can do with this money", and the next question is, "What are the parameters available to us even if we have not spent it yet, even if we have met the original need, that would enable us to go and do something further?" Even if it is not "misappropriation" you could get on the one hand mission creep or shall we say a replacement of a Land Rover slightly before it was due. Have you encountered that sort of problem?

Sir Suma Chakrabarti: I have not encountered that sort of problem. I think that may be an incentive in any organisation. The key thing then is the financing agreement between us and the partner we are handing this grant to.

Q50 Mr Bacon: Every time you hand them a grant you make them sign an agreement?

Sir Suma Chakrabarti: Absolutely and that has very strong controls in it. If they wanted to use it for a different purpose and time schedule they would have to come and talk to us.

Q51 Mr Bacon: So you have got pretty good incentives not to go and do that?

Sir Suma Chakrabarti: Exactly.

Q52 Mr Bacon: That is good to hear. You mentioned the disaster risk reduction programme and I understand the unspent balance has been transferred into that. £7.5 million sounds all very

 Sir Suma Chakrabarti KCB, Mr Richard Calvert and Mr Jim Drummond

well but how many earthquake-proof houses do you build in Asia for £7.5 million, or is it just going into a larger pot of disaster reduction programmes?

Sir Suma Chakrabarti: The whole of the money has not been allocated yet but, Jim, do you want to say a bit about how this money is going to be allocated?

Mr Drummond: We covered this a little bit before. We have got people in the field at the moment planning the allocation of this money country-by-country. You are right, £7.5 million would not make a huge difference in terms of houses built but there is a lot of money available for reconstruction now. Our £65 million that we pledged for reconstruction will go into some of that activity. A lot of other donors like the World Bank have put money into reconstruction activities. What we are hoping to do with the disaster risk reduction money is to look at the systems that governments have for early warning so that we are building a capacity there to avert future crises rather than reconstruction of particular houses.

Q53 Mr Bacon: Is the £8.9 million of the Flash money that was not spent—this is referred to on page 14—still an accurate figure because in your supplementary note there is reference to unspent monies including Flash money but it is not completely clear from the note which is which? What is the current figure?

Mr Calvert: I think there are two different things. Table 6 on page 14 refers to the gap between the initial amount pledged of £40 million and the £31 million which was then actually allocated to the UN, so there was £8.9 million, which is a large part of the gap between the £75 million and the £64 million. Then within that £31.1 million that we paid to the UN, part of that is unspent and it is the unspent parts of that which are covered in the supplementary memorandum.

Q54 Mr Bacon: Am I to understand from what you were saying earlier, Sir Suma and Mr Drummond, that if we are to talk about things that are difficult rather than things that are going well, one of the big weaknesses that you see is the whole of the UN system. Is that right?

Sir Suma Chakrabarti: That is right.

Q55 Mr Bacon: It is the UN area that needs the most work to get it to where we want it?

Sir Suma Chakrabarti: We can all improve our performance but what we are particularly concerned about is that at the moment we have got an orchestra—a cacophony—of players out there who are not terribly well co-ordinated. We have all got skills in different areas and so on but we do need a conductor. I would look at it from the point of view of the poor old government of Indonesia or Sri Lanka. What you have when you have disasters like that is descending on you an array of different players—NGOs, official bodies, UN bodies, Red Cross bodies and so on. This needs some co-ordination otherwise it is very high in transaction costs and administration costs for those governments.

Q56 Mr Bacon: Yet if you look at the chart on page 14 there are pledges to the Red Cross and NGOs on the right-hand side in figure 7 totalling £13 million, of which £11 million was paid, and on the left-hand expenditure related to the UN appeal. Even the first five or six there through the UN appeal total something like £25 or £30 million. This is the area in terms of the effectiveness of the UN system area where you are saying the greatest difficulty lies and yet that is where you push most of the early money.

Sir Suma Chakrabarti: I am talking about the need for co-ordination. I think we touched on which of the individual agencies were most effective and which ones needed to do better, but the overall effort of the international system, including DFID, would have been even better if we had had a co-ordination system which worked well, and which did not work as well clearly in the Tsunami or in the South Asia earthquake as we would have liked it to have done.

Q57 Mr Bacon: I suppose there is a lot of politics in this but would not the most sensible thing to be for the UN to let the contracts to the best people in the world at this—the Swedes, the Norwegians, you guys, and one or two others—and say, “You get on with it,” or is that just not politically possible?

Sir Suma Chakrabarti: I suspect politically it would be difficult but I think that is part of what is possible. What we would like to see happen is the UN selecting sector leads, saying in this sector—it does not necessarily have to be us, Oxfam might be good at this—“You lead in that area,” and that is where we would like to get to.

Q58 Mr Bacon: How far away are you from being able to utter the sentence: “The UN system in this area of disaster relief is working as well as we could reasonably expect it to work”?

Sir Suma Chakrabarti: I would say the UN system is working as well as we could expect it to work given the institutional set-up.

