
Oxfam GB Public Submission

Bilateral Aid Review

*“The ‘Dos’ and ‘Don’ts’ of 21st Century
Development Assistance”*

Oxfam GB

30 September 2010

Executive Summary

Oxfam GB welcomes the UK government's Bilateral Aid Review. The UK's international leadership in development is widely recognised, and the Department for International Development has a well-deserved reputation for progressive, effective, cutting-edge development policies and programming. Global change is continuous, so it is right and necessary that aid and development policies are subject to review, not least at a time where major challenges must be met: tackling global poverty, ensuring an equitable and sustainable growth path out of the global economic crisis, and urgently addressing the causes and impacts of runaway climate change. We welcome the opportunity to contribute to this process.

Poverty-reduction as the goal of a systemic, coherent development strategy

It is vital that poverty-reduction remains the main strategic goal of UK development policy – whether in stable, conflict-affected or 'fragile' states. Development is a complex process and requires a systemic, coherent and strategic approach. Aid is a key, but not the only, part of ensuring successful development. Oxfam welcomes the government's drive to ensure greater aid effectiveness and value-for-money in its aid spending. This emphasis should not come at the expense of a systemic approach to development nor result in a focus on easy-to-produce or easy-to-measure projects and outcomes, given that the deepest poverty is often the hardest to tackle, and that complex, but vital, long-term outcomes are not always easy to measure. Strategic policy goals should drive the choice of indicators and not vice versa.

DFID's Country 'Footprint' and 'results offers'

A truly participatory and bottom-up approach to establishing development priorities in different countries is welcome, within a coherent overarching UK development strategy. Oxfam considers that the current focus of 90% of UK aid on the poorest countries is broadly the right one. Criteria for selecting among 'offers' should include the key drivers of development success and not just value-for-money. Support to 'fragile' states is vital but so is support to equally poor but stable countries. UK aid is already fairly concentrated; further concentration does not seem justified. We urge greater transparency in the 'results offers' process; we are also concerned that consultation in-countries appears to have been inadequate and urge DFID to make use of White Papers in further consultation processes.

We should also not lose sight of the fact that many of the world's poorest live in middle income countries – with India accounting for the greatest number, a country where DFID's aid has been important in itself and in leveraging further aid in-country. DFID can play a vital role in supporting innovation and advocating scale-up of best practice in middle-income countries, though the programme-spend should be less, given the governments' own resources.

Effective states and active citizens owning their own development strategies

Development in the 21st century works best when aid builds effective states held to account by informed, active citizens; it works best where those governments are responsible and accountable for their strategic development paths, taking direct responsibility for, and ownership of, the disbursement of ODA. There should be no return to an old-fashioned, donor-driven, service delivery approach to aid.

Continuity and Change

Overall, UK aid represents some of the best aid in the world; more substantial change is only needed in a few areas. Oxfam supports continuity where aid is at the cutting edge of

international efforts to overcome poverty. Oxfam calls for change, where change is needed, especially to tackle the impacts of climate change, and energy security. Aid delivered as budget support to effective states is aid that works, as is aid that contributes to ensuring free, public provision of basic healthcare and education. Meeting the Millennium Development Goals remains a key strategic aim. Oxfam also welcomes the government's commitment to increasing UK ODA to 0.7 per cent of GNI by 2013. We urge the government to ensure there is a steady trajectory of increases to 2013 in the aid budget to meet this target. Keeping to the OECD DAC guidelines for ODA is welcome but the UK has played a leadership role in consistently setting much higher standards than the DAC guidelines – this should continue.

Putting women's rights at the heart of poverty eradication

Putting women and girls at the heart of poverty reduction strategies is vital – they form the majority of the world's poor, and they are the agents of change that can lead to an end to poverty. This means more and better investments in girls' and women's education, in women's and girls' health, in tackling violence against women and in political and economic empowerment of women.

Wealth creation and the role of the private sector

Growth and wealth creation are needed if we are to overcome poverty; but they are not sufficient. To tackle poverty head-on, growth must be pro-poor, it must drive down inequality, ensure investment in public goods and services, and be climate-resilient. It must also be growth that helps to build, not undermine, food security through investing in smallholder agriculture and creating access to markets, not barriers to entry. The private sector has a key role in growth, wealth creation and the functioning of markets. Many forward-thinking companies are also building resilience and fair value distribution into their supply chain. They see major market opportunities and competitive advantage with this approach. But markets are also imperfect – not taking account of social and environmental costs and benefits – and regulation is a necessary part of a socially responsible private sector. Private companies must be encouraged to understand how their businesses can be both profitable and pro-poor.

Climate Change

Maintaining the UK's international leadership in tackling climate change is vital if the huge challenges to be tackled due to rising global temperatures are to be met. Continuing to champion the interests of the poor and vulnerable countries is central, not least as they are the ones most affected by existing impacts of climate change. We urge the government to ensure at least half of climate finance is for adaptation not mitigation, that it is additional to the 0.7% ODA commitment and that it is increasingly delivered through global institutions especially through a new UNFCCC Global Climate Fund. This builds trust and influence. The UK can also lead by prioritising pro-poor approaches to adaptation and low carbon development.

Conflict and Security

Many of the world's poorest people live in countries affected by, at risk of, or recovering from conflict. In these states, as in more stable developing countries, the focus of development aid must be on poverty reduction and not on UK national security or foreign policy goals. Development contributes to security and stability. But subsuming aid under security or foreign policy will undermine development goals, and is unlikely as a result to actually promote security either. Oxfam is concerned that an "integrated" approach between DFID, MoD and the FCO will undermine the effectiveness of UK aid – DFID should be at arms-length to these two departments. Of course in any one country, foreign and development policy should aim for coherence. But that coherence must not come at the expense of DFID's poverty focus.

The 'Dos' and 'Don'ts' of 21st Century Development

Section 1: Introduction

Do: Keep poverty-reduction as the main strategic goal of UK development policy.

Do: Search for ways to increase aid effectiveness, including value-for-money.

Don't: Let a focus on results and value-for-money undermine a systemic coherent and sustainable approach to development or allow a return to an old-fashioned, donor-driven service delivery approach to aid.

Don't: Let budgetary pressures or the needs of the National Security Council undermine the quality and effectiveness of DFID's focus on poverty reduction, which sets a standard significantly higher than the OECD DAC guidelines.

Section 2: How Development Happens

Do: Support policies to ensure growth and wealth creation is pro-poor, sustainable and equitable.

Do: Recognise the crucial role of states and civil society in development.

Don't: Treat development as technocratic when it is always also a political process.

Section 3: Women's Rights and Gender Equality

Do: Prioritise increasing the overall quality of education for women and girls.

Do: Continue to prioritise tackling violence against women.

Don't: Focus on women's economic empowerment without investment in women's political and social rights.

Don't: End support for the expansion of free healthcare in developing countries, especially with respect to maternal health services.

Section 4: Markets and the Private Sector

Do: Encourage the private sector to understand how their business growth and investment can be pro-poor.

Do: Ensure that UK companies understand and are held to account for the social, environmental and financial impacts of their operations overseas.

Don't: Promote a conclusion to the Doha Round unless it returns to its original pro-development intentions.

Don't: Forget that private and public investment in infrastructure are often synergistic and complementary not competitive.

Section 5: Aid and the MDGs and the 0.7% Commitment

Do: Increase UK ODA to 0.7% of national income by 2013 with a straight-line trajectory of increases to 2013.

Do: Aim to spend 50% of DFID bilateral aid as budget support, to support developing country governments.

Don't: Undermine the international Paris and Accra aid effectiveness commitments in pursuit of a greater focus on the results agenda.

Don't: Reduce DFID support for the provision of free, public services.

Section 6: Climate Change and Poverty

Do: Lead by example by delivering our share of global finance pledges, and ensuring that at least 50% of climate finance is for adaptation.

Do: Lead by example by developing and prioritising pro-poor approaches to adaptation and low carbon development.

Don't: Undermine UK leadership, or penalise those living in poverty, by counting climate finance towards the 0.7% ODA target.

Don't: Bypass a new Global Climate Fund in favour of existing institutions and bilateral channels.

Section 7: Food Security

Do: Develop a long-term model for sustainable agriculture that will end hunger and that is resilient to climate change and is able to meet projected demand without passing environmental boundaries.

Don't: Stop supporting social protection as a vital means of ensuring those living in deepest poverty are not highly food insecure, chronically malnourished or starving.

Section 8: Conflict, Humanitarian Crisis and the Role of Development Assistance

Do: Maintain poverty reduction not national security priorities as the focus of DFID's work in conflict-affected and unstable states.

