

Beyond Aid: The Future UK Approach to Development

Submission to the International Development Select Committee from the Labour Campaign for International Development

The Labour Campaign for International Development (LCID) is an affiliated society of the Labour Party. It is a group for all those committed to a world without poverty & injustice, dedicated to raising awareness of international development, advancing policy ideas, and keeping international development high on the political agenda.

Summary

1. Securing an ambitious post-2015 framework to replace the MDGs is essential and should inform the direction of the UK's approach to development. However, whereas the current focus is on poverty relief, LCID believes in a pro-rights, pro-equality and multilateralist approach to development that not only lifts people out of poverty but fundamentally redistributes power and address structural injustices. Aid remains central but we need to look beyond it. To do this, we need to mainstream global social justice across UK Government policy.
2. Policy coherence matters on two levels: within our aid policy and across all UK Government policies that have a global impact. Policy coherence has to begin with coherence of *objective*. If coherence of objective is achieved then, with the right mechanisms in place, coherence of delivery will follow.
3. There are five key priorities for UK aid, in order to achieve a world that is not only less poor but more peaceful, sustainable and just: targeting poor people consistently; prioritising the rights of women and girls; ensuring that policy is consistently pro-climate; promoting decent work and access to employment; reducing conflict and fragility. We must work multilaterally with our allies and through international organisations, including through the UN's post-2015 development agenda, to achieve these goals.
4. Beyond aid, to achieve pro-equality, pro-rights development the Government needs to ensure that *all* policies with overseas implications – trade, tax, immigration, defence, energy, climate change, foreign policy alliances and growth – are 'pro-development'. For LCID there are four particular areas where greater coherence is required: responsible capitalism; tax; climate change; fragile states.
5. LCID is particularly concerned about the impact of our non-aid policies on developing countries from three points of view: climate change, which always hits the poorest fastest and hardest; tax dodging, particularly regarding those companies that don't pay tax in the developing countries where profits are made; and responsible capitalism, especially workers' rights, which in developing countries are so often neglected.
6. The continued prioritizing of international development will require a push from the top of Government and real leadership from No. 10 outwards and downwards through Whitehall. LCID strongly urges the Government to ensure that DFID remains a full department of state with a Secretary of State at the cabinet table after the next election; this is the only way to hardwire commitment and accountability in Whitehall. We propose an expanded mandate for DFID to cover all international policy with implications for development. Other proposed mechanisms for policy coherence include a Cabinet Subcommittee on Britain's Global Impact.

1. Five priorities for UK aid, to achieve a world that is not only less poor but more peaceful, sustainable and just

7. Aid remains central to our international development agenda. We highlight five areas where more needs to be done to achieve pro-rights, pro-equality aid spending.
8. **First, it is crucial that all development support is geared towards the poorest people**, whether or not the country they happen to live in is low income or middle income. Decisions on withdrawing aid from middle income countries must be based on clear needs-based criteria, to ensure their poorest citizens don't suffer as a result of their success.
9. **A second priority is the rights of women and girls**, which must be non-negotiable, whether the threat to them emerges from religious fundamentalism, 'traditional practices', cultural norms or vested interests. LCID recommends that all aid policies and programmes should include dedicated measures to promote women's equal access to education, participation and rights in labour markets, uphold their dignity and safety, ensure they have full and equal access to health and education, and protect them from economic exploitation in line with international labour and human rights standards and obligations. All aid policies should prioritise the equal and meaningful participation of women in decision-making process at all levels.
10. **Third, it is crucial to ensure that our aid policy is 'conflict-proofed'** and supports the transition to resilience of conflict-affected societies. Especially in fragile states, every aid programme should demonstrably support peacebuilding and statebuilding and not undermine it. This involves closer alignment with country-led development plans, better coordination with other donors, state institution building and use of country systems, and greater partnership with local NGOs and the local private sector.
11. **Fourth, we must ensure that all aid is pro-climate**. Contrary to common assumptions, growth and decarbonisation can be compatible. Through investments in green technology and infrastructure, developing countries can be assisted to 'leapfrog' to low-carbon energy generation, improving energy access while also tackling poverty – which UK aid policy must support through core policies and additional climate financing.
12. **Fifth, LCID believes that the most sustainable and dignified route out of poverty is work**. Globalisation is making access to decent, secure jobs harder for many people, with lengthy global supply chains also undermining historic efforts to ensure basic working standards and rights. All DFID aid policy and programmes should be assessed against targets on creating quality jobs, including indicators on improving incomes, working conditions and skills development, especially for young people.

2. A multilateral approach to development

13. The UK's development priorities cannot be delivered through DFID alone. Development must be multilateralist to be effective, with countries around the world pulling in the same direction around a shared set of goals. Working through multilateral organisations not only multiplies the impact of aid but allows DFID to focus on mobilizing political commitment to development internationally, rather than administering aid budgets.
14. Therefore the above priorities for aid spending should be reflected not just within DFID. **Across all the multilateral institutions that we work with, we must ensure that aid is spent in line with a pro-rights, pro-equality approach**. Key to this is the EU, through which approximately 16% of the UK's total aid budget is spent.

