Written evidence submitted by the Institute of Development Studies

Summary

We are entering a new era in which development meanings, policies and practices are changing fast. Over the last few decades enormous progress has been made in reducing absolute poverty. The number of low-income countries (LICs) has reduced rapidly, and two-thirds of the poorest people live in middle-income countries (MICs) that have the resources and capacity to help themselves.

Development needs to be redefined as universal progressive economic, social and political change. Long-established views that associated development primarily with poverty reduction and progress in countries of the ‘global south’ are being contested. The rise of multi-polar politics linked to the BRICS countries and shifts in global geo-alliances has challenged old north-south divisions. Shared global problems including climate change, environmental and financial system risks, epidemics and conflict are on the rise, with causes and consequences relevant to all people and places, albeit in different ways.

The upcoming post-2015 agenda and Sustainable Development Goals are intended to be universal, addressing global responsibilities to address collective challenges. Contemporary development now means that all countries must ‘get their houses in order’ and align their contributions to interconnected systems – in policy areas like environment, food, energy, trade and taxation – to build sustainable and equitable pathways, locally, nationally and globally.

At the same time, support to people living in conditions of extreme material poverty, unsafe and degraded environments, and conflict in parts of Africa, Asia and Latin America is essential, as are responses to humanitarian crises. The UK’s national and mutual interests in a better world for all, must be balanced with a continued focus – not just through aid but also through other policies – on improving the wellbeing of the poorest and most marginalised.

The UK Department for International Development (DFID) has long taken a leadership role in development on the international stage. There are major opportunities for this to continue, but with changed emphasis: for example, combining joined-up government with a strong mandate to promote progressive change beyond borders; and convening mutual learning processes, working in partnership with and acting as a broker-mediator with other countries including the rising powers.

ABOUT IDS

The Institute of Development Studies (IDS) is a leading global institution for development research, teaching and learning, and impact and communications, based at the University of Sussex. Our vision is a world in which poverty does not exist, social justice prevails and sustainable economic growth is focused on improving human wellbeing. We believe that research knowledge can drive the change that must happen in order for this vision to be realised.

EVIDENCE

1. The coherence of policies which affect development (including aid, security, prosperity, and climate) and the impact of UK’s non-aid policies on development

As we move into a new era in which the post 2015 agenda aspires to be universal, and the world needs to find global solutions to global problems, a more coordinated approach across UK government in relation to the following policy areas will be required:

1.1 Business and financial systems
1.1.1 New models are emerging for business to contribute to development and the development sector can benefit strongly from engaging with the private sector through sharing experiences across countries, including between Europe and rising/emerging powers. Strengthening evidence points to the importance of strong state nurturing, incubation and financial and policy support if innovative, pro-development businesses are to flourish. Often led by the BRICS countries, we are seeing the emergence of recast state-market-finance relations and the UK has much to learn from these changing state-business relations for its own government strategies. The UK government is also well-positioned to contribute strongly to a new and fundamental global debate about new forms of capitalism.

1.1.2 In recent years DFID's efforts to create "more" business and private sector activity have overshadowed attempts to steer it towards "better" impacts. This emphasis needs re-balancing. Focal areas for direct DFID influence could include regulatory reform at a national level, work around market systems and support to enterprises and individual entrepreneurs, through interventions directed at developing country governments or companies active in developing countries. DFID's international work to encourage more pro-poor business includes engagement with the UN Global Compact and Extractive Industries Transparency Initiative (BIS and DFID). However many other areas of UK government policy activity affect the private sector internationally, including trade policy and the Export Credits Guarantee Department (BIS); the OECD Guidelines for Multinational Enterprises (BIS), UN Guiding Principles on Business and Human Rights (FCO), and policies related to taxation, financial reform and climate change. While there is some attempt to ensure coherence in these different policy areas, it is not clear how trade-offs between development objectives and other economic or political interests are managed. While DFID is playing a leading role in the agenda around "pro-poor" business, how coordination happens in those areas of government activity that either seek to create more UK business activity or regulate harmful activities is less apparent.