Do: Ensure that development aid helps reduce the rising burdens on the global humanitarian system, by investing in disaster risk reduction, climate change adaptation, and interventions building the resilience of communities in disasters.

Don't: Focus only on developing the capacity of formal state institutions in 'fragile states', without also developing active citizens and civil society to hold state institutions to account.

Don't: Integrate development, foreign and security policies, especially in ways that undermine DFID's focus on poverty-reduction or that undermine developing countries' ownership of their development processes.

Section 9: States, Civil Society and Accountability

Do: Ensure that support for accountability institutions encompasses building the capacity of civil society to hold governments to account, including organisations that advocate for the rights of women and girls in policy-making.

Don't: Take away key input indicators and commitments that allow DFID to be held to account in the short and medium term by UK civil society and others.

Section 10: Evaluation, Results and Value-For-Money

Do: Ensure that policy drives choice of indicators and measures of effectiveness and not vice versa

Don't: Allow a move to greater measurement to undermine work in uncertain, difficult environments or in hard-to-measure but vital programmes

Section 11: Country 'Results Offers' and DFID'S Footprint

Do: Recognise that the current focus of 90% of DFID aid on the poorest countries is broadly the right one.

Don't: Penalise countries that are very poor and performing well, because they are not narrowly defined as 'fragile'. In particular do not simply use the CPIA scores to define whether a state is fragile, as the CPIA is a deeply flawed instrument.

Section 12: Consultation and Process

Do: Ensure a continuing process of consultation including using Green and White Papers to improve the coherence and effectiveness of consultation processes

Don't: Conclude that there has been sufficient in-country consultation to date.

“The ‘Dos’ and ‘Don'ts’ of 21st Century Development Assistance”

"The UK has a moral responsibility to help the poorest people in the world"
The Coalition: Our Programme for Government, May 2010

"UK money should be spent helping the poorest people in the poorest countries"
Andrew Mitchell, Secretary of State for International Development, June 2010

"We believe the UK must continue to play a leading role in ensuring justice and equity for poor people around the world"
Liberal Democrats Policy Paper, September 2001 ('Accountability to the Poor')

1. Introduction

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Don't: Let budgetary pressures or the needs of the National Security Council undermine the quality and effectiveness of DFID's focus on poverty reduction, which sets a standard significantly higher than the OECD DAC guidelines.

Tackling Poverty and UK Leadership

1.1 Too many millions of people's lives around the world continue to be blighted by poverty and suffering. We can and must change this: the UK has a major contribution to make to this overarching goal given its track record in supporting progressive development policies, in particular through the increasingly effective, high impact work of the Department for International Development. Oxfam GB welcomes the essential continuity in the UK's overarching development policy and goals, exemplified both in the above quotes, from the members of the new coalition government, and by the new government's vital commitment to keep to the UK's promise to deliver 0.7 per cent of Gross National Income in aid by 2013 and to make this commitment legally-binding.

1.2 It is important that the new government reflects on the overarching strategy, and the specifics, of UK development policy; but it is also important to recognise the leadership role the UK has among northern donors in development policy, and the impact many of its key policies and commitments have had in driving improved development policy and aid funding elsewhere. These should not be shed lightly. UK leadership, and the international recognition that UK aid and DFID's role gets as world trendsetters, makes the case for considerable continuity in UK development approaches. UK aid overall is mostly working and working well; there is no need for radical change. But learning, revision and addressing change and new opportunities and challenges will always be vital, not least in a natural resource-constrained world, facing the challenges of climate change, and the continuing impacts of the global economic crisis.

1.3 Poverty-reduction must remain the overarching strategic goal of UK development policy. It must be the driver of programmes and activities in all the countries that receive UK aid – whether these countries are seen as stable, fragile, or directly affected by conflict. It is an approach that will require economic growth, but it should be growth that

targets and dramatically reduces inequality, and that is climate-resilient including encouraging pro-poor, low carbon development in poorer countries so they are not beached on a high carbon path as oil prices rise and become more volatile. And it must be an approach that redoubles efforts to meet the Millennium Development Goals by 2015.

1.4 The UK is one of the world's biggest bilateral donors, with an approach that is far more poverty-focused than most other existing donors, which is welcome in itself, and as part of the UK's international leadership on development. In allocating bilateral aid across countries, it is vital that the UK government maintains its commitments to spend 90% of bilateral aid in low-income countries, with an increasing share to sub-Saharan Africa. The vast majority of DFID's aid is already concentrated on a relatively small number of countries, and with a strong focus on 'fragile' states while also rightly focusing too on stable but poor states including 'good performers'. Oxfam does not consider that moving to a more concentrated focus on a smaller number of countries would be a route to more effective UK aid spending.

A Coherent, Strategic Approach is Vital

1.5 Increasing the quality and effectiveness of aid, to ensure it delivers the best, most effective results for poor people, is central. But measures to ensure effective aid and value-for-money must be based on a coherent, strategic approach to development that builds a sustainable, long-term development route out of poverty. A drive towards more effective aid is welcome – but it must not become a narrow return to an old-fashioned, donor-driven, short-term, service-delivery approach to aid. Effective aid also requires international coordination and coherence in line with the Accra and Paris aid declarations. Value-for-money considerations will always have a part to play, but development in any society is complex, and value-for-money in terms of simple cost comparisons must not undermine the application of the hard-learned and broader aid effectiveness lessons enshrined in the Accra and Paris declarations. In particular, it requires long-term support to developing country budgets wherever possible.

1.6 Such a strategic approach will require the building of effective states, and enabling active citizens to hold those states fully to account. Poor women and men must play a leading role in determining those overarching development strategies, and in holding their governments – and donors – to account for effective and participatory implementation of those strategies.

1.7 In the absence of a specific White Paper or consultation document to respond to, Oxfam GB is submitting its views to the government's Bilateral Aid Review based on a number of sources that set out the government's approach to development so far, including: the DFID 'Draft Structural Reform Plan', the Coalition's 'Programme for Government' statement on international development, speeches by key members of the government that have focused on international development since May 2010, and information on the themes and pillars that DFID has used in its own internal consultation for this Review with its country programmes.

1.8 Oxfam welcomes the opportunity to submit its views to this Review. It urges the government to ensure full and effective consultation as it further develops its policies towards international development, including using, as appropriate, Green and White Papers to set out its overarching approach. Oxfam is very concerned that its own feedback on this review from its country programmes indicates that rather little consultation or in many cases no consultation has taken place. While the government is reviewing the aid commitments made under previous governments, Oxfam would underline the importance and power of many of the existing and previous development commitments – power in delivering results and in leveraging change in other donor

countries. In this submission, Oxfam underlines where it sees the benefits of continuity and where change is needed.

1.9 Before commenting under the main themes and headings of the Draft Structural Reform Plan, we set out first what Oxfam sees as the central drivers to successful development. Every country and society has its own specific characteristics, which will impact on its most effective routes towards sustainable and equitable development. But there are some overarching concerns and lessons that all can usefully draw on. We would urge the government, through DFID, to apply these lessons and themes, when deciding the overall shape of its bilateral aid programme in response to this review, and when formulating its response to the 'results offers' from individual DFID country programmes. In particular, it should aim to:

- Focus aid directly on poverty-reduction as its main goal
- Build effective and accountable states, and active citizens
- Contribute to inequality-reducing, climate-resilient growth, including sustainable agriculture
- Tackle gender inequality
- Work with the private sector on its poverty footprint
- Redouble efforts towards achieving the MDGs
- Reaffirm the role of the state in achieving MDGs and in ensuring expanded provision of free public services
- Keep development aid coherent with, but independent of, security and foreign policy goals
- Make aid more predictable, transparent and accountable and delivered through government budgets wherever possible.

2. How Development Happens

"No country has achieved lasting peace and development without a basic functioning state – that is, without a system to guarantee property rights, resolve disputes, and address inequalities."

Andrew Mitchell, September 2010, Royal College of Defence Studies

Do: Support policies to ensure growth and wealth creation is pro-poor, sustainable and equitable.

Do: recognise the crucial role of states and civil society in development.

Don't: Treat development as technocratic when it is always also a political process.

Effective States and Active Citizens

2.1 UK bilateral aid should support pro-poor and equitable economic development in developing countries. This means ensuring UK aid is spent on:

- Working with developing country states to enable them to become effective states that: protect the rights of their citizens, provide an enabling environment for economic activity and deliver essential services including health and education.
- Working directly with affected communities, building their resilience in the face of increasing vulnerability, and helping to build an effective civil society that can hold their government to account.