Q59 Mr Bacon: It is not the given I am interested in. You have been talking about the need for reform and a reform agenda.

Sir Suma Chakrabarti: Absolutely.

Q60 Mr Bacon: How much progress has been made since the tsunami? How much more in terms of the timetable do you think you need before you are going to get to a position where the system is working as effectively as it should?

Sir Suma Chakrabarti: I ought to outline what the reform programme is. We have only talked about one element of it so far, which is the Central Emergency Response Fund and then Jim can say a bit about where progress is being made and where things are still being held up because we want this to work better. On the Central Emergency Response Fund, the key there is to have a fund which the UN co-ordinator can immediately access rather than having to doff his cap to all of us and ask for money, which is what currently happens in the system. We are making some progress. Quite a few donors have put money into that but Jim can say a bit more about

Sir Suma Chakrabarti KCB, Mr Richard Calvert and Mr Jim Drummond

that. We need to strengthen the UN humanitarian relief co-ordinating system on the ground. This is an issue about skills, to go back to that question. These are specialist skills. We have a specialist unit with these skills in it. We think that a co-ordinated system needs to be set up to have those sorts of skills on the ground in a way it does not at the moment. We need much more common funding, pooled funding at ground level for an emergency. Again, it goes back to transaction costs which poor countries face otherwise in dealing with a multiplicity of players. We need global benchmarks quite clearly against which we can assess how well we are doing in each emergency against the benchmarks. We need funding for disaster risk reduction, which we have discussed. The whole UN Flash Appeal system is a slightly antiquated system and because we do not have co-ordination that needs reform because there is an incentive in there clearly for organisations to pad with things that they cannot otherwise get because it is a crisis. That is what our team has to knock out in terms of each proposal and they do that very well. We need more effective use of military assets. A number of militaries were used in the tsunami. Again, co-ordination was a bit haphazard. Finally, we need better accountability for all of this and who to—the General Assembly but also the individual donors—than we have currently got. It is an eight-point plan that we have got. Jim can say a bit about it. I think the key issue there is whether not just us but other donors will cede some powers, frankly, to the UN or are there other UN agencies willing to cede power within the UN system to a co-ordinator? Jim, do you want to say a bit about the key components.

Mr Drummond: The Central Emergency Response Fund now stands at about \$260 million. It has just had contributions from Japan and Kazakhstan in the last week. On the Flash Appeal system, I chaired a meeting in Geneva last week to which Mr Egeland came, and I think that he is committed to changing that system, so that what you would have is a Flash Appeal that is issued in the first few days but is very much limited to what you think you are going to need for the first one to three months. Then when you have done the proper assessments on the ground you do a more detailed appeal. I think that will help to get resources allocated in the right way. We have made some progress, as I mentioned before, on strengthening the humanitarian co-ordinator system. We have got a couple of pooled funding initiatives running in Sudan and DRC at the moment which allow the humanitarian co-ordinator some power over resources, which means that the rest of the system has to respond to him rather than responding just to itself and doing what it likes. Egeland has launched a new initiative to try to cluster the UN and the NGOs around particular themes like nutrition. UNICEF has accepted the lead for the nutrition cluster which means that UNICEF is responsible for setting some benchmarks that progress can be measured against and the nutrition cluster will be responsible as the provider of last resort if the rest of the system is not doing it. As Suma says, this is a complicated business

because there are so many different bodies involved, but we are now moving to a situation where there is a much clearer leadership in this. How long will it take to get to the point to which you and we aspire? It is not going to happen tomorrow. I think it is a process of two to three years.

Q61 Mr Bacon: I have run out of time. Thank you very much for those helpful answers. Is it possible, Sir Suma, that you could write to the Committee with more background about the eight-point plan because this deep underlying shift in where you want the UN to get to seems one of the most important points and should be reflected in our Report.

Sir Suma Chakrabarti: I would be very happy to do that.³

Mr Williams: May I recommend to our visitor from Rwanda that our next questioner is one he should consider seconding for two or three years!

Q62 Mr Davidson: You are too kind, Chairman! There is a low turn-out of elected Members here today and maybe I should explain; it is because we could not sniff much blood in the water. I am not sure whether that is because the NAO has gone soft or whether there is little to criticise here. Before I ask you whether you want to run the Benefits Agency and the CSA. Tax Credits, immigration and asylum, can I ask why do you think you seem to manage to run this well when you see so many other government departments making such a fist of things?

