

The UK's battle to make poverty history

Aid targets still to be met

The UK's New Labour government has been a vocal participant in international development debates. The Conservative party, should it come into power in 2010, promises to keep up the efforts.



Alamy / Victor Watts

Despite years of spending in the name of development, deep and widespread poverty has persisted in the vast majority of developing countries. There have been only a

handful of success stories to support the idea that aid is effective. But this has not stopped governments around the world from making bold commitments not simply to reduce poverty, but to eradicate it.

Few governments have been as vocal in global discussions about 'making poverty history' as the UK's New Labour administration, which has been in power since May 1997. Immediately after the general election that year, the new government implemented its manifesto pledge to transform the foreign affairs ministry's aid wing, the Overseas Development Administration, into a new Department for International Development (DFID), led by a cabinet minister and dedicated to 'leading the UK's fight against world poverty'.

In the autumn of 1997, DFID published its first white paper with the ambitious title *Eliminating World Poverty*. Two more white papers – one issued in 2000 and the other in 2006 – reinforced the message of poverty elimination. A law was passed in 2002 to ensure that the purpose of the UK's aid programme is poverty reduction, and that aid cannot be tied to UK goods and services.

Both New Labour prime ministers have also made persistent efforts to put themselves at the heart of the

Summary

- The New Labour government has been among the most vocal in global discussions about eradicating poverty.
- In terms of its aid contribution, the UK ranks third in the world after the US and Germany. But as a proportion of gross national income, the UK contributes just 0.43%, well below the agreed target of 0.7%.
- The Trade Policy Unit was created in 2007 to improve coherence between the UK's development and trade policies.
- Since the economic crisis, the Department for International Development (DFID) has continued to stress the fight against poverty, highlighting the benefits for donors and recipients.

international development debate. Tony Blair, for example, launched the Commission for Africa in 2004, calling the continent's plight 'a scar on the conscience of the world'. And Gordon Brown, as Blair's finance minister and, since 2007, as prime minister, has consistently pushed for global action on debt relief and, more recently, on the economic crisis and its potential impact on the world's poorest countries.

Increasing aid

DFID spent £5.3 billion on official development assistance (ODA) in the 2007–2008 fiscal year. Over half of that (58%) went to developing countries, either directly or through an international body. And over a third (37%) went to international bodies – notably the European Commission, the World Bank and the United Nations – to support their development activities, such as healthcare, education and economic growth. [↗](#)

The UK ranks third in the world, behind the US and Germany, for its total aid contribution. But in terms of ODA

By **Romesh Vaitilingam**, author of numerous articles and books on economics, finance and public policy.

Eliminating World Poverty: Making Globalisation Work for the Poor



December 2000: Clare Short and Tony Blair (with footballer Nwankwo Kanu) had great ambitions and made even greater promises ...

as a proportion of gross national income (GNI), the UK ranks tenth among the 22 members of the OECD's Development Assistance Committee (DAC). At 0.43%, the percentage is well below the internationally agreed target of 0.7% and the levels attained by the five countries that surpass that target: Sweden, Luxembourg, Norway, Denmark and the Netherlands.

DFID's budget is scheduled to increase to £7.9 billion by the fiscal year 2010-2011, rising by an average of 11% a year, and the government has pledged to increase aid to the equivalent of 0.7% of the UK's GNI by 2013. Whether that will be possible in view of the economic crisis and the particularly weak state of the UK's public finances is questionable. But according to a recent DFID statement, 'in the face of economic downturn, international commitments to aid need to be maintained'.¹⁰

Development and the crisis

The worldwide recession that has followed the financial crisis is having a deeply damaging effect on the developing world. Demand for its exports of commodities and manufactures have been dramatically reduced, and capital flows are far

lower, including direct and portfolio investment and remittances.

The Overseas Development Institute (ODI), one of the UK's leading research institutions in the field of development, estimates that by the end of 2009 developing countries will experience an income reduction of at least US\$750 billion – some US\$50 billion of which in sub-Saharan Africa alone. This will mean rising unemployment, poverty and hunger. In mid-June 2009, the UN Food and Agriculture Organization (FAO) announced that the number of people suffering from hunger had risen by 100 million in the previous year – the steepest increase ever – to just over 1 billion.

ODI researchers are tracking the spread of the recession. In a March 2009 report entitled *A Development Charter for the G20* they called for a 'global poverty alert system' to monitor the economic impact of declines in trade, financial flows, remittances and aid. This system would also track the impacts of the recession on people's lives, including the loss of jobs, lower incomes and falling investment in health and education.

