1. **Introduction**

Oxfam welcomes the opportunity to submit evidence to the International Development Select Committee’s inquiry on ‘the Future UK Approach to Development’. Oxfam works with partners around the world to find lasting solutions to poverty and injustice. We work to support people in realising their rights through long-term development work, emergency response, and campaigning, and believe that when people have sufficient resources and power, they can achieve this without support.

2. **This submission makes two key points:**

- Development outcomes depend on factors beyond aid, which is why a coherent and comprehensive UK government approach is vital to eradicate poverty and protect human rights. Yet the UK has a mixed track record on policy coherence for development and has been notably weak in some key policy areas.
- The best way to ensure that the UK’s approach to development coheres around the overarching aim of reducing poverty and protecting people’s rights is to retain the Department for International Development (DFID) as a stand-alone department with cabinet level representation.

3. **The coherence of policies which affect development**

3.1 The UK’s long-term interests are entirely consistent with building a world in which poverty is eliminated, human rights are upheld, and inequality and climate change effectively tackled. **No government department should pursue policies that compromise those goals.**

3.2 Overall the UK has a mixed track record on the coherence of policies which affect development. Policy coherence helps the aid budget to go a long way by achieving development goals through other departments, and it aims to prevent development policies and achievements being undermined by other departmental priorities. To achieve the desired development impacts, coherence should be based on the overarching aim to eradicate poverty and reduce inequality while protecting people’s rights and the planet.

3.3 The UK ranks seventh in the Commitment to Development Index (CDI), which offers a good snapshot of rich countries’ development policies beyond aid.\(^1\) The CDI ranks the UK relatively high on finance, aid, and environment, but low on security due to the high level of arms exports to poor and undemocratic governments, and low on migration as British borders are also relatively closed to immigrants from poor countries.\(^2\)

3.4 In recent years significant efforts have been made to improve DFID’s integration with the rest of government\(^3\) and mechanisms intended to drive joint analysis, strategy and action have been created.\(^4\)

4. **This section examines the coherence of UK policies in specific areas**

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\(^1\) The UK ranks 7th out of 27 of the world’s richest countries according to the Commitment to Development Index 2013 compiled by the Center for Global Development, http://www.cgdev.org/sites/default/files/archive/doc/CDI_2013/Country_13_UK_EN.pdf

\(^2\) Centre for Global Development 2013, ‘Commitment to Development Index 2013’

\(^3\) DFID was praised on closer integration within Whitehall in the 2012 Department for International Development 2012, ‘Capability Action Plan 2012’.

\(^4\) These include the Conflict Pool, the Stabilisation Unit, DFID’s representation on the National Security Council, a joint BIS-DFID trade unit and the International Climate Fund.
Aid

4.1 Middle Income Countries (MICs) – home to nearly three quarters of the world’s poorest\(^5\) - are subjected to a range of aid and non-aid policies which affect development. The new wave of MICs have a large proportion of people living on less than $1.25 per day and will continue to require development assistance as the gains of growth may not translate to poverty reduction, potentially exacerbating inequality. Progress out of poverty is not linear and countries that reach MIC status will often continue to need aid as well as other forms of cooperation to achieve long-term poverty alleviation and sustainable development. As Syria shows, today’s MIC may turn into tomorrow’s ‘fragile state’. It is not sufficient to simply end aid to MICs or change aid to loans. A strong cross-departmental approach is needed, with development objectives fully integrated into trade and diplomatic relations in order to build international consensus for poverty eradication, reducing inequality and promoting sustainable development.

4.2 Ending official tied aid in 2001 was an important change in improving DFID’s aid effectiveness, but the increased pressure to demonstrate the value of UK aid has led to some incoherence on UK aid policy. One example is the increased focus on the use of aid to create conditions for foreign investment and opportunities for British business.\(^6\) Giving preference to British business in procurement\(^7\) conflicts with the aid effectiveness commitments that the UK signed up to in Paris and reaffirmed in Accra. These commitments oblige donors to use recipient country procurement systems when disbursing aid, as this has the biggest development impact.\(^8\) UK development efforts should be aimed at poverty eradication and reducing inequality.

Prosperity and Trade

4.3 DFID’s Economic Development Strategic Framework sets out its ambition to work more closely with other government departments to ensure a coherent approach. However, to achieve the UK’s development objectives, it is vital that, where tensions occur, coherence is not achieved by prioritising opportunities for UK business and investment at the expense of a poverty reduction and sustainable development focus.