Sir Suma Chakrabarti: Yes, it is interesting, we were thinking about that in preparing for this. I think one of the reasons is, first of all, a non-political point but an important one for us as officials, that there has been cross-party agreement that this is something Britain should do and try and do well obviously. This response mechanism has been developed over successive administrations. It is a 20-year project that has been on going and it has got better and better. There has never been a political football about this at all. That has allowed managers the space to try and improve systems and so on. For me the lessons of management are about getting the right structure, the right system and the right skills. It is a really boring mantra but it does work. DFID is good at this because we have got some really experienced people in this area who have done this for a very long time and have done it in the field. Then we can move very fast because we have an emergency response planning system which has been set up over many years which can be activated immediately. We have a structure which is dedicated to this so we are not pulling in people from somewhere else in the system to come and help us do this. People are trained up to do this and there is a dedicated structure too. There are some very simple management lessons. You need space to be able to deal with some of those issues.

³ Ev 16–18

Sir Suma Chakrabarti KCB, Mr Richard Calvert and Mr Jim Drummond

Q63 Mr Davidson: That is interesting. Can I ask another point in terms of the use of MoD assets. In the additional paper that we were given, on page 12 it says it was “extremely demanding on the DFID’s field team at a time when they were other urgent priorities”. I think that is a euphemism. Can you clarify for me why we are in that position?

Sir Suma Chakrabarti: Jim, do you want to answer that because I think you covered that?

Mr Drummond: I think the relationship with the MoD on this worked extremely well. The Chief of Defence Staff was very clear that he was responding to demands that were set by us. I think the comment in the evaluation Report was just that with two ships and a number of people arriving very rapidly into Sri Lanka where DFID has a rather small office (which it did strengthen with people from our operations team) liaison was required to ensure that the military forces were used optimally when there was quite a lot else going on.

Q64 Mr Davidson: This was function of the scale of the help you were getting as distinct from the fact that you were having difficulty co-ordinating the military to do what you wanted?

Mr Drummond: Yes. Where we are on this is it was a bit overwhelming in the first few days. I do not see it as a very serious issue. As Sir Suma mentioned, if we are talking to the MoD about how we can understand the way they operate better and they understand what we need in these kinds of crises then we avoid this.

Q65 Mr Davidson: As Sir Suma was saying, you have had quite a long time to establish a relationship with the MoD so surely this should not have occurred?

Sir Suma Chakrabarti: What we would like to get to is a systematic framework. Undoubtedly, the relationship has been far too *ad hoc*. Even though the Chief of Defence Staff was responding clearly to Government priorities in this area, it was far too *ad hoc*. It should be an automatic response, and that is where we want to get to with this framework.

Q66 Mr Davidson: To what extent do you or the NAO compare how you behaved and how effective or otherwise you were with the assistance provided by other countries against what you benchmark yourselves? Were the Norwegians much better? Were the French much better? Were the Australians worse? How do you know that you are not just producing what should be produced anyway?

Sir Suma Chakrabarti: The best assessment of the comparison between us and others for the tsunami should be done more independently. It would probably be the Tsunami Evaluation Committee’s work and the European Union Court of Auditors who are doing some work at the moment on evaluating the European response. You will get a picture, but whether any of these evaluations will say formally that Britain was better than some other country, I doubt.

Q67 Mr Davidson: That is right, but reading between the lines and you have written lots of these Reports and I am sure you have read them as well, are you saying at the moment there is no immediate lessons that you have drawn from anything you have seen that anybody else has done particularly well or particularly badly?

Sir Suma Chakrabarti: I am sure we have learned things from other people, we always do, and vice versa. The best lessons across the piece are provided by the OECD Development Assistance Committee. As it happens, there is a peer review of the UK programme, including the humanitarian programme, which is coming out in about three weeks’ time. Again, that peer review is not going to have a league table which says you get a top review, but what it says is incredibly praiseworthy about the department, the staff and what they have been doing in this area.

Q68 Mr Davidson: You mentioned the EU Court of Auditors, and we have dealt with EU funding in a whole number of other areas. Is this one of these areas where Britain can get a much better result for its money and its spending by doing it ourselves rather than allowing it to sink more into the EU?

Sir Suma Chakrabarti: We cannot do this by ourselves. It is not just the EU, we need the UN, as we discussed earlier. The EU has improved its humanitarian work at the Commission level through this organisation called ECHO, which is the humanitarian organisation, the comparator to DFID in this area. What the EU needs to think about doing now is how it will fit in with the UN-led system. As you will know, there is a tendency for the EU to want to sometimes set up its own standing capacity, but that is probably not the right answer, it is more how can the EU be co-ordinated by the UN? It is an uncomfortable lesson for the EU.

Q69 Mr Davidson: That is very helpful. Mr Bacon mentioned the question of whether or not people were charging \$3,000 to drive from A to B, and so on. How do we know from this Report, or from anything else that you have got, that you have not been outrageously overcharged for a variety of things, in the way that, for example, the Taliban has been doing to the Americans in Iraq?