Earlier work by ODI and its partners in ten countries in Africa, Asia and Latin America shows that all ten have been



affected, but in very different ways. Countries whose growth has been dependent on export sectors have been particularly badly hit. And there are different effects on poverty rates, with a likely increase in Ghana of 1% of the population and in Bangladesh 0.2%.

DFID itself has continued to stress the importance of maintaining the fight against poverty, but that purpose has increasingly been framed in a way that suggests the benefits for the donors as well as the recipients.

Development research in the UK

Research on development and development-related themes is widely spread around the UK's universities and 'think tanks'. They include:

- African Studies Centre, University of Cambridge
- Centre for the Study of African Economies, University of Oxford
- Centre on Migration, Policy and Society (COMPAS), University of Oxford
- Development Studies Institute, London School of Economics (LSE)
- International and Rural Development Department (IRDD), University of Reading
- International Growth Centre, a joint LSE/Oxford venture.
- International Institute for Strategic Studies (IISS)
- Institute of Development Studies (IDS), University of Sussex
- Overseas Development Institute (ODI), London
- Refugee Studies Centre, University of Oxford
- School of Government and International Affairs, University of Durham
- School of Oriental and African Studies, University of London

NGOs and CSOs in the UK

- ACORD - Agency for Co-operation and Research in Development: www.acord.uk.org
- ActionAid UK: www.actionaid.org.uk
- Advocates for International Development (A4ID): www.a4id.org
- Africa Diaspora Investment Forum: www.africadiaspora.com
- Bretton Woods Project: www.brettonwoodsproject.org
- CAAT - Campaign Against Arms Trade: www.caat.org.uk
- CAFOD - Catholic Agency for Overseas Development: www.cafod.org.uk
- CARE International UK: www.careinternational.org.uk
- Fahamu: www.fahamu.org
- IDE - International Development Enterprises: www.ide-uk.org
- IIED - International Institute for Environment and Development: www.iied.org
- INTRAC - International NGO Training and Research Centre: www.intrac.org
- Save the Children UK: www.savethechildren.org.uk
- War on Want: www.waronwant.org
- BOND (British Overseas NGOs for Development) recently recommended that DFID 'go beyond their basic needs focus and address the underlying structural causes of poverty ... to present a vision of international development which focuses on promoting social justice, equitable growth, environmental sustainability, conflict prevention and building effective democratic international institutions regulating international affairs.' www.bond.org.uk

Aid and trade

A constant theme of the New Labour administration has been the need for 'joined-up government'. As so often with government slogans, the reality has generally fallen well short of the ambition, except perhaps in the case of development policy. One recent example is the Trade Policy Unit (TPU), created in 2007. The TPU brings together the trade and development policies of DFID and the UK's commerce ministry, known since June 2009 as the Department for Business, Innovation and Skills.

The TPU's work has become particularly significant in light of the recession, the decline in world trade and the growing danger of countries turning to protectionist policies. Once again, its mission is framed in terms of benefits for both the UK and the developing world: 'TPU's challenge is ... to continue calling for trade deals that are beneficial to both the UK and to poorer countries, while working towards our dual objectives of global poverty reduction and UK competitiveness and market access'.

Speaking at the launch of the UK's first World Trade Week in June 2009, business minister and former European Union trade commissioner Lord Peter Mandelson and international development minister Douglas Alexander said that defending open trade remained the most powerful means of rebuilding global prosperity and fighting poverty.

The ministers announced a boost in funding for 'Aid for Trade' to £800 million – an increase of 60% since 2005. This is meant to provide support for African countries in improving access to markets, upgrading transport and infrastructure and making borders more efficient. They also launched a new website to collect evidence of countries adopting protectionist policies to counter the global recession.

Global Trade Alert is an independent initiative that is run by the Centre for Economic Policy Research (CEPR). It draws on economic expertise from independent research institutes in seven regions of the world, and monitors not just tariff barriers – which are heavily constrained by World Trade Organization (WTO) rules – but also non-tariff barriers and national crisis measures. Global Trade Alert is intended to complement and surpass the WTO and World Bank's monitoring initiatives by identifying countries' trading partners that are likely to suffer because of new measures.