4.4 The Millennium Development Goals moved away from income and economic growth as the main measures of poverty reduction to incorporate human development. Economic growth is a condition that supports poverty reduction, but is insufficient alone and there is no linear process that translates growth into poverty reduction.\(^9\)

4.5 Like Oxfam, DFID recognises the key role of business – from multinational companies, to large national companies, SMEs and individual agricultural producers – as a development actor. The Independent Commission for Aid Impact’s (ICAI) recent review of DFID’s private sector development work identified that DFID lacked a clear theory of change on how its private sector development work optimally leads to economic growth, stability and poverty reduction.\(^10\)

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\(^5\) Institute of Development Studies 2010, ‘Global Poverty and the ‘New Bottom Billion’: What If Three-Quarters of The World’s Poor Live in Middle-Income Countries?’


\(^7\) British companies have continued to be very successful, winning over 90% of contracts awarded by DFID, ‘DFID Annual Report and Accounts 2013-14’ (page 128).

\(^8\) In Paris in 2005 Donors committed to using developing countries’ procurement systems to the maximum possible extent, under the condition that recipients reformed and strengthened these systems. This was reaffirmed in the Accra Agenda for Action (2008), see ‘The Paris Declaration on Aid Effectiveness and the Accra Agenda for Action’. Further research has found that aid increases costs of supplies by 15% to 40%, Eurodad 2011, ‘How to spend it: Smart procurement for more effective aid’

\(^9\) Based on current poverty estimates, growth alone will not be fast or inclusive enough to end extreme poverty by 2030 and best-case scenarios leave more than 100 million people living in extreme poverty in 2030. See Development Initiatives 2013, ‘Investments to End Poverty (chapter 1)

\(^10\) Independent Commission for Aid Impact 2014, ‘DFID’s Private Sector Development Work’, http://icai.independent.gov.uk/wp-content/uploads/2014/05/ICAI-PSD-report-FINAL.pdf “Similarly, we did not observe a clear ‘theory of change’ at the portfolio level that expressed how the private sector needed to be re-configured to enable it most optimally to contribute to economic growth, stability and
should articulate clearly how its private sector work will impact directly on the lives of those suffering poverty and inequality, improving opportunities for the most vulnerable and marginalised.

4.6 DFID is increasingly using impact investing as a part of aid spending. Under the right conditions, this could play a positive role in plugging the gap in commercial lending for small businesses and the ‘hardest to reach’. However, the coherence of these spending mechanisms with the international commitments on transparency and is not always clear. These forms of funding should be aligned to the Paris principles, be transparent, include effective safeguards and accountability mechanisms, and have a clear theory of change on how investments will reduce poverty.

Security
4.7 Complementarity across UK departments is vital to help ensure that every department helps deliver on the UK’s overall support for human rights and international humanitarian law.

4.8 Natural disaster contexts can often provide positive examples of interdepartmental coherence and coordination. The recent typhoon Haiyan in the Philippines demonstrated positive coherence between DFID and the Ministry of Defence (MoD).

4.9 However the MoD and DFID have not always worked coherently to meet development and humanitarian objectives. For example in Afghanistan in the years running up to 2012 20% of UK aid to Afghanistan was directly focused on Helmand province despite Helmand being home to only 3% of the Afghan population and being one of the richer Afghan provinces. This shows how political and security objectives have been prioritised over an impartial needs-based approach, contravening Good Humanitarian Donorship Principles. It is DFID’s role to support citizens in affected countries to hold their governments to account and to represent development interests and defend them from being overridden by more immediate UK interests.

4.10 Aid must not only strictly follow the OECD-DAC guidelines, but also the priorities of people living in the affected country. Aid must be used to help people improve their lives, including their equal access to accountable security and justice, without being disproportionately focused on the UK’s more immediate security or political interests. This need to ring-fence development from UK national commercial and security interests was clear at the time of DFID’s creation.

4.11 The UK has demonstrated effective leadership in response to the Syria crisis to ensure the timely and appropriate delivery of international assistance. However, the Home Office was slow to offer places for Syrian refugees to resettle in the UK, and continues to offer very few. The burden of refugees in neighbouring countries presents a destabilising threat, and reiterates the need for the UK and other rich countries to take more. Such reluctance is inconsistent with the actions of DFID and the FCO on the ground.

4.12 The FCO has done much to press for a peaceful solution to the crisis in Syria, including raising women’s rights with the opposition figures and being at the forefront of diplomatic
pressure to try to ensure that women participate in the slow process towards peace. Yet Oxfam has been convinced that further arms and ammunition, to any armed group in Syria, will do more to enflame than end the conflict.

4.13 The UK’s plans to fulfill commitments under UN Security Council Resolution 1325 on women, peace, and security is a positive example of the UK’s efforts to bring together various departments to enhance women’s rights in states affected by or recovering from conflict.