Mr Calvert: There are a number of levels to how we check that we get good value for money and we get what we have paid for. Initially we ask for Reports, both on activities undertaken but also a detailed financial Report from all the organisations we give money to. We have our own people out on the ground doing monitoring missions and looking and seeing what is going on and checking that what we are being told is happening really is happening. Then we have got two layers of audit: we have got our own internal audit and we have got the external audit which the NAO undertake. In this case, we have put a lot of our reliance on work which the NAO are doing in collaboration with other external auditors, which is an attempt to co-ordinate the external audit of this whole exercise. Clearly there were huge numbers of organisations and countries involved in

 Sir Suma Chakrabarti KCB, Mr Richard Calvert and Mr Jim Drummond

this, and one of the lessons on the audit side is rather than having 50 sets of external auditors go and try and assess individual parts of it, there is an incentive to have a more joined-up audit exercise. That is something which I know is underway and the NAO team who have done this work are involved in that. That is something we will also get some assurance from. There are a number of layers from Reporting our own monitoring through to the audit process.

Q70 Mr Davidson: I am a bit reassured in the sense that I do not believe money will be stolen and therefore the audit will pick it up, but in terms of value for money, in the past we have looked at the way in which British farmers behaved when we had foot and mouth. Clearly they saw this as an opportunity to exaggerate prices and claim money to which they were not due. Similarly, last week when we were looking at doctors in the health service, it is quite clear that doctors managed to extract the maximum amount of money they could from a circumstance where the Government was potentially overwhelmed. How do we know that the same thing does not happen to you, notwithstanding the points you have made about the audit, which I understand? How do we know that we are getting value for money and that you have not been held to ransom by rascals?

Mr Calvert: Essentially, it is a matter of using a combination of our judgment, our experience and the information we can get hold of. Clearly we do not track and visit every single activity that is undertaken, but we do have these different layers of Reporting. In some cases we will go in much more forensically and test what we are getting for our money, and in others we will stand back and rely on the assurances we might get from other people. It is a combination of things. There is no single answer that will give us assurance over the range of activities we are undertaking in a range of circumstances.

Q71 Mr Davidson: Are you saying to me that you were not overcharged and you did not overpay for anything at all that you bought locally?

Mr Calvert: What we are saying is—

Q72 Mr Davidson: Is that a yes or a no?

Mr Calvert: We believe not. We believe we got what we paid for.

Q73 Mr Davidson: You were never overcharged or held to ransom?

Mr Calvert: We do not believe so. There is more information that will come in.

Q74 Mr Davidson: Indeed it will. That is a very helpful answer. No doubt the National Audit Office will look at it in due course. This is my final point. Can I turn to page 10 and this question of ring-fenced grants. In paragraph 32 it refers particularly to the question of UNICEF, which I think is wonderfully written. Can I clarify what is happening to this money? As I understand it, UNICEF kept taking money in and kept asking for money even though they had more money than they needed, and

this wonderful one: “It may be challenging for UNICEF to reconcile under-expenditure against its appeal with the excess contributions”. What does that mean in English?

Sir Suma Chakrabarti: Jim, do you know about UNICEF because we have followed up with UNICEF recently?

Mr Drummond: Yes, we have, and we are expecting to get some unspent money back from UNICEF which they do not require for this.

Q75 Mr Davidson: We are expecting to get money back from UNICEF?

Mr Drummond: That is right. I do not have the precise amount to give you.

Q76 Mr Davidson: To what extent do you think it was irresponsible of UNICEF to continue asking for money and continue taking it in when they realised that they already had more than they needed?

Mr Drummond: If that was what happened then clearly they should not have asked for more money than they needed for the programme.

Q77 Mr Davidson: That is what it says here, does it not? It is not a question of “if that happened”, it did happen and that is what your Report says.

Mr Drummond: We would then ask for that money back, which is what we are doing.

Sir Suma Chakrabarti: And not just ask for our money back, we would have a pretty rough conversation with them about this sort of behaviour.

Q78 Mr Davidson: You indicated that one of your strengths was the fact that you had not been a party political football and you had been there for a long number of years. I would have thought the same thing applies in spades to UNICEF, yet they are still behaving in this way. I think you have made quite a strong plea for us to work more closely with the UN and so on, but if one of the lead agencies behaves in such a manner it hardly encourages us to give them more money.

Sir Suma Chakrabarti: I was very careful, I made a very strong plea for better co-ordination of the UN system of the international relief effort. That does not mean that we do not need to improve the performance of UNICEF, UNDP, UNHCR, I can go on, there is a long list of UN agencies that need better management, frankly. That is part of the dialogue we are having in a separate part of the forest under Jim as well. We are trying to reform the UN development system generally and part of that is management reform.

Q79 Mr Davidson: The phrase here was: “UNICEF expressed its requirements for rapidly dispersed, non-earmarked cash contributions”. Again, that hardly encourages our participation or involvement with the UN or UNICEF unless there are these sorts of reforms. Do I take it that unless we get the sort of reforms for which you are working we will not be giving blank cheques or substantial sums to UNICEF in the future?