Growth Must Be Pro-Poor and Tackle Exclusion

2.2 Even before the current global economic crisis, economic growth was leaving out many of the world's poorest, not least as it was not reducing inequality. The world's three and a half billion poorest face problems of exclusion from social services and economic activity, of rural remoteness, and of urban slum environments. One billion people still face hunger on a daily basis. Food security is a growing challenge and problem.

2.3 Growth is a vital component of solving these desperate problems but on its own is insufficient. So DFID's aim in its Draft Structural Reform Plan (DSRP) of making British development policy 'more focused on boosting economic growth and wealth creation' can only be one part of the story. Growth must be poverty-reducing – it must be sustainable, inclusive, climate-resilient and it must tackle social, political and economic inequality head-on.

Building Equitable, Pro-Poor Development

2.4 History has shown that the key foundations for pro-poor and equitable economic development include: a focus on land reform, labour intensity, promotion of smallholder agriculture, promotion of small and medium-sized enterprises, substantial social investment in the provision of free education, health, water and sanitation, effective and inclusive social protection, and investment in infrastructure and the development of skills, which will also attract further private sector investment. Gender is critical to any pro-poor growth strategy. Social protection is particularly vital for those in chronic, entrenched long-term poverty who market economics solutions fail to reach. There is a need for interventions that focus on promoting and enabling women's economic activity and on providing the public services that will remove the huge burden of care that prevents further integration by women into the economy. Key issues in gender and development are considered further in section 3 below. Young people are another important target group – inadequate growth and recessions too easily leave a legacy of deskilled young people without work experience: education, training, and social protection are vital to give young people the opportunities they need.

2.5 The most important and decisive factors in creating these conditions are an effective and active state held to account by active, empowered citizens. The state has a crucial role to play in ensuring economic stability, guiding and upgrading industry, services and agriculture, promoting trade, guaranteeing the provision of physical infrastructure (e.g. energy, roads, telecoms) and the rule of law, curbing market excesses and market failure, redistributing wealth, tackling inequality, providing quality free public services such as health and education, ensuring employment and building a green and sustainable future for all citizens.

2.6 The evidence from all successful developing countries is that investing in free basic healthcare and primary education, as well as social protection, underpins growth that is equitable and has the maximum impact on poverty reduction. Diseases stifle growth with the annual economic loss in Africa due to malaria estimated to be \$12 billion, representing a crippling 1.3 per cent annual loss in GDP growth in disease-endemic countries.

Private Sector Role in Wealth Creation

2.7 Ending poverty will be impossible without the creation of wealth, jobs and economic growth – and business and the private sector play a vital role in this. Private sector investment, innovation, entrepreneurship, job creation and building of markets for goods and services are important for developing just as for developed countries. But markets are also imperfect – often not taking account of social costs and benefits, and operating in a world of risk, uncertainty and imperfect information. So it is not surprising that growth from private sector businesses operating in unregulated markets will not usually promote inclusive, poverty-reducing growth or always allow open contestable markets with full and fair access for small and poor traders. Where markets do not or cannot provide public goods, or incorporate social costs and benefits, then appropriate regulation, state intervention and public investment is vital – as the global financial crisis has demonstrated. This includes both social investments in key elements of human and social capital including health and education, and investments in infrastructure central to social and economic development. Tackling inequality will also always need the state to play some redistributive role; ensuring fairness will always mean the state must play a regulatory and monitoring role.

Domestic Revenue-raising as central

2.8 States' ability to raise their own revenues domestically from taxation is a vital element in development. Effective states raise more money through domestic taxation than weaker states, and do so in a way that both reduces inequality and strengthens the social contract with their citizens. Aid can play an important role both in improving tax-raising capacity and in ensuring it is progressive. Donor governments must also ensure that their own donor country institutions do not undermine the role of domestic resource mobilization by, for example, enabling capital flight and tax evasion through tax havens and offshore financial centres

Politics and Change

2.9 Development is an essentially political process, in that it involves upheaval and the constant renegotiation of social and economic power. Donors should not shy away from this reality and take refuge in technocratic approaches that, by ignoring politics, run an increased risk of failure. DFID has a proud record of work in this area, for example through its 'Drivers of Change' research, and should ensure that it continues in this pioneering role. Donors play an increasingly important role through generating and disseminating knowledge. DFID's policy and research arms have international recognition for their often cutting-edge work – and the continuation of that investment in knowledge is a vital element of the UK's development success.

3. Women's Rights and Gender Equality

Do: Prioritise increasing the overall quality of education for women and girls.

Do: Continue to prioritise tackling violence against women.

Don't: Focus on women's economic empowerment without investment in women's political and social rights.

Don't: End support for the expansion of free healthcare in developing countries, especially with respect to maternal health services.

Putting Women and Girls at the Heart of Poverty Reduction

3.1 Gender inequality represents both an inherent injustice as well as a fundamental barrier to tackling poverty and suffering. Women represent the majority of the world's poor, and it is gender inequality and the marginalisation of women's rights that is the prime cause of this poverty. As a result, Oxfam welcomes the priority placed by DFID on recognising the role of women in development and promoting gender equality.

3.2 Oxfam particularly welcomes the focus placed by DFID on maternal health, girl's education, women's economic empowerment and preventing violence against women. Progress on, and investment in, these four issues are vital if real progress is to be made in overcoming poverty. There are a number of particularly important priorities within this. Education

3.3 Supporting girls and women to complete primary and secondary education is important but it should also be closely linked to supporting girls and women to move on into tertiary education. In particular, a holistic approach to education for girls and women will contribute to an increase in the number of women pursuing careers in education and in entering other higher-waged jobs. Training more women teachers has a deep and positive impact on the number of girls in education and the quality of provision for girls. Gender parity at primary school needs to translate into gender parity at secondary and tertiary education levels. Girls' education empowers women everywhere to demand control of their own fertility.

Economic and Political Empowerment

3.4 Women's economic and political empowerment has to go hand in hand. A focus on job creation and access to financial services for women will only deliver real progress if women's social and political status is also transformed. This requires developing programmes of work both to create economic opportunities and to challenge social stereotypes, strengthen women's collective organising, and remove all barriers to women's political leadership and participation.

Ending Violence Against Women

3.5 The large scale, effective acceptance of violence against women and impunity for that violence worldwide is unacceptable and shows the global community is failing women and girls. Oxfam urges development actors to move away from supporting piecemeal, ad hoc approaches to violence against women and to support a comprehensive international action plan, with time-bound targets and explicit accountability mechanisms.

Health

3.6 Significant progress on maternal and child health will require a serious and sustained commitment to the attainment of fundamental sexual and reproductive health rights in poor countries. This will require increasing funding and capacity building support to public services, community-based organisations, NGOs and networks that advocate for the power of informed choice on sexual and reproductive health rights, comprehensive prevention approaches, and providing sexual and reproductive health rights and HIV information and services for women, adolescents and communities.

3.7 The slow progress on maternal health to date reflects a donor-driven agenda of short-term, selective interventions based more often on commodity distribution rather than investment in services and most importantly health workers to protect and save women and children's lives into the future. The expansion of free health services for all mothers and children puts needs and rights, rather than the ability to pay, at the heart of healthcare in poor countries. The expansion of free health care should form the cornerstone of DFID's fight against maternal mortality. DFID's leadership in this agenda internationally should continue. As part of this, DFID should renew its commitment to support countries to remove fees and formally establish the Centre for Progressive Health Financing to provide technical support necessary to achieve this.

3.8 Expansion and improvement of health care for mothers and children is not possible unless DFID invests in training and paying a new generation of midwives in poor countries. Skilled birth attendance is a decisive factor in women's and girls' health and millions more midwives are needed. DFID should continue its support for mid-wives: the recent evaluation of the Emergency Human Resources Plan in Malawi, for example, where DFID supported a 50% increase in health workers' salaries, concluded that it was a very successful programme that has stemmed the brain drain of mid-wives to the UK.

3.9 Ensuring that maternal health, women's economic empowerment, girls' education and violence against women are part of the broader development policy and funding mechanisms is necessary but not sufficient to ensure lasting progress. Oxfam urges DFID to create clear standalone policy and funding mechanisms that support the above issues. Central to this will be increasing the accessibility and quantity of funding provided to national and regional women's rights organisations and networks to enable collective organisation and effective and action by women to promote their rights.

4. Markets and the Private Sector

Do: encourage the private sector to understand how their business growth and investment can be pro-poor.

Do: ensure that UK companies understand and are held to account for the social, environmental and financial impacts of their operations overseas.

Don't: promote a conclusion to the Doha Round unless it returns to its original pro-development intentions.

Don't: forget that private and public investment in infrastructure are often synergistic and complementary not competitive.