15. Discussions around the post-2015 development agenda present an historic opportunity to build multilateral consensus around key priorities. LCID believes that securing an ambitious post-2015 framework to replace the MDGs is essential and that new ambitious global goals should inform the direction of the UK's own approach to development.
16. However, whereas the Government's current post-2015 position prioritises the rule of law and private sector development, LCID believes that the SDGs should enshrine a pro-rights, pro-equality approach to development that not only lifts people out of poverty but fundamentally redistributes power and addresses the structural causes of poverty.
17. To this end LCID believes that the post-2015 development agenda should include five-year 'equity' targets, for example halving the gap in death rates, school attendance, and access to basic services between children from the richest and poorest homes, and reducing income inequality such that the post-tax income of the top 10% is no more than the post-transfer income of the bottom 40%.
18. We also believe that what are regarded as basic rights for people in Britain and other OECD countries – universal access to state-provided healthcare and education - should be our ambition for people everywhere. For example we would like to see the UK leading a global campaign to achieve Universal Health Coverage by 2030, applying the core principles of the NHS and ensuring that all people have access to their right to health care, regardless of their ability to pay. We support looking beyond primary schooling to work towards universal secondary schooling and expanded tertiary provision by 2030, with a focus on children who have been left behind, including the rural poor, child labourers and young girls.

3. Policy coherence across all areas of government that impact development

19. Our advice so far relates to aid spending. But LCID agrees with the premise of the International Development Select Committee Inquiry, which is that development is and will be increasingly about much more than aid. Therefore to achieve pro-equality, pro-rights development the UK Government needs to ensure that **all policies with overseas implications – trade, tax, immigration, defense, energy, climate change, foreign policy alliances and growth – are 'pro-development'**. That is the only way to ensure that we do not entrench poverty with one hand whilst trying to relieve it with the other.
20. If we can mainstream 'pro-development' policies across Government, Britain will become a development superpower. This would be a real boost to Britain – to our economy, our security and our standing as a global power. But more importantly it is the right thing to do: to promote abroad the values we promote at home, supporting people, communities and countries in achieving greater justice, empowerment and equality the world over.
21. In practice this means making global social justice the Government's number one foreign policy priority – the number one criteria against which all policies are assessed and implemented by all Departments whose work extends overseas.
22. It means coherence not just across foreign policy but within our domestic policy too. From tackling climate change to tax compliance, we only gain credibility and influence overseas if we are setting the highest possible standards at home.
23. It means Number 10 and Whitehall demonstrating real leadership – not just preaching but practicing 'pro-development' policies, through committing time and building relationships externally, and embedding delivery mechanisms internally.
24. For LCID there are four particular areas where greater coherence is required: responsible

capitalism; tax; climate change; fragile states.

25. **First, the Government should champion responsible capitalism globally**, by actively supporting more equitable growth. This will happen through aid, trade and investment strategies that focus on job creation, skills development and investment in infrastructure. It also requires doing more to regulate global business practices and working conditions for companies based in the UK, and by endorsing the UN's "Protect - Respect - Remedy" framework and championing the Global Compact's principles, to promote and protect human rights in businesses beyond the UK's borders.
26. Possible new policies include establishing social partnerships with British businesses and unions in the South, with DFID funding for infrastructure investment, trade facilitation and anti-corruption measures in return for providing decent jobs in line with ILO and OECD guidelines, and a "challenge fund" to promote decent work in developing countries. Internationally the International Labour Organisation must remain a key partner for the UK Government in improving workers' rights.
27. **Second, the Government needs to develop coherent policy on fair taxes.** This means reviewing and reforming UK tax policies to ensure they do not undermine global agreements, are fair to poor countries and consistent with the UK's development objectives. It means reforming UK tax rules which incentivise UK-based companies to avoid tax in other countries, like the revised Controlled Foreign Companies rules. It means curbing the abuse of shell companies by ensuring that the UK, its Crown Dependencies and Overseas Territories share tax information with other countries and publish the ultimate beneficial owners of companies and trusts.
28. Tax dodging is a major global issue that hits poor countries harder than anywhere – caused primarily by the arrangements that multinationals have to shift profits away from the developing countries where the profit-making activities take place. Christian Aid estimates that \$160bn is lost each year to developing countries from such arrangements by multinationals and others seeking to minimise their tax liability.
29. Here too the answer lies partly in domestic policies in the UK and partly in renewed global agreement to ensure that multinational companies pay tax in the countries where they truly earn their profits, going beyond the OECD's BEPS (Base Erosion and Profit Shifting) Project. Introducing a financial transaction tax could raise money for tackling poverty and climate change at home and abroad. But a key first step is improving the transparency of existing tax data, including securing G20 agreement that developing countries can automatically access tax information from richer countries, on a non-reciprocal basis if necessary.
30. **Third, the Government needs a coherent approach to tackling climate change.** Climate change hits the poorest first and hardest. In order to avoid catastrophic climate change, global emissions have to peak by 2015. But carbon emissions continue to rise – and in the UK only a handful of households have been certified under the government's Green Deal process and Government backing for renewable energy such as solar is declining.
31. The UK has a great opportunity to lead on climate change globally, to do whatever it takes to secure a binding global climate deal under the UN process, based on science not ideology. This includes working for a fair deal for developing countries – such as additional climate finance over and above 0.7% on aid, and fair shares for all in a global carbon budget.
32. But to do this credibly we must also deliver decarbonisation at home, bringing Britain in line with ambitious global targets by pushing for major divestment out of fossil fuels, restoring support for solar and other renewables, and defending the Climate Act. This should also include pushing forcefully for legally-binding and ambitious domestic targets, and for an EU