 Sir Suma Chakrabarti KCB, Mr Richard Calvert and Mr Jim Drummond

Sir Suma Chakrabarti: I think ministers are already very keen to link money to reform, in fact they have been for some years now. Clearly it has not gone far enough in some agencies, there is no doubt about that. Therefore, I am sure our ministers will be continuing that with a harsher set of conditions than previously in some cases.

Q80 Mr Davidson: Chairman, I do not suppose we can ask the NAO if they have investigated the UN at all, or shall we stick with the Royal Family and the BBC at the moment?

Mr Williams: If there is any supplementary information that you would like to put in which might help us in bringing our recommendation following on what you have just said to Mr Davidson, that would be very welcome.

Q81 Mr Mitchell: Are you charged for defence assets when you use them?

Sir Suma Chakrabarti: Yes, we are charged a marginal cost.

Q82 Mr Mitchell: Who fixes that? At a time when so much stuff is involved in Iraq the marginal cost might well go up.

Sir Suma Chakrabarti: I presume it is a discussion between Jim and his opposite number in the Ministry of Defence about what the marginal cost should be in each case.

Q83 Mr Mitchell: They do not make their own contribution as a charitable gesture?

Sir Suma Chakrabarti: They have to meet the cost of what they would have to meet anyway, so they have to meet the standing capacity of the military assets, but we do meet the marginal cost.

Q84 Mr Mitchell: I see that DFID has a role in managing UK military assets in Sri Lanka, what does that mean? This is on page 12 of the March 2006 Report.

Mr Drummond: At the time of the tsunami, the Ministry of Defence had two ships in the area.

Q85 Mr Mitchell: It is ships?

Mr Drummond: Yes.

Q86 Mr Mitchell: Not in Sri Lanka but round about Sri Lanka?

Mr Drummond: Yes. They were able to do some work for Sri Lanka and for the Maldives. That is what it was.

Q87 Mr Mitchell: I am entirely happy with that. I see when the guerrilla war restarted the Tamil Tigers alleged that the Tamil areas had not got a fair share of disaster relief and this was one of the reasons for resuming the civil war. At the time there was a truce in northern Sri Lanka, was there not?

Mr Drummond: There was.

Q88 Mr Mitchell: Had DFID any responsibility in that area for what went south and what went north?

Sir Suma Chakrabarti: For our own funds clearly we do have some responsibility and we set certain conditions for the use of our funds. They were to make sure that it was not used in any discriminatory way between the various groups. In fact, we also funded the North East Provincial Council Secretariat, which is the main body that is trying to channel funds into the Tamil areas and to help them do that more effectively. We also put some money through the UN for the same purpose, to make sure that people who were socially excluded, often Tamils, were looked after in this also. We went the extra mile to make sure that did not happen. Unfortunately, as you know, the peace did not hold in Sri Lanka. In Indonesia, by contrast, finally after 16 attempts the peace agreement did help, largely because the population came together with the government over the need to end the war.

Q89 Mr Mitchell: The aid effort was £75 million. Who sets that figure? Why not £150 million or £25 million? Who set it and when?

Sir Suma Chakrabarti: We got to £75 million by 10 January 2005, two and a half weeks after the emergency hit. That was based on the field assessments that we and others had made out there and also the first signs of what other people were willing to give. We took a view of what our share should be of that overall effort at that time, not knowing that the public and private companies would be so generous in the months to come.

Q90 Mr Bacon: Sir Suma, I would like to ask you about Aceh. In paragraph 51, it states that DFID was not sufficiently aware of the internal debate and disagreement within UNHCR regarding the establishment of a presence in Aceh nor the agency's—that is the UNHCR—ambivalence about taking on the shelter lead. This impacted on DFID's shelter intervention. DFID supported UNHCR Indonesia with ring-fenced cash (highly appreciated and commented on at the time) but DFID was not aware how unrealistic the appeal was in terms of UNHCR's ability to respond. They were very happy to take the cash and happy to praise you for giving it to them even though they were not able to use it. That is basically what it is saying in English, is it not?

Sir Suma Chakrabarti: We certainly think UNHCR did not perform and they were one of the three I listed in answer to Mr Mitchell about people who did not perform to the standard we wanted. This was one of the reasons for that.

Q91 Mr Bacon: Indeed it goes on to say: "Ultimately, UNHCR was requested to leave the province by the Indonesian Government". I know there are a lot of things going on in different parts of Asia, there is a whole series of crises. I happen to know there were extraordinary difficult problems in Aceh because I had constituents who were working to help in the Aceh province. Why was DFID not aware of the disagreements and the debate inside the UNHCR about being able to deliver anything there?

 Sir Suma Chakrabarti KCB, Mr Richard Calvert and Mr Jim Drummond

Sir Suma Chakrabarti: Possibly because we ourselves had not been operating in Aceh. When we had a regular bilateral programme Aceh was not an area of focus. We did not know about the internal disagreements within not just UNHCR, I suspect, but within several other organisations.

Q92 Mr Bacon: UNHCR is still not back there, is that correct?