4.14 Building security in developing countries requires commitments from other government departments beyond DFID, which have not always been forthcoming. For instance, sufficient diplomatic capacity in UK embassies is essential to influence the policies that drive fragility. In the Central African Republic, the FCO has been absent entirely on the ground, despite the scale of its crisis and the UK’s decision-making role within the UN Security Council. The MoD has also contributed very little in terms of personnel and equipment to the peacekeeping missions in that country.  

Inequality

4.15 Oxfam has identified spiraling inequality and climate change as two major factors, among others, that threaten stability and security, as well as poverty reduction, around the world. Indeed the UK used its annual speeches to the UN General Assembly’s opening sessions in 2006 and 2007 to highlight the security threats of climate change and inequality respectively – examples of high-level FCO action making coherent points relevant to DFID and other government departments.

4.16 DFID has been good at prioritising the need to tackle gender inequality, and DFID’s progress report shows positive results in wealth creation and education, but challenges in reproductive and maternal health, as well as in improving access to security and justice. The International Development Gender Equality Act 2014 locks-in an important commitment to promote gender equality in the provision of development assistance and humanitarian aid.

4.17 The UK has been a strong supporter of the post-2015 goal to tackle gender inequality, which is rightly recognized as a barrier to development outcomes. However the UK should also support a sustainable development goal on reducing economic inequality, as well as a standalone goal on climate change.

Climate

4.18 The poorest people living in developing countries are the most vulnerable to the effects of climate change, which threatens to undermine progress in reducing poverty. The UK’s International Climate Fund of £3.87 billion means that whilst DFID has the bulk of the resource spending, it works more closely with the Department of Energy and Climate Change (DECC) and the Department for Environment, Food and Rural Affairs (DEFRA).

4.19 To date the UK has been one of the better performers in providing increasing and predictable climate finance flows and commitment to provide to adaptation. The UK must now demonstrate how it plans to ramp up its climate finance to meet its share of the collective $100bn promise to developing countries by 2020, including by pledging its fair share of at least $1bn to the Green Climate Fund.

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16 The UK is 47th in the global league of contributors of soldiers and police to peacekeeping operations, UN Department of Peacekeeping Operations 2013, ‘Ranking of Military and Police Contributions to UN Operations’ 30 November 2013,
4.20 In the face of the rising tide of climate-related disasters DFID has a welcome new focus on anticipating disasters and building the resilience of communities to them. As part of a coherent cross-government approach to climate change this should be followed by looking at how DFID’s long-term work could reduce risks to disasters and developing flexible resources to respond.

4.21 Oxfam welcomes the UK’s move to end support for public financing of new coal-fired power plants overseas (except in rare circumstances). This includes all UK Official Development Assistance (ODA) and CDC will also not finance any unabated coal plants. Despite positive rhetoric, DFID has not fought for a blanket ban on financing the coal industry in international negotiations on the new Green Climate Fund.

4.22 The UK Government has shown ambition on tackling climate change at home through the UK’s Climate Change Act to reduce carbon emissions by 80% by 2050. Oxfam welcomed the Government’s decision to maintain the fourth carbon budget, and not backtrack, following a recent review. With regard to the international negotiations, the UK has played a constructive role to date, demonstrating coherence between its development and climate agenda. Going forward, the UK has a vital role to play to ensure the EU 2030 climate and energy package contains ambitious targets, as this will serve as the collective EU offer for the global climate agreement in Paris in 2015. An ambitious EU position to reduce emissions by at least 55% would set a high bar going into these negotiations.

4.23 For a coherent approach the UK must address tax breaks for fossil fuels to ensure coherence with the wider government approach, and immediately begin to phase out its own domestic use of coal as this severely undermines national and global climate goals. The lifetime extension of old existing plants should be avoided and substituted with investment in sustainable renewable energy such as solar and wind as well as energy savings measures.

4.24 Global aid to sub-Saharan Africa amounts to less than $30 billion per year, but the continent is losing $192 billion annually in other resource flows, mainly to the same countries providing that aid. The OECD has estimated that developing countries are losing almost three times more money to tax havens than what they get in aid. This highlights the necessity to look beyond aid in development policy and to see tax – both the UK’s own tax policy and the role that the UK plays in international tax governance – as a key policy area affecting developing countries.

4.25 This problem is not unique to African countries, the NBR (National Board of Revenue) of Bangladesh estimates that multinational companies siphon off about $1.8 billion from the country each year due to the weak transfer pricing monitoring mechanism. As a result, the government has been deprived of around $310 million every year in tax revenues - enough to pay for around one-fifth of the primary education budget in Bangladesh.