Private Sector Role in Growth and Wealth Creation

4.1 The private sector has a key role to play in growth and wealth creation (see section 2) as DFID's DSRP states. Oxfam recognises the value of working with the private sector in many aspects of its own work – sharing relevant skills, knowledge and experience. One example of this is the work Oxfam has done with Unilever and with Sysco to integrate smallholder farmers into commercial supply chains on beneficial terms and in ways that contribute to tackling poverty.

4.2 At the level of specific sectors, markets and businesses, both the behaviour of private enterprises, and the role of national and local governments and governance structures are key in ensuring market structures, regulation and market and business development do not work to entrench poverty or block routes out of poverty through access to markets, and fair trading and employment opportunities. As the global economic crisis has shown, free (unregulated) markets will not promote sustainable and equitable growth; institutions, such as contracts and trust, are needed for markets to function; and the nature of those institutions can either lay the basis for inclusive, pro-poor growth, or can do the opposite.

Access to Markets for Women and Men Living in Poverty

4.3 Many of those living in poverty do not have fair or equal access to markets, including the jobs market. And unregulated free markets on their own will not solve these problems of lack of access, discrimination or unemployment. Inequalities in access to, and control over, the key productive assets and skills needed to participate in markets on beneficial terms – whether as entrepreneurs, self-employed, or employees – result both from unequal political and power relations and from economic factors. These inequalities are determined by where you live (urban slum, remote rural area) and who you are (your gender, race, caste, age, education, health, access to information).

4.4. Millions of the poorest people in developing countries live in remote and rural areas where agricultural markets offer the best opportunities for sustainable exit from poverty. But this potential can only be fulfilled when workers or small-scale producers enjoy sufficient power to enter and remain in relevant markets, negotiate terms, influence the rules governing markets, and capture decent returns. Most small-scale producers trade infrequently in local, flexible markets, which have low entry barriers, but generate low returns. These producers usually lack the skills, knowledge, capital, economies of scale, information and contacts needed to become part of more economically-rewarding value chains. Women especially often lack the time, access to knowledge, assets and services compared to men and so can be actively excluded from enterprises and markets. Furthermore, limited rural infrastructure and investment has resulted in inadequate or missing financial and product markets for small-scale producers and enterprises.

4.5 Many of these problems of lack of access to markets, and of direct and indirect discrimination that aggravates that lack of access, can be reduced or removed through effective state action. States are responsible for the effective regulation and fair taxation of economic activity in the interest of the whole of society. Critical areas include the effective implementation of labour laws to ensure fair wages and working conditions, the promotion of equality and inclusion of minority or marginalised groups, ensuring the sustainable use of natural resources, and tackling the various economic, social and political abuses of power (including control of information as well as resources) that can lead to unfair economic practices, barriers to entry and monopolistic behaviour. DFID can play a key role in promoting such a pro-poor approach to markets and the private sector by states.

Public and Private Sector Infrastructure

4.6 Private sector investment can often be catalysed by public investment in infrastructure, as well as playing an important role in many infrastructure projects. DFID can play an important role in promoting best-practice for governments in identifying where and how to bring in or attract private sector to key infrastructure projects, and in identifying where it is vital that public investment is needed in pre-commercial and social investment. Such social and public investment may have as its goal the provision of public goods; but it may also be vital as a catalyst to attract private investment in regions and sectors that are important for growth, job creation, women's empowerment and poverty reduction. Some of the costs of public investment, for example, in roads, energy and other physical infrastructure can potentially be shared with private sector organisations, at the same time as encouraging private investment in remote or rural locations or (high risk, low commercial return) sectors that it would not otherwise enter but that would bring development benefits.

Support for Small and Medium-sized Enterprises

4.7 DFID should encourage and support governments to play an important role in fostering small and medium-sized enterprises (SME) through incentives to provide SME finance or by encouraging and supporting private investment in (remote and rural) regions or (high risk, low commercial return) sectors that it would otherwise not enter but that would bring development benefits.

The Review of CDC

4.8 Oxfam welcomes the current review of CDC with the aim of making it more proactive and pro-poor. A key barrier to being pro-poor is that CDC is currently required to operate on a commercial basis. This forces CDC to make investment choices that value profitability over projects with a higher risk, lower financial return investments that have a high and positive development impact. We encourage DFID to include in CDC's mandate a specific poverty reduction objective alongside the existing objective on the geographical distribution of its investments. This should require CDC to prioritise those investments/sectors that will particularly benefit women and men living in poverty within the context of different countries' needs. We also encourage DFID to explore alternative business models for CDC, including the Norwegian model. Norfund benefits from annual budget allocations from government, which allows it to take risks that other private investors would not consider but which offer potential high development returns.

Corporate, Social and Environmental Responsibility and Transparency

4.9 There are many opportunities for governments to work with responsible companies to adapt their business models to involve poor women and men, as workers or entrepreneurs, on terms that fairly distribute value and risk. To achieve this, DFID should promote the role of the state in encouraging the private sector to invest in sectors and

locations that create jobs and enterprises for those living in poverty, and to ensure that their use of scarce natural resources takes account of the best interests of society as a whole rather than narrowly reflecting private costs and benefits only. DFID should encourage businesses to share learning and best practice on measuring their impacts and adapting their business models to deliver development benefits alongside commercial value. However, DFID is not best placed to facilitate these interactions itself and should limit its role to driving business organisations with the relevant business experience, skills and understanding to take this on.

4.10 DFID should play a key role, alongside other government departments, in ensuring that UK companies understand and meet their responsibilities for the social and environmental impacts of their operations overseas, including where they affect poor communities in weak and fragile states. We encourage DFID to strengthen its work to promote corporate transparency and accountability, by supporting the introduction of appropriate country-by-country reporting requirements for companies, to disclose the profits made and the taxes paid in every country where they operate as well as their social and environmental impacts, for example, via the International Accounting Standards Board (IASB), and as part of listing rules. In addition, we would encourage DFID to give serious consideration to the proposal to establish a UK Commission on Business, Human Rights and the Environment, which could offer both encouragement and advice to companies on best practice, as well as helping to investigate and find solutions to complaints arising from poor practice that do harm to poor people.¹

Trade and the Doha Round

4.11 DFID should promote trade and investment policies that drive pro-poor economic growth. Oxfam agrees that a successful push to complete the Doha Round will be welcome if it returns to its original mandate of being a development – and so pro-poor – round. This means, for example, allowing developing countries ‘policy space’ for the selective protection of labour-intensive sectors, avoiding ‘knowledge protectionism’ in the form of draconian intellectual property rules that prevent technology and medicines from flowing to developing countries and being adapted to meet local conditions and needs, and ensuring a fair balance in investment rules and treaties between the rights and responsibilities of investors, for example, the responsibility to respect human rights and other internationally-agreed social and environmental conventions. Pro-development regional trade agreements are also important where they support the development and integration of regional markets.

4.12 The UK government must continue and scale up its role in defending access to medicines by ensuring that EU Free Trade Agreements with developing countries honour the Doha declaration on public health² and do not include any measures that go beyond the TRIPS agreement.³ The flexibilities in the TRIPS agreement have led to the provision of lifesaving low cost generic medicines to millions, and are one of the great victories of the last decade.⁴

¹ This proposal is included in the Liberal Democrat ‘Accountability to the Poor’ policy paper on international development (Sept 2010) and relates to one aspect of government’s role in protecting human rights within the Ruggie framework on Business and Human Rights.

² Doha declaration reaffirmed that “the (TRIPS²) Agreement ...should be interpreted and implemented in a manner supportive of WTO as members right to protect public health and, in particular, to promote access to medicines to all”.

³ Trade Related Aspects on Intellectual Property Rights

⁴ Trade Related Aspects on Intellectual Property Rights

5. Aid and the MDGs and the 0.7% Commitment

Do: Increase UK ODA to 0.7% of national income by 2013 with a straight-line trajectory of increases to 2013.

Do: Aim to spend 50% of DFID bilateral aid as budget support, to support developing country governments.

Don't: Undermine the international Paris and Accra aid effectiveness commitments in pursuit of a greater focus on the results agenda.

Don't: Reduce DFID support for the provision of free, public services.

Intensifying Efforts

5.1 The new coalition government will be the last UK government able to deliver on our country's promises in time for the 2015 MDG deadline.⁵ Given the scale of the challenge many countries face over the next five years to reach the MDGs, it is imperative that the UK government intensifies its efforts and does all it can to help DFID, along with other departments, optimise their impact in this area.