Sir Suma Chakrabarti: No, they are back in there now.

Q93 Mr Bacon: One of the problems was the Indonesian Government was slaughtering the locals, was it not?

Sir Suma Chakrabarti: There has undoubtedly been quite a lot of conflict between people in Aceh and the Government and the Indonesian military. As I said earlier, one of the good things which has come out of this whole process is the peace deal, which has stuck.

Q94 Mr Bacon: On page 16 there is a reference to the need to consider, “specific options with UNHCR on how its technical capacity in shelter can be built”, not expanded, not developed, but built. Does that mean there is no capacity in UNHCR to do shelter at the moment?

Sir Suma Chakrabarti: In a reformed UN system we would like individual UN agents to take more of a sector lead in particular areas. There has been a question about whether UNHCR really can take the lead in this area or not on shelter.

Mr Drummond: UNHCR does provide assistance and shelter in a large number of parts of the world where there are refugees. The trickiness in Aceh was there were a lot of internally displaced people but not refugees who crossed borders. That was the tension between the Indonesian Government and the UNHCR. UNHCR needs to strengthen its capacity to be able to lead clusters on shelter. We have a dialogue with them and a financing arrangement with them which is designed to help do that.

Q95 Mr Bacon: There is quite a lot in here under these institutional relationships. There are some sentences which almost need a PhD in terminology to get your head around: “The challenging relief context” and the fact that “institutional developments were not fully understood by DFID at a critical time in programming”. What I would really like you to explain is this: “The institutional relationship between DFID and UN partners sometimes missed important institutional constraints and/or indecision”. It missed constraints and it missed indecision. Does that mean it missed like I miss my wife when she is not around or does it mean they did not spot them? What does it mean?

Sir Suma Chakrabarti: I could not possibly comment on your personal relationship!

Q96 Mr Bacon: I can assure you, it is very successful insofar as we get the time to see each other!

Sir Suma Chakrabarti: I know what it means. I agree with you, development jargon is not great. What it means is we were not always aware that within some of these UN organisations what we would regard as a rational decision might be looked at in a completely different way because of internal constraints.

Q97 Mr Bacon: What are the internal constraints?

Sir Suma Chakrabarti: For example, clearly in UNHCR there was some division of opinion that we did not know about within the organisation, possibly between HQ and the field, about how to handle Aceh.

Q98 Mr Bacon: When it says in paragraph 53 that one good thing would be to make explicit the mandates of the humanitarian co-ordinator to co-ordinate the specialist agencies, I take it that the specialist agencies are that list we have got on page 14, are they, OCHA, UNICEF, the World Food Programme and so on?

Sir Suma Chakrabarti: OCHA is the co-ordinator, the government.

Q99 Mr Bacon: I am sorry, but that other list that is there, on the part of the humanitarian co-ordinator there would be an explicit capacity to tell the others what to do?

Sir Suma Chakrabarti: Yes, as I said, to be the conductor of this orchestra. When I opened, I said one of the key issues is about whether the chief executives of those specialised agencies are willing to cede some power in this.

Q100 Mr Bacon: It is difficult.

Sir Suma Chakrabarti: Clearly that is what we need to push for.

Q101 Mr Bacon: Presumably your Secretary of State will be pushing this?

Sir Suma Chakrabarti: He is at the forefront of this. It is his reform initiative, he started this movement. He made his speech on 15 December 2004, just 11 days, before the tsunami. It was not Reported that day—if I recall rightly, David Blunkett resigned that day—and then because of the tsunami it got a lot of attraction immediately after.

Mr Williams: Sir Suma, may I thank you and your colleagues for the frankness of your responses to the questioning. Unusually for this Committee, can I ask you to take back to your colleagues who work with you, our thanks and congratulations on what they did in helping to face this disaster. Thank you very much.

Memorandum submitted by the Department for International Development

1. At its session of 24 May 2006 the Committee will take evidence from DFID on the Report by the National Audit Office (NAO) on provision of humanitarian support by DFID following the Asian Tsunami of 26 December 2004.

2. The NAO reported that, at the time of preparation of their Report (in the third quarter of 2005), some grant recipients had not fully spent funds made available to them and that DFID was following up unspent balances, looking at plans for how these might be utilised and requesting refunds where appropriate.

3. Annex 1 updates the figures in the NAO Report. It shows the most recently available data—from accounts or management reports—on amounts spent from DFID allocations to UN bodies and NGOs and from the special addition to the Indonesia development programme. In summary:

- from total grants paid of £52.5 million, 82% has been spent/accounted for on the purposes agreed (UN bodies 85%, NGOs 94%); and
- balances not yet fully accounted for are less than £10 million. Of this, £3.5 million represents spending in 2006 from the un-earmarked contribution through OCHA on which we expect a final account in June; £3.8 million relates to a single project in Indonesia which has been substantially delayed; the remainder is for generally small amounts which cover either delays or under-spends.