Climate change and development

Another area in which development has been 'joined-up' with other policy concerns is the environment. Sir Nicholas Stern (now Lord Stern) led the work of both the Commission for Africa, and the highly influential Stern review, *The Economics of Climate Change*, when he was a civil servant at the Treasury. At a conference in London in March 2009, Stern warned that 'the two great challenges of the 21st century are the battle against poverty and the management of climate change. ... If we fail on either one of them, we will fail on the other'.¹⁵

Stern's work on climate change has undoubtedly encouraged a greater commitment to action, the impact of



Sir Nicholas Stern, adviser to the UK government on the economics of climate change.

which will become apparent at the UN climate change summit in Copenhagen in December 2009.

Doubts about aid effectiveness

There seems to be broad public support for the UK's commitment to development. But is today's renewed optimism that aid policy can make a difference in ending world poverty supported by tangible evidence? There are still considerable questions about whether aid works.

One skeptic is Peter Boone of the Centre for Economic Performance at the London School of Economics (LSE), whose pioneering research in the early 1990s revealed the failure of large aid flows either to increase growth or reduce poverty. He argues that to have a real impact on extreme poverty, aid needs to be much more carefully targeted, allocated on the basis of good scientific evidence of its effectiveness and delivered through well designed institutions.

'Careful after-the-fact evaluations of aid projects by donors are rare', Boone says, 'and when they are done, they are usually flawed by the standards of scientific analysis. In 2005, Boone launched Effective Intervention, an organization that aims to design, implement and evaluate aid projects to demonstrate effective, inexpensive means to reduce child mortality in the developing world.'

The latest OECD/DAC peer review (from 2006) is very positive about British aid. The debate on aid effectiveness has, however, been reignited recently by the publication of the book *Dead Aid* by Zambian economist Dambisa Moyo. In a 2008 article, well known aid critic William Easterly claimed that the UK is the most effective bilateral donor in terms of its transparency and four other dimensions of best practice in aid delivery.¹⁴ But he has been much more critical recently. On his blog, 'Aid Watch', Easterly criticizes the UK for increasing direct budget support to the autocratic governments of aid-receiving countries, and asks 'which side are UK aid officials on, on the side of poor people or on the side of the governments that oppress them?'

Former DFID civil servant Owen Barder has hit back on his blog: 'giving some aid in the form of budget support ... is

motivated by evidence that in some circumstances this is an important way of building more effective, responsive and accountable institutions. Developing countries don't want to receive aid forever, any more than industrialized countries want to give it forever. Building effective and accountable public services is a way of financing the delivery of public services in the short run, while at the same time making it more likely that countries have an exit strategy from aid in the long run'.

The next UK government

By June 2010 at the latest, there will be a general election in the UK. It is likely that the current government will be replaced by the Conservative party. Is this going to make a big difference to UK policy on development? Andrew Mitchell, the current Conservative spokesman on international development, was recently interviewed by Owen Barder on his podcast 'Development Drums'. Mitchell reiterated his party's pledge that DFID 'will remain both a separate government department and have its own cabinet minister under the Conservatives'.

The Conservatives promise to focus on improving three key areas of international development, all of which are reasonably closely aligned with the current government's goals: 'Aid: we are committed to achieving the United Nations target of spending 0.7% of national income as aid by 2013... Trade: we will put maximum effort into achieving an ambitious, pro-development global trade deal, because trade will do more to eliminate poverty than anything else'.

The third area they emphasize is conflict resolution: 'We will give much greater importance to conflict prevention and resolution – because a nation mired in conflict remains vulnerable until the fighting stops, no matter how much aid or trade it receives'. The Conservatives are concerned with aid effectiveness, and mean to establish 'an independent aid watchdog' to monitor DFID's performance.

The Conservatives have been out of power for 12 years and their track record on aid before then was not great, with DFID's predecessor being a part of the foreign affairs ministry and lots of tied aid. But while it is obvious that cuts will have to be made to Britain's public finances regardless of who wins the 2010 election, the Conservatives have been clear that while they expect to have to cut most things by 10%, health and international development will be protected.

In response to a critical report by the AidWatch Initiative, Max Lawson, Oxfam senior policy adviser, stressed that 'the UK is still playing catch-up in the European league table of aid', and that the next government must set out a clear timetable for increasing UK aid spending – excluding debt relief – to at least 0.7% of national income.

In the meantime, DFID will produce a new white paper later this year to respond to the new global challenges. Whether a new Conservative government will heed the call from the British Overseas NGOs for Development (BOND), which represents over 330 NGOs, to engage more effectively with civil society organizations 'as sources of fresh and progressive thinking' remains to be seen. ■