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21 Oxfam 2014; For the love of our Climate Act, thank you Cameron and Clegg’ 23 July 2014.
22 Health Poverty Action 2014, ‘Honest Accounts: the true story of Africa’s billion dollar losses’
4.26 There are a number of areas of tax policy – both within the UK and internationally, with the support of the UK – that must be reformed to ensure that developing countries are not harmed by tax rules and that they are able to mobilise sufficient resources to invest in sustainable development. Transparency is one area of policy reform which has seen important progress in recent years. The UK must now build on its positive record on improving transparency by requiring all UK companies to publicly declare financial information for every country where they operate.

4.27 Other crucial areas of tax reform have been neglected and require urgent action to ensure coherence between the UK’s tax and its development policies. The UK must take steps to strengthen its Controlled Foreign Company rules, which have been weakened in recent years, costing both the UK government and developing countries billions in foregone revenues.

4.28 The UK should also introduce a procedure to conduct “spillover” analysis before introducing any tax rule or treaty to assess the potential impact on developing countries and avoid harm.

4.29 The UK must continue to play a role in international tax reform, with a greater focus on ensuring that developing countries have an equal seat at the table and the reform agenda must also address the full set of tax issues most pertinent to developing countries (including how the tax base from multinational companies is shared out between countries). As the IMF has recognised “the case for an inclusive and less piecemeal approach to international tax cooperation [is growing]” and the UK should play a positive role in pushing for more inclusive and comprehensive international tax reform, including looking beyond the OECD to other complementary avenues where developing countries are present as equal partners.

5. The case to retain a standalone DFID:

A. The role of DFID in facilitating other UK Government departments and other UK organisations to assist developing countries

5.1 The establishment of DFID in 1997 marked a turning point in ensuring that the UK prioritised poverty reduction in its development policy. Whilst DFID purposely stood slightly apart from the rest of government initially, it has evolved to work much more cross-departmentally. In the new development landscape where the majority of the world’s poorest live in MICs, it is even more important that DFID proactively facilitates other UK departments to assist developing countries by building close relationships and sharing its specific expertise, experience and contacts with these departments.

5.2 The UK Government needs to be creative in its consideration of its broader ability to support national development planning and institutional reform in MICs, as well as how other departments can complement these efforts. DFID, with its experienced staff and feet on the ground, is best-placed to lead on this. In various MICs ODA in the form of grants for programmatic provision may be replaced by funding of more strategic relationships, for example through support for civil society, institutional strengthening, support for reforming the tax base and developing effective policies to tackle inequality.

5.3 DFID and the whole Government should use the National Security Council (NSC) to ensure that the UK has the right kind of comprehensive approaches to building stability. The NSC should focus more than it has done on the long-term global issues contributing to instability, including climate change and inequality, and how every relevant department should address these.

B. The critical role of a stand-alone DFID in influencing the policies of other Whitehall departments

5.4 It is not just the mechanisms in place that will facilitate a more joined-up approach but there must be political will, incentives and strong leadership from the centre to enable cross-government mechanisms to work well in practice.

5.5 Representation at Cabinet level is crucial to enable DFID to facilitate a coherent approach to development. A strong Secretary of State and official mechanisms to ensure the Government’s development objectives are systematically considered across a range of policy areas and in cross-government strategies will remain essential to ensure that DFID can influence other Whitehall departments to ensure that other government policies do not undermine poverty reduction, impartial humanitarian aid, and the protection of rights.

C. Whether a stand-alone DFID has a long-term future

5.6 Despite significant progress made, around one billion people still live on less than two dollars a day, and it is clear that there remains much to be done to eradicate global poverty. DFID should continue to be independent and make decisions based on a clear set of development and poverty reduction objectives in line with the International Development Act 2002, while also engaging effectively with and having a voice within the rest of the Whitehall.

5.7 It is clear that development requires more than aid and that the growing majority of poor people live in MICs; and this calls for different approaches and skills to tackle global poverty. Within this context, it is vital that the development agenda does not get lost or subsumed into other priorities which would risk making the UK’s core development policies less effective.

5.8 DFID has a strong reputation as a leader on development policy, nurturing this reputation by protecting DFID will enable the UK to continue to influence multilateral, European and international partners.

5.9 DFID will need to ensure that its civil servants have appropriate skills and are incentivized to work cross-departmentally. Further, constant assessment of performance will be needed to ensure that appropriate instruments and skills are in place and being utilized effectively. Simultaneously, the Government as a whole will need to ensure that other departments are required to engage with DFID to develop policies that meet the UK’s overall aims, including reducing poverty.

5.10 The long-term future of a DFID which works more effectively cross-departmentally to address a wider range of international issues may require new resources and this should be seen as a strategic investment.