4. All project grants have an agreed end-date. Final reports on the grants listed have been received or are due in the next few months. Any amounts unspent at the project end date will be repaid to DFID.

16 May 2006

DFID pledges and expenditure relating to (a) UN Flash Appeal and (b) Red Cross and NGOs

26 DECEMBER 2004 TO DATE (£'000)

<i>Channel</i>	<i>Pledged</i>	<i>Paid</i>	<i>Spent /a/c-ed</i>	<i>% spent</i>	<i>Balance</i>
<i>UN</i>					
Office for the Co-ordination of Humanitarian Affairs (to Dec 2005)	10,000	10,000	6,500	65	3,500
UN Development Programme Indonesia	4,000	4,000	4,000	100	
UN Childrens Fund—Indonesia Sri Lanka and Maldives	4,000	4,000	3,983	100	17
World Food Programme—mainly Indonesia Sri Lanka	3,500	3,500	3,469	99	31
UN Childrens Fund Indonesia Sri Lanka and Maldives	2,250	2,250	1,968	87	282
World Health Organisation—Emergency Programme	2,000	2,000	2,000	100	
International Organisation for Migration—all regions	1,000	1,000	1,000	100	
World Health Organisation—Indonesia Health Systems	600	600	600	100	
World Health Organisation—Indonesia Mental Health	600	600	402	67	198
Food and Agriculture Organisation—all regions	600	600	365	61	235
Office for the Co-ordination of Humanitarian Affairs	500	500	500	100	
UN Development Programme Maldives	500	500	500	100	
UNDSS	400	400	154	39	246
UN High Commissioner for Refugees—Sri Lanka and Indonesia	400	400	400	100	
UN Environment Programme—Maldives	400	400	265	66	135
Office for the Co-ordination of Humanitarian Relief—Sir Lanka	250	250	250	100	
World Health Organisations—WHO Maldives	105	105	105	100	
	31,105	31,105	26,461	85	4,644
<i>NGOs</i>					
International Federation of Red Cross and Red Crescent Societies	2,000	2,000	1,580	79	420

<i>Channel</i>	<i>Pledged</i>	<i>Paid</i>	<i>Spent /a/c-ed</i>	<i>% spent</i>	<i>Balance</i>
International Committee of the Red Cross	1,500	1,500	1,500	100	
ZOA Refugee Care	1,125	1,125	1,125	100	
The Mentor Initiative	1,120	1,120	1,120	100	
Islamic Relief	590	572	572	100	
ADRA	490	490	461	94	29
HelpAge International	483	483	483	100	
Norwegian Refugee Council	479	479	344	72	135
Voluntary Health Association of India	476	476	323	68	153
International Medical Corps—Indonesia	447	447	447	100	
ADRA	440	440	440	100	
Save the Children Fund UK	400	400	400	100	
Christian Aid—Southern India	400	400	400	100	
Aide et Action	395	395	391	99	4
Disaster Mitigation Institute (Creditor)	329	200	291	146	(91)
International Medical Corps—Health Emergency Assistance	327	327	327	100	
Plan International	326	326	316	97	10
Habitat for Humanity	302	302	202	67	100
Mercy Corps	300	300	300	100	
Christian Children's Fund (Note 3)	280	280	280	100	
Christian Aid—Sri Lanka	260	260	260	100	
Agence D'Aide et Cooperation Technique	260	260	260	100	
World Vision	250	250	231	92	19
Red R	152	152	152	100	
Basic Needs International	58	58	58	100	
International Health Partners	32	32	32	100	
International Health Partners	5	5	5	100	
Total (not including DMI creditor)	13,225	13,078	12,300	94	870
<i>DFID Indonesia Delegated Budget</i>					
Asian Development Bank—Water and Health programme	4,014	4,014	138	3	3,876
World Bank	4,000	4,000	4,000	100	
Internews—public intervention	342	342	342	100	
Bandeh Aceh Scoping Study	21	21	21	100	
	8,376	8,376	4,500	54	3,876
Total	52,706	52,559	43,261	82	9,390

Supplementary memorandum submitted by the Department for International Development

Question 61 (Mr Richard Bacon): Further information on the eight-point plan

1. Central Emergency Response Fund (CERF)

Some humanitarian crises are under funded, in other cases funds arrive late. The Central Emergency Response Fund (CERF) was launched on 9 March 2006. It is intended to help fund UN humanitarian agencies for: (i) immediate response to sudden disasters; (ii) time-critical humanitarian interventions in more slowly-developing crises; and (iii) essential life-saving actions in the longer term, under-funded, humanitarian crises.

As at 19 June 2006 the CERF has pledges of \$262 million from 43 donors, of which the UK is the largest single contributor at £40 million (about \$70 million). Subject to the UN making satisfactory use of the fund, the UK has committed a further £120 million over the next three years (January 2007 to December 2009). So far \$92 million from the CERF has been committed, including to the Horn of Africa (\$25 million), Darfur (\$20 million), the Democratic Republic of Congo (\$17 million), Chad (\$10 million), Niger (\$6 million), Cote D'Ivoire (\$2 million), and Burundi (\$2 million).