5.2. This means ensuring DFID has sufficient resources to work on the MDGs. The UK government's public promise to increase aid to 0.7 per cent of national income in an era of austerity is an example of outstanding international leadership that does huge credit both to its commitment, and to the depth of public interest in and support for international development. The UK government should enshrine the commitment in law as soon as possible, as planned. The trajectory of increases to 2013 should be a straight line, as a steady strategic increase is what will be most effective. This will require increases in the DFID budget of around 10% for the first three years of the Spending Review.⁶

Keeping DFID in the Lead

5.3 DFID should continue to be the lead department in managing UK aid, given its legal mandate to spend aid on poverty reduction and its track record of success, international reputation, and demonstrated expertise.⁷ Over the last eight years, DFID has been responsible for on average 86.9% of UK ODA.⁸ This share should be maintained. Progress towards the MDGs should also continue to be a core departmental priority directing DFID's entire programme spending, as outlined in the current draft structural reform plan. There must also be adequate administrative and policy capacity in DFID both at the centre and in countries, and any arbitrary limits on headcount should be eliminated, to avoid DFID spending UK taxes without adequate supervision or policy support. This is crucial to deliver on the UK government's ambitious development approach, since it will require in-depth policy analysis and expertise as well as innovative and new policy development.

5.4 DFID has great expertise in working with those many low-income countries that are far from achieving the MDGs, especially those in sub-Saharan Africa. Given this, DFID should maintain its commitment to provide 90% of its bilateral aid to low income countries, and provide an ever-increasing share of this to sub-Saharan Africa. In 2005, donors committed to double aid to Africa at Gleneagles. But on current trends the UN

⁵ The Coalition: our priorities for government (2010); DFID Draft Structural Reform Plan (2010)

⁶ The Coalition: our priorities for government (2010)

⁷ DFID spending is governed by the 2002 International Development Act which legally binds DFID to ensuring that all its spending contributes to poverty reduction

⁸ Data from statistics on International Development, 2006-2009 versions, DFID, tables 1-3.

estimates that Africa will receive less than half of the aid it was promised.⁹ UK leadership in pushing donors to stand by this commitment is vital.

Building Free Public Services

5.5 DFID's focus, as outlined in the DRSP, on improving maternal and child health and education is very welcome. Improvements in healthcare and education in developing countries are vital in order to meet many of the MDGs (2, 4, 5 and 6) and are also critical in establishing an enabling environment for growth that will directly reduce poverty and inequality.

5.6 As part of this focus, DFID should maintain its commitment to spend half of its direct aid for developing countries on public services and helping to ensure these services are free.¹⁰ The evidence shows that supporting the scale-up of public systems in both health and education is critical for ensuring these services work for poor people and help tackle gender inequality. In Mozambique, for example, improved public health care saw the number of mothers dying in childbirth fall by more than one-third between 1993 and 2007¹¹. The removal of school fees in Uganda, Tanzania, and Kenya, for example, resulted in seven million additional children – many of them girls – entering school in these three countries alone.

Whilst there is a role for the private sector in some services, the overwhelming evidence clearly shows that the public sector should be the majority provider of these services, while privately provided services are either too expensive to be accessed by the poorest or are of very low quality and largely unregulated.

Tackling Malaria

5.7 We welcome DFID's commitment in its health policy to reducing mortality and morbidity resulting from malaria and we look forward to the publication of the Malaria Evidence Paper and Business Plan. Combating this deadly disease requires DFID to take a comprehensive approach to malaria that focuses on sustained response in terms of long-term prevention and treatment via:

- Enabling countries to build their health systems via bilateral aid to health sector budget support;
- Investing in free bed nets, indoor spray and free treatment via fully funding the Global Fund;
- Ensuring low prices of medicines by enabling generic competition via supporting UNITAID;
- Ensuring that treatment is based on correct diagnosis (as per WHO guidelines and recent evidence of effectiveness) and that malaria programmes are based on concrete evidence. In this regard, we urge the UK government to ensure that the pilot phase of AMFM measures whether delivering sophisticated medicines via local grocery shops represents a “do no harm” cost effective measure in terms of: correct diagnosis, patient safety and reaching poor people in rural and remote areas;
- Investing in R&D for new medicines, insecticides, and vaccines.

⁹ It is estimated that Africa will receive only about \$11 billion out of the \$25 billion increase envisaged at Gleneagles. The Millennium Development Goals Report 2010

¹⁰ DFID White Paper (2009)

¹¹ Maternal Mortality Ratio per 100,000 live births has decreased from 234/100,000 live births in 1993 to 163/100,000 live births in 2007. 2008 Mozambique Report on the Millennium Development Goals <http://www.mz.one.un.org/eng/What-we-do/MDG-5-Improve-Maternal-Health>

The Importance of Budget Support

5.8 Aid is at its most useful and effective when it is on-budget, is given for the long-term, and is predictable. DFID is one of the few bilateral donors who gives considerable amounts of aid in this way, and it is very valuable to many countries. It is crucial that the DFID continues to focus on improving the quality of its bilateral aid, and continues to scale up the amount it gives as long-term budget and sector support. The evidence is that budget support is very effective in a broad range of country contexts, and is vital for building effective states. In countries where general budget support is unwise, sector budget support is a good compromise, supporting key ministries in delivering on the MDGs. We would encourage DFID to look at linking budget support more to results, learning from the successful experience of the EC with their MDG contracts and incentive tranches based on MDG outcomes.

This means meeting its international Paris and Accra aid commitments and going beyond them. As part of this, DFID should aim to:

- Deliver, where possible, 50% of its aid as general or sector budget support to enhance country ownership, help build public services and reduce the use of expensive and wasteful parallel systems;
- Expand the number of countries with which the UK has ten year aid agreements to improve the long-term predictability of UK aid and enable developing country governments the opportunity to undertake long term planning;
- Maintain its commitment not to attach any economic policy conditions to UK aid and streamline the number of other conditions attached.

5.9 DFID should also take a proactive role in shaping the agenda of the forthcoming High Level Meeting in Korea in 2011 and working with partner countries to deepen existing aid quality targets and develop new ones. The MDGs can only be met if aid is spent more effectively.

The OECD DAC Guidelines and Higher Standards

5.10 Whilst we welcome the commitment of the government to stick to the OECD DAC guidelines on what can count as ODA, we also are concerned that, given the breadth of these guidelines, this could in fact entail a significant reduction in the quality of UK aid. The OECD DAC guidelines are very permissive and allow the counting of aid that is of very poor quality. The UK has consistently led from the front in setting itself a much higher standard, which, on the part of DFID, is enshrined in law in the International Development Act. This has led for example to the complete untying of all UK aid, to the refusal to count the costs of refugees and foreign students as aid, and to the commitment of the UK to give aid as grants and not loans. This has made the UK one of the best donors in the world, and far better than all the other G7 nations, although they too follow the OECD DAC guidelines.

Don't Let Easy Results Drive Out Tackling the Most Serious Challenges

5.11 The UK Government must ensure that its drive for value for money and results does not result in it abandoning the pursuit of the MDGs in difficult to reach countries and communities. In some countries, achieving the MDGs will be more expensive, than achieving results in other countries, and some results may take longer to be delivered. Outcomes that need sustained investment in systems (rather than quick fixes) will take longer time to be quantifiable. For example, investment in public health system is essential to achieve cuts in maternal mortality, yet these actual cuts will take a few years to be quantified and demonstrated. On the other hand, it is easier to estimate lives saved due to delivering vaccines. Obviously both are needed and investment in health system is essential to sustain vaccination outcomes.

6. Climate Change and Poverty

“Above all, we must lead by example.”

Chris Huhne, Secretary of State for Energy and Climate Change, September 2010.

Do: lead by example by delivering our share of global finance pledges, and ensuring that at least 50% of climate finance is for adaptation.

Do: lead by example by developing and prioritising pro-poor approaches to adaptation and low carbon development.

Don't: undermine UK leadership, or penalise those living in poverty, by counting climate finance towards the 0.7% ODA target

Don't: bypass a new Global Climate Fund in favour of existing institutions and bilateral channels

Build on UK International Leadership

6.1 DFID policy on climate change must build upon the UK's previous position as a global leader. In the vacuum left by Copenhagen, the world desperately needs an OECD champion of poor and vulnerable countries' interests as the UK has done in the past – for example with its early stance in supporting \$100bn of global climate finance and in supporting additionality of climate in relation to the aid budget. The DFID proposal for an advocacy fund to support poor country participation in the negotiations is a welcome initiative. Overarching UK leadership should be founded upon pro-poor climate policies as described below.

6.2 DFID must continue to place tackling poverty at the heart of its work on climate change. In particular, it should seek to become the thought and practice leader of the donor community on adaptation, promoting a systemic risk-reduction (rather than project driven) approach that identifies and prioritises the needs of the most vulnerable communities. DFID should help deliver adaptation to those in poverty by investing in livelihoods, disaster risk reduction and natural resource management so that they all integrate climate change. Overall, DFID should ensure that at least 50 percent of climate finance (through bilateral and multilateral channels) is for adaptation.