target to reduce emissions by 55% by 2030.

33. **Fourth, conflict and fragility must be addressed** as a primary impediment to development, requiring special attention and treatment within UK Government policies across departments. This includes vigorously using the UK's permanent UN Security Council seat to help deliver the protection of civilians through peacekeeping missions, and encourage all permanent Council members to renounce the use of their veto in the case of mass atrocities. It includes implementing the Arms Trade Treaty to the highest possible standard, and offering technical and legal assistance to developing countries that may need it to improve their import/export controls, security sector reform and other necessary measures.

4. Government mechanisms to deliver our development vision

34. To ensure continuity of aid spending, it is critical that we enshrine in law our **commitment to spending 0.7% of Gross National Income** on Official Development Assistance. We can push policy coherence hard – but there is a risk that its impact will be limited while future governments, not tied by legislation, have the option to walk away from commitments made to the world's poor.
35. Enshrining increased spending in law isn't easy at a time when economic pressures are felt strongly. But despite these pressures, we retain a strong moral duty to continue to end unnecessary suffering in the world. We know that spending aid helps us too, in a world where events overseas affect us whether we like it or not. So for just 0.7% of our Gross National Income, a fraction of what we spend on defence, health or education, aid is one of the best investments that we can make.
36. Beyond this, the continued prioritizing of development across government will require **real leadership from No. 10** outwards and downwards. In particular this means attending major forthcoming summits, most notably the anticipated adoption of the Post-2015 Development Agenda in September 2015 and the 21st session of the Conference of the Parties to the UNFCCC in December 2015. Within Whitehall, it means driving the machine to deliver 'pro-development' policies across all departments whose activities impact other countries.
37. If policies are to become more 'pro-development' it is essential that there is a department whose primary interest is to set development objectives and push for these to be delivered across Whitehall. The FCO cannot do this while its focus is so strongly on commercial diplomacy; this objective simply does not align with an objective of pro-equality, pro-rights development. LCID therefore strongly urges the Government to **ensure that DFID remains a full department of state** with a Secretary of State at the cabinet table. The UK Government must ensure that DFID's poverty reduction mandate is protected, with no resumption of tying aid to British commercial interests or diverting funding to subsidise the Ministry of Defence.
38. We recommend **regular reviews of DFID** to ensure that expenditure is effectively spent and targeted at areas where DFID is best placed to assist – but we recommend that these are conducted in the spirit of continued commitment to DFID's existence and value as a department.
39. The Inquiry could consider expanding the mandate of DFID to cover global affairs beyond aid. **An enhanced 'Department for Development and Global Affairs'** could take responsibility for all policy with global implications, including global tax and business regulation. Scaling up finance for international public goods will be crucial, particularly as we hope it will be a focus of the upcoming OECD review of ODA. A key part of an expanded departmental mandate would be coordination of other departments which work on related issues.

40. As a minimum, to further embed and increase the authority of DFID in Whitehall the Inquiry could consider **joint Ministerial appointments** with other Departments whose work has impact overseas, including DECC and BIS. If not Ministers, there should as a minimum be a named individual in government responsible for each cross-cutting global issue, as already exists with the climate change envoy role.
41. We recommend the creation of **a new Cabinet Subcommittee on 'Britain's Global Impact'**, bringing together all departments whose actions impact other countries, to ensure policy coherence and a joined-up approach.
42. On climate change, we recommend drawing up a **national sustainable development plan**, to be monitored by a Joint Parliamentary Committee and Cabinet Subcommittee.
43. DFID must also place a heavy emphasis on **partnerships outside of Government, especially with British businesses and civil society actors**. NGO partnerships are crucial, especially in Middle Income Countries graduating from aid where domestic systems and authority need firm backing.