The CERF is managed by the UN Office for the Co-ordination of Humanitarian Affairs (OCHA), with decisions on funding taken by the UN's Emergency Relief Co-ordinator. The UK has a seat on the CERF Advisory Group, which advises on the speed and appropriateness of fund allocations, and examines performance and accountability. The Group had its first meeting on 23 May.

2. Humanitarian Co-ordinators

The humanitarian system needs stronger leadership and co-ordination. The Inter-Agency Standing Committee (IASC) (the main humanitarian forum containing both UN and non-UN actors) is taking forward a set of proposals for strengthening the recruitment and training of Humanitarian Co-ordinators, who co-ordinate crisis response currently in about 30 countries. In July 2006 the IASC is expected to confirm the selection of 20 experienced and respected humanitarians, drawn from the NGOs as well as the UN, who can be deployed in major humanitarian crises. This will substantially improve the pool of talent available.

3. Common Humanitarian Funds (country level pooled funding)

Humanitarian Co-ordinators need some authority over funds to improve the management of crises. The UK and seven like-minded donors are piloting common funding behind the Humanitarian Co-ordinators in Sudan and DRC during 2006. The Humanitarian Co-ordinators then fund agencies, including NGOs for the programmes that they judge most critical.

The country-level pooled funds have been running in Sudan (\$148.6 million) and DRC (\$76.35 million) since early 2006 and the Humanitarian Co-ordinators in both countries report that the system is working well. An independent evaluation of the funds will identify lessons. This is due to report in the autumn.

4. Global benchmarks

A number of existing initiatives have identified practical and measurable goals towards which individual agencies and groups of agencies can work in delivery of humanitarian action. But there is no over-arching global framework that can be applied to measure the collective actions of the humanitarian community. The development of such global benchmarks would provide a stronger focus for co-ordination, enable better decisions about priorities and management of resources, and promote transparency and accountability.

DFID is pressing WHO and UNICEF, which are leading inter-agency efforts to establish a humanitarian tracking service (HTS) covering trends in health, nutrition and coverage of basic services. A final proposal should be presented to the IASC in early July.

5. Disaster Risk Reduction (DRR)

DFID's new DRR policy was launched on 30 March 2006. This policy provides a framework for DFID to integrate disaster risk reduction measures more effectively into its own work, as well as strengthen the international system's capacity to manage disaster risks better, helping to reduce the threat that disasters pose to sustainable development and the Millennium Development Goals.

DFID already provides significant bilateral assistance for disaster risk reduction programmes in countries susceptible to disasters. For example, DFID is supporting the development of the government's Comprehensive Disaster Management Programme in Bangladesh, which helps to improve legislation, programming and co-ordination across government ministries on disaster risk reduction.

DFID also funds the international disaster risk reduction system. For example we are one of the leading donors, providing £3 million over the next three years to the International Strategy for Disaster Reduction, the focal point of the UN system for the co-ordination of disaster reduction. We are giving £3.75 million to support the Pan-American Health Organisations' work in the Caribbean to reduce the vulnerability of the health sector to disasters. In addition, our support for the community-level disaster risk reduction work of the Red Cross and various international NGOs totals around £15 million.

DFID will increase its funding for disaster risk reduction further, and encourage international financial institutions and other donors to do the same. We are committed to allocate 10% of our contribution for each natural disaster to prepare for and mitigate the impact of future disasters, where this can be done effectively. Under this policy, DFID has committed £7.5 million for disaster risk reduction in the tsunami-affected region, and pledged a further £6 million following the earthquake in Pakistan.

6. UN flash appeals

DFID has put forward proposals to improve the UN Flash Appeals, which are considered by many to cover too broad a range of interventions and too long a time period. DFID has proposed that UN Flash Appeals need to be more tightly focused on immediate life-saving needs only, issued five days after the disaster, and for commitment in the first 30 days. During this time a full needs assessment is to be conducted leading to a further appeal. OCHA accepts that the appeal process needs to be changed and should shortly publicise the new arrangements.

7. Use of military assets

DFID has proposed developing clearer agreements for using military assets in crises where necessary, so that they can be deployed quickly and reliably for maximum humanitarian impact. A Letter of Understanding between DFID and MOD is being negotiated.

8. Improving accountability

The humanitarian community needs to be more accountable—to those affected by disasters, and the public who pay for the relief effort. DFID has put forward a number of proposals, including appointing a Humanitarian Ombudsman or Inspectorate, and the publication by an independent body of a World Humanitarian Report to publicise trends in humanitarian needs and assess the capacity of the system to respond. These proposals are being debated with donors, the UN, the Red Cross movement, NGOs and other interested parties.