Pro-poor Low Carbon Development

6.3 On low carbon development, DFID must also place tackling poverty at the centre of its work. This means recognising that the immediate priority for people living in poverty – who are negligible emitters of greenhouse gases – is in dealing with the impacts of climate variability and climate change. It will also mean ensuring low carbon development interventions are able to deliver clear pro-poor benefits, both directly and/or as co-benefits, for example around access to energy or employment creation. Low carbon also needs to be associated with energy security and not only mitigation. Pro-poor direct or co-benefits should be captured within the indicators DFID develops to track impact and value for money on low carbon development included in the Draft Structural Reform Plan. Similarly, the Advanced Market Commitment for renewable energy DFID plans to pilot should also aim to deliver clear pro-poor direct and co-benefits.

6.4 Promoting low carbon development, increasing resilience and extending access to energy should be the key elements of a DFID sustainable development framework and reflected in the design of the proposed Environmental Screening Note and Pilot Strategic Climate Programme Reviews.

Climate Finance

6.5 DFID's approach on climate finance must continue the UK's previous role as a leader on climate finance. This will mean that from now DFID will need to retreat from bilateral delivery of climate finance and work more through the global multilateral institutions of the UNFCCC. In particular, DFID should support a new Global Green Fund by prioritising this as the primary funding channel, and ensuring that at least 50 percent of its climate finance budget is directed through this institution. Continuing the UK's leadership on climate finance will also require a commitment to ensure all climate finance is additional to the 0.7% ODA target.

6.6 Innovative financing sources for raising climate finance should continue to be championed by DFID. This should include taxes on shipping and aviation. It should also include pressing for an agreement for a further tax on the financial sector, either a Financial Activities Tax or a Financial Transaction Tax. A tax of around 0.05% on all financial transactions could raise up to \$400 billion dollars annually and £20 billion in the UK. Money raised through these innovative means should be counted over and above the UK commitment of 0.7 % of GNI for ODA.

Additionality as Key

6.7 From DFID's perspective, adaptation can be considered as development in a hostile climate, and mitigation as development in a carbon-constrained world. Adaptation and mitigation should therefore be fully integrated into existing development programmes and strategies at the level of *delivery and implementation*. But integration at the delivery level does not mean that climate finance cannot be additional to ODA at the budgetary level. DFID already has spending that is not counted as ODA. An increasingly hostile climate makes development increasingly expensive. It necessitates new investments, among others, in agriculture, greater provision of social and private insurance, and new buildings and infrastructure. Similarly, developing non-fossil fuel energy sectors increases the costs of development beyond what they would be in a non-carbon constrained world. These are the additional costs to development of climate change, and they must be met by new and additional resources. DFID should therefore report on its climate finance as entirely separate to ODA and not count it towards the 0.7% target, being transparent regarding whether the money is in the form of loans or grants, whether for adaptation or mitigation, to which countries it is going and through what channels.

7. Food Security

Do: Develop a long-term model for sustainable agriculture that will end hunger and that is resilient to climate change and is able to meet projected demand without passing environmental boundaries.

Don't: Stop supporting social protection as a vital means of ensuring those living in deepest poverty are not highly food insecure, chronically malnourished or starving.

Ensuring Access

7.1 There are currently over 900 million hungry people in the world, despite more than enough food being produced to feed everyone. Current food insecurity is primarily a problem of access. DFID should support and promote a more coordinated international approach to addressing food insecurity through increased policy coherence and co-ordination of funding. In particular DFID should support the reformed Committee on World Food Security (CFS) as the key forum for policy guidance and co-ordination of global action on food security, and promote the establishment of a co-ordination and accountability mechanism for finance under the guidance of the CFS.

7.2 Increasing price volatility also poses a serious threat to food security, with food price spikes increasingly triggering negative feedback loops via land-grabs, export bans and speculative capital flows. DFID should undertake research into the drivers of rising volatility and how best to tackle it, with respect to both prevention and to dealing with its impacts. DFID should also increase investment in social protection in poor countries to help build resilience to food price shocks in the future.

Meeting Growing Demand

7.3 Global demand for food is set to increase rapidly over the next twenty years in response to population growth and increasing incomes in emerging economies. Meeting this demand sustainably, in addition to addressing current hunger, represents a monumental task. Food insecurity threatens to become a defining characteristic of poverty in the twenty-first century. Investment in agriculture will need to be a priority for DFID, but a siloed approach should be avoided: the agricultural sector is responsible for a significant share of global emissions, is home to most of the world's poor, and is one of the most vulnerable sectors to climate change. It will therefore be important to ensure that DFID's agriculture programmes are 'climate-smart' as described in the DRSP.

7.4 But this on its own will not be enough. DFID must develop a vision for sustainable agriculture – a coherent model for food production that is resilient to climate change and is able to meet projected demand without passing environmental boundaries. This should inform its own investment strategies, and also provide it with material for international advocacy and knowledge sharing.

8. Conflict, Humanitarian Crisis, and the Role of Development Assistance

Do: Maintain poverty reduction not national security priorities as the focus of DFID's work in conflict-affected and unstable states.

Do: Ensure that development aid helps reduce the rising burdens on the global humanitarian system, by investing in disaster risk reduction, climate change adaptation, and interventions building the resilience of communities in disasters.

Don't: Focus only on developing the capacity of formal state institutions in 'fragile states', without also developing active citizens and civil society to hold state institutions to account.

Don't: Integrate development, foreign and security policies, especially in ways that undermine DFID's focus on poverty-reduction or that undermine developing countries' ownership of their development processes.

Tackling Poverty Promotes Stability

8.1 Many of the poorest people live in countries that are affected by conflict and/or where they are at risk of conflict or instability – so-called fragile states. It is absolutely vital that in fragile states, as elsewhere, that the goal and focus of DFID's work is to overcome poverty. These countries must be an important, but not the only, focus of the government's international development policy. Development in the broadest sense will contribute towards security and stability. But development goals, and the focus of development aid, must not be subsumed under UK security or foreign policy goals. This will not only undermine the impact of such aid on poverty – and so undermine the effectiveness and results (value-for-money) of that aid – but it is also unlikely to help to achieve the intended security goals. DFID has an international reputation for its leadership in the provision of humanitarian aid and this leading role needs to be preserved, reinforced and to some extent rebuilt.

8.2 Evidence indicates that long-term state stability is improved by reducing poverty and inequality, particularly horizontally between groups¹²; and ensuring that states are capable of delivering essential services such as health and education to their citizens.¹³ DFID's 'fragile state' strategy should focus not only on developing effective, accountable states; but also on developing active citizens, equipped to hold governments and state institutions to account. This is the essential counterpart to the Capable, Accountable and Responsive states envisaged in DFID's fragile state analysis.¹⁴

Risks of Subsuming Development Policy within Security and Foreign Policy Strategies

8.3 Oxfam recognises that in many countries where DFID works, stronger inter-departmental coordination can improve UK action to remove obstacles to development: for example, tackling corruption, climate change and capital flight; protecting civilians in conflict; and preventing irresponsible arms transfers.

¹² F. Stewart, G.K. Brown & A. Langer, 'Major Findings and Conclusions on the Relationship Between Horizontal Inequalities and Conflict' in F. Stewart (ed.), *Horizontal Inequalities and Conflict: Understanding Group Violence in Multiethnic Societies* (Palgrave: 2008)

¹³ P. Collier & A. Hoeffler, 'Greed and Grievance in Civil Wars', *Oxford Economic Papers* (2004), 56:663-595; B. Bigombe et al, 'Policies for Building Post-Conflict Peace', *Journal of African Economies* (2001)

¹⁴ DFID, *Building the State and Securing the Peace*, Emerging Policy Paper (June 2009)

8.4 However, care needs to be taken to ensure the new role of the National Security Council and cross-Whitehall coordination does not result in the subordination of humanitarian and development objectives to short-term security objectives, force protection or force multiplication. The DFID DSRP calls for improving the 'join-up' of British development policy in conflict countries 'with particular focus on Afghanistan and Pakistan'. And in a recent speech on 16 September, Andrew Mitchell, Secretary of State for Development also argued that the Strategic Defence and Security Review must create "not just a 'comprehensive approach', but what I think could be the next logical step, an 'integrated approach' that brings the FCO, DFID and MoD together from the beginning to the end, from planning and execution through to the evaluation of our interventions." Oxfam is concerned that the effectiveness and the poverty-focus of UK aid may be seriously compromised by such an approach. It may also limit the extent to which UK aid can help reduce future instability 'upstream', concentrating aid instead on current strategic priority countries, which tend to be where states and societies are already weak, and violence is already endemic. DFID must remain focused on poverty-reduction and its work must be at arms-length to that of the Foreign Office and MoD.

8.5 The risk of aligning aid spend with UK security interests not with tackling the deepest poverty is seen in the Draft Structural Reform Plan's emphasis on Afghanistan and Pakistan. These two countries face major problems of insecurity, conflict and poverty but so do other countries such as the Democratic Republic of Congo and Sudan that are not mentioned in the DSRP. Oxfam considers that DFID resources allocated to Afghanistan and Pakistan should be driven by the same poverty-reduction and humanitarian objectives as in other countries.

Weaknesses and Dangers in Blurring the Civil-Military Boundaries

8.6 Delivering aid within conflict-affected countries with the aims of force protection or counter-insurgency can undermine both its effectiveness, and perceptions of civilian aid workers' impartiality and independence, central to their ability to access those in humanitarian need and contribute to effective development. PRT aid projects delivered for short-term security objectives in Afghanistan, for example, have in many cases been poorly-targeted, expensive and unsustainable, while also labelling communities and aid workers as targets of attack.¹⁵ We are concerned that further transfers of development and humanitarian activities to PRTs, the Military Stabilisation Support Group, or new PRT-type civil-military units, may exacerbate these problems. DFID country programmes should remain civilian-led, civilian-delivered, and aimed at poverty reduction.

Supporting Security and Justice to Assist Vulnerable Citizens

8.7 The international credibility of UK aid and its commitment to the 0.7% target rests partly on ensuring that ODA spent in support of 'stabilisation' objectives is at a minimum consistent with OECD-DAC criteria: particularly aid to the security, peace-building and justice sectors, and aid drawn from mixed ODA/non-ODA funds like the Conflict Pool. The comparative advantage of DFID's activities in this sector lies less in top-down security sector capacity-building, but rather more in its extensive experience of fostering civil society organisations and political/legal environments in which active citizens can promote access to security and justice, and hold institutions to account. In Afghanistan, for example, support to the police and judiciary cannot deliver security and justice to women while women's rights, security from violence and access to justice remain blocked by deep discrimination reflected in illiteracy, lack of income, legal discrimination, lack of legal representation, and long-standing social and cultural attitudes. Tackling these more complex obstacles to security and justice may involve supporting civil society, and reforming security and justice institutions, at the local rather than the national level.

¹⁵ Oxfam International, Quick Impact, Quick Collapse (Jan 2010)

Measuring Results

8.8 Results indicators for this work must likewise reflect not just the institutional performance of formal state institutions, but their accountability and responsiveness to citizens' needs, their relationship to civil society, and the experience and capability of citizens in holding them to account.

8.9 Working in 'fragile state' settings can take time to deliver results. DFID should therefore be prepared to commit to programmes which may show slower results for a given spend than in other settings. Value-for-money should not mean that capacity-building, governance and civil society support lose out against the more rapid results that infrastructure and basic services projects can show.

Ensuring Humanitarian and Development Aid are Joined-up

8.10 Although the UK's humanitarian response is being examined in a separate review, DFID's development programme cannot be siloed from humanitarian aid, particularly in conflict-affected states, and where humanitarian aid forms a major long-term component of overall international aid.¹⁶ Moreover, the dramatically rising demands placed on the global humanitarian system, especially from natural disasters, mean that recovery and development aid needs to help reduce this burden by tackling long-term vulnerability, and building the capacity of affected countries to respond to crises and emergencies.¹⁷ This should include substantially increasing support for disaster risk-reduction programming; increased support for climate change adaptation (which must however be additional); and investment in increasing disaster resilience, particularly through sustainable agricultural livelihoods, social protection and public health infrastructure.

¹⁶ In Sudan and Somalia, for example, humanitarian assistance has persistently constituted over 50% of total international aid since 2001.

¹⁷ Oxfam has estimated that over the next five years the average number of people affected by climate-related disasters alone may have increased by over 50 percent to 375 million per year. The unprecedented combination of a predictable West African food crisis with the Haiti earthquake and the Pakistan floods illustrate the serious challenge of this rising need.

9. States, Civil Society and Accountability

Do: Ensure that support for accountability institutions encompasses building the capacity of civil society to hold governments to account, including organisations that advocate for the rights of women and girls in policy-making.

Don't: Take away key input indicators and commitments that allow DFID to be held to account in the short and medium term by UK civil society and others.

Building Accountable States and Active Citizens and Societies

9.1 Building effective states and supporting the capacity of communities and active citizens to hold governments to account are central to achieving successful long-term development. It is vital that there is also support for overall accountability systems including the crucial roles played by media, judiciary, parliament, other watchdogs as well as for civil society organisations as part of helping build functioning, accountable states. Oxfam welcomes the coalition government's recognition of the need to empower poor people, and support civil society, the media and the development of state institutions in the DSRP.

9.2 It is important that DFID focuses systematically on strengthening the capacities of civil society organisations in developing countries to enable them to engage in community engagement and advocacy through which citizens can hold their own governments and donors to account. We welcome the emphasis in the Liberal Democrat policy paper on international development for DFID to "continue to fund civil society groups capable of scrutinising government budgets and lobbying for policy change".¹⁸

9.3 Activities to support civil society should include a focus on addressing gender inequalities which are a root cause of poverty by supporting organisations that champion women's rights, foster social and political empowerment of young women, and tackle domestic violence. They should also help parliaments carry out gendered budget analysis and ensure that the needs of women are reflected in government planning.

DFID's Own Transparency

9.4 DFID's commitment to improving transparency of its own aid spending, and encouraging others to improve transparency, is crucial in order to ensure recipient governments can be held to account for what they receive and spend by their own parliaments and civil societies. Input indicators and targets are important in allowing such scrutiny to happen. In reviewing the UK's development policies, the government should bear this in mind, given its stated intention to move to a more 'results-focused' approach.

¹⁸ Additionally, governments should be supported to provide legal environments within which civil society organisations that monitor government activities can flourish.

10. Evaluation, Results and Value-for-Money

Do: Ensure that policy drives choice of indicators and measures of effectiveness and not vice versa

Don't: Allow a move to greater measurement to undermine work in uncertain, difficult environments or in hard-to-measure but vital programmes

Value-for-Money – yes; Avoiding Difficult, Systemic Problems – no.

10.1 Oxfam considers it vital that the quality and effectiveness of aid is improved. As part of this, DFID should continue to work towards meeting its international aid effectiveness targets as outlined in Paris and Accra. We also welcome DFID's moves to improve the value-for-money of UK aid and to push for a more results-oriented approach. These moves must contribute to more effective means of overcoming poverty in a sustainable way. We urge a note of caution that this approach needs to be carefully balanced with the focus on difficult environments, sectors and country contexts and in particular fragile states. The potential rush for quick results should not lead to aid being withdrawn from complex countries where results may be slow to be achieved and/or expensive to deliver. DFID has built an international reputation for itself for working in difficult and risky environments to reduce poverty, like 'fragile states', where there is a need for long-term vision and often a large upfront investment with sometimes little immediate return.¹⁹ Measurement of complex social and economic outcomes is not straight-forward: poverty and economic well-being are multidimensional and need a range of metrics (and the very choice of these affects outcomes aimed for) – so measurement is part of policy debate and not only a means of ensuring effectiveness.

Ease of Measurement Must Not Drive Aid Allocation

10.2 The results-based agenda alongside the drive for value-for-money should also not lead DFID into only funding sectors and programmes that produce cheap, quick and/or easily measurable results. It is important to recognise that some 'wins' will be more expensive than others, may take longer to achieve and that not everything important or even vital lends itself to easy measurement. Nor should it effectively turn aid into the delivery of commodities. Outcomes that need sustained investment in systems take a longer time to be quantifiable, and certain development objectives like women's empowerment or greater government accountability do not always easily lend themselves to easy to measure results, but are vital. So ways must be found to account for intangible as well as tangible results; long term and systemic, as well as short-term and specific outcomes, and providing room for learning, innovation and risk.

10.3 As part of this drive for results, Oxfam welcomes the piloting of cash-on-delivery schemes at DFID. However, we urge that DFID recognise the limitations of such an approach. Delivering better health and education outcomes, often means providing large upfront investments in poor countries. For example, fifty-seven countries, most of them in Africa and Asia, face a severe health workforce crisis. The deficit is largest in sub-Saharan Africa, which accounts for 24% of the global burden of disease but has just 3% of the world's health workers.²⁰ These countries cannot be expected to deliver key health outcomes without financial assistance upfront. Development is complex and most of the

¹⁹ OECD (2010) United Kingdom Development Assistance Committee (DAC) Peer Review

²⁰ World Health Organization, 'The Global Shortage of Health Workers and its Impact', Fact Sheet No. 302, <http://www.who.int/mediacentre/factsheets/fs302/en/index.html>.

time it means working with partners, through funding and advice, to help them to deliver real outcomes, rather than standing at the finishing line expecting them to get there by themselves and pick up their reward. A combination of upfront investment and some increased funding based on success is preferable, and this is the core of the MDG contracts approach pioneered by the European Commission which the UK is right to support with additional voluntary contributions.

Transparency for Public and Private Sectors

10.4 The UK government's recent desire to improve the transparency of its aid spending is a necessary step. We call for the UK to ensure its new policies are consistent with the International Aid Transparency Initiative demands and equally address taxpayers' needs for information and recipients needs in poor countries for access.

10.5 It is essential that private sector actors who are contracted by the UK government to deliver services as part of the development budget should also be held to the same standards of transparency, rigour and evaluation as governments and NGOs.

10.6 We welcome the UK government's announcement that it will establish an Independent Aid Watchdog to better scrutinise the impact of UK's aid. Recent assessments of DFID's evaluation processes have shown there is room for improvement in this area.²¹ Any new Independent Aid Watchdog must be truly independent from the department, have the power to determine its own work agenda, report to parliament, and be staffed a by multi-disciplinary team of development professionals who will use their skills and experience to evaluate UK aid.

²¹ Independent Advisory Committee on Development Impact (2009) Evaluation Quality Review

11. Country 'Results Offers' and DFID's Footprint

Do: Recognise that the current focus of 90% of DFID aid on the poorest countries is broadly the right one.

Don't: Penalise countries that are very poor and performing well, because they are not narrowly defined as 'fragile'. In particular do not simply use the CPIA scores to define whether a state is fragile, as the CPIA is a deeply flawed instrument.

Consultation is Vital

11.1 For the new 'Results Offers' process to be successful, we believe that DFID country teams should work and consult closely with their developing country partners (governments, NGOs, beneficiaries, other donors) to ensure this is a truly participatory and genuinely bottom-up approach that supports our partners' development priorities.

11.2 DFID's support to 'fragile states' is vital, and encompass many but not all of the countries with the highest levels of poverty; but DFID should avoid weakening the results of UK aid by diverting bilateral aid from 'good performers' elsewhere who are equally poor but stable countries where aid is having enormous impacts in partnership with effective states. Increased aid to 'fragile states' should therefore come from promised annual increases in ODA.

Transparency

11.3 Oxfam urges that the 'Results Offers' process is made fully transparent. This means being open about the criteria used to assess countries' 'Results Offers' and the decision-making process and discussions that take place around individual offers. At present, initial 'Results Offers' are due to be submitted by 30th September, which is before the deadline for inputs to the Bilateral Aid Review consultation process, of which this submission is one input. We understand that a sequence of decisions are likely to be taken over the coming months, both on which countries to continue to provide aid to, and in what form. We think it vital that there is clear and full consultation on the criteria for such decisions (which criteria are currently not transparent and clear).

Key Criteria for Country Programmes

11.4 We believe such criteria should include not only 'value-for-money' but the key drivers of successful development aid identified in this submission, including:

- Focusing aid directly on poverty-reduction as its main goal
- Building accountable states and active citizens
- Contributing to inequality-reducing, climate-resilient growth, including sustainable agriculture
- Tackling gender inequality
- Working with the private sector on its poverty footprint
- Redoubling efforts towards achieving the MDGs
- Reaffirming the role of the state in achieving MDGs and in ensuring expanded provision of free public services
- Keeping development aid independent of security and foreign policy goals
- Making aid more predictable, transparent and accountable and delivered through government budgets wherever possible

They should also be in line with the UK's commitments to the Paris and Accra principles of effective aid, and good donor coordination and consultation practices.

Don't Reduce DFID's 'Footprint'

11.5 The majority of DFID's aid is already concentrated in a relatively small number of countries, and with a strong focus on fragile states. It is vital that bilateral aid continues to be allocated between countries according to the needs and opportunities for development, as outlined above. Maintaining the UK government's commitment to spend 90% of bilateral aid in low-income countries, with an increasing share to sub-Saharan Africa, is an important guarantee of this focus.

11.6 We should also not lose sight of the fact that many of the world's poorest live in middle income countries – with India accounting for the greatest number. In India, our partners were clear that DFID resources at both national and state level have been instrumental in leveraging greater poverty spending from the Indian government in the last decade. This does not mean that any more than 10% of DFID's resources needs to be spent in middle-income countries, but that the 10% is used to leverage resources from the national governments in middle-income countries to fight poverty.

11.7 Oxfam has consulted a broad range of our country offices and partners across the world and they have expressed serious concern at the idea of DFID reducing or eliminating its programme in their context – this itself is a tribute to the important and in many ways unique contribution that DFID makes.

11.8 It is also important that the focus on results and value-for-money does not lead to an inappropriate redistribution or reduction of DFID's own human resources. Ensuring adequate expert human resources capacity to ensure quality of programming, of research and of policy development is vital. Pressures to reduce administration costs should not leave DFID without the human resources to monitor its spending and give policy support at country level.

Problems of Defining 'Fragile States'

11.9 While a commitment to spend increased aid in 'fragile' states is welcome, there is far from universal agreement about the definition of state fragility. The particular needs and characteristics of different 'fragile states' vary enormously, from Afghanistan to Sudan. DFID's list of fragile states risks failing to capture different dimensions of instability, and thus different development needs, if it is based only on narrow criteria such as those that determine the World Bank's CPIA index. Such indices may capture some aspects of the capability of state institutions, but fail to capture countries' political context, the condition of civil society, the will of state institutions to provide for all citizens, and, critically, poverty and livelihood vulnerability. Ethiopia, for example, faces major environmental, humanitarian and social stresses but is not ranked as fragile by the World Bank. Equally, narrowing the list beyond DFID's current 46 'fragile' countries may miss opportunities to prevent future potential fragility, by excluding currently stable but struggling states. Any DFID list should be broad and incorporate more poverty-focused indicators, and capturing not simply the functioning of the central state but also the 'fragility' of people's livelihoods.

12. Consultation and Process

Do: Ensure a continuing process of consultation including using Green and White Papers to improve the coherence and effectiveness of consultation processes

Don't: Conclude that there has been sufficient in-country consultation to date.

12.1 Oxfam welcomes the opportunity to make a submission in the context of the Bilateral Aid Review. We look forward to, and urge the government to ensure that, further consultation happens as the Bilateral Aid Review process goes forward. We also urge that there is full clarity and transparency in the substance, process and timing of the next steps in the review, and further consultation once that clarity and transparency has been provided. We understand that ministers will report to parliament this autumn on the overall shape and objectives of the bilateral programme. We also understand this includes an intention to announce UK aid's 'footprint' this autumn. We hope that before any final decisions are taken there is further consultation on the proposed shape and objectives of the new 'footprint' – as the government clarifies its plans. We also hope the criteria and analysis underpinning choices and changes will be made explicit.

Concerns at Lack of Consultation

12.2 We welcome the focus on the specific situation in different countries and the importance of consulting in-country with local partners as well as governments. Oxfam consulted its own country offices once the bilateral aid review was announced, and encouraged them to get involved with DFID in-country and to encourage their partners to do the same. We are very concerned that our feedback from our Oxfam offices suggests in many cases a lack of, or negligible, consultation or interaction between DFID and Oxfam offices and partners on the ground.

White and Green Papers are Useful

12.3 Oxfam considers that to ensure the best UK development strategy, implementation, impact and accountability, full transparency is vital. Frequently, the best means to achieve that clarity, accountability and to allow full, effective consultation is to use the tried and trusted methods of Green and White Papers. We believe if that process had been used for the Bilateral Aid Review, it would have ensured a more effective, informed and open consultation process.

Conclusion

UK development aid represents some of the best aid in the world – from its strategic goals focused on poverty-reduction to its practical delivery on the ground. The new UK government has declared a commitment to ensure the UK remains a world leader, morally and practically, in development – and has been praised by UN Secretary-General Ban Ki Moon for showing the way internationally by keeping to the commitment to spend 0.7 per cent of GNI on aid. UK development policy has to be effective, transparent and accountable, and it has to remain so in a changing world. Much of UK development policy has stood the test of time. So in this submission, Oxfam has called for change where change is needed, and for continuity where we see aid that is at the cutting edge of international efforts to overcome poverty and suffering.

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