1.1.3 In many LICs, a major source of continuing poverty, corruption and repressive and exclusionary governance lies in the relative ease with which people in power can abuse their authority, enrich themselves at the expense of the general public and of the public treasury, undermine public authority, and hide their illicit wealth elsewhere in the world. These same networks and processes make life easier for international criminal networks and violent political extremists. Better regulation of international financial and business activities is critical to the prospects for equitable economic growth and good governance in countries across the world; the reputation, stability and long-term prosperity of the UK's financial sector; and to the UK’s long-term security. There is wide scope for the UK Government to more vigorously pursue a range of beneficial policies that it already practices – sometimes as a world leader. These include measures to:

- Reduce money laundering and illicit international transfers through banks and other financial institutions.
- Encourage companies operating in the extractive sector to be transparent about their payments to governments and politically-connected influential people.
- Generate full transparency about the true ownership of companies and large-scale financial assets in all political jurisdictions.
- Increase the capacity to implement existing laws against corruption practiced by British companies overseas.
- Eliminate those ‘tax haven’ activities that depend on secrecy, rather than genuine tax competition.
- Enable and encourage LICs to participate more effectively in current plans to expand the scope of (automatic) exchange of information among national tax authorities for tax purposes.
- Examine more closely, before they are introduced, the potential adverse impacts on revenue collection in developing countries of changes in UK tax policies and practices.
• Use the influence of the City of London to create a regulatory race to the top, with finance being regulated to maximise its positive economic and social impacts.
• Explore how to modify regulation to increase the percentage of City of London capital going to developmentally positive areas such as infrastructure as opposed to unproductive, ‘casino’ type activities.

1.2 Future financing of development

1.2.1 Evidence from the last few decades reveals the limits of foreign aid in achieving positive development outcomes. The most significant advances in reducing absolute poverty have been made in countries such as China which found their own way forward, using relatively little aid or keeping aid agencies at bay. This is not an argument for less foreign aid in the future, but for changing the ways in which it is targeted and combined with other forms of finance. Several shifts in emphasis are required:

1.2.2 A success story of UK aid has been its support for work on taxation. IDS research shows that the source of public revenue has a big impact on the quality of governance. Taxation provides feedback loops between citizens and government that aid (and natural resource revenues such as oil and minerals) lack.

1.2.3 The quality of aid is more important than quantity. Evidence around how aid works points to the importance of strong partnerships, sustained engagement and ‘on the ground’ knowledge, and relationships of trust and respect with individuals and institutions at all levels in recipient countries. Outsourcing of aid delivery and staffing cuts makes these ideals very difficult to achieve. High quality internal staff both in UK offices and in-country are central to the high quality and reputation of UK aid.

1.2.4 There is an urgent need to increase the supply of finance for global public goods (GPGs) such as curbing tax avoidance, accelerating sustainability and preventing or addressing global health crises and pandemics. This is all the more important as BRICS countries become more prominent, promoting agendas in which aid is increasingly seen as a matter of ‘mutual benefit’ rather than altruism. The UK government could and should propose new mechanisms at the supranational level to raise large, stable finance that can support long-term predictable support for GPGs. For example, next year’s climate conference in Paris requires a firm proposal for how climate finance of up to $100bn per year is to be supplied to developing countries. This could be linked to proposals for GPGs in other areas. The UK Government/DFID have significant leverage, which is boosted by London’s role as a global centre of private finance, and could be used strategically to great effect. However, again this requires coherence between external and internal policy. For example, the weakening commitment to greening the UK economy undermines UK credibility in global climate fora. In contrast, curbing tax avoidance within the UK strengthens UK influence in international tax cooperation.

1.3 Sustainability

1.3.1 As the post-2015 agenda has emphasised, challenges of environmental sustainability are now amongst the most pressing facing humanity and are inextricably entwined with issues of social and economic development, globally, nationally and locally. Already, human interactions with the environment are producing unprecedented shocks and stresses, felt in floods, droughts, and devastated urban and rural landscapes and livelihoods. These unsustainable patterns add to poverty and inequality, especially for the third of the world’s population directly dependent on natural resources for their wellbeing, and create deep threats for future generations everywhere.
1.3.2 There is an urgent need to accelerate ‘green transformations’ towards more environmentally sustainable and fairer economies and societies. Research at IDS and in the STEPS Centre (based at IDS and the Science Policy Research Unit (SPRU) at the University of Sussex) shows that while new technologies and market arrangements have crucial roles to play, politics and institutions are also central. Global regulatory institutions and states and citizen movements play critical roles in regulating, incentivising and advocating for green development pathways. STEPS research also highlights the importance of distribution, equity and access in ‘green’ initiatives, which must protect and enhance people’s rights, livelihoods and wellbeing, and not contribute further to dispossession, marginality and inequality.

1.3.3 IDS research shows that climate-relevant policies in the rising powers are not driven by concerns with climate or environment but concerns with securing energy, building new industries, and creating green jobs. European experiences in Germany and Denmark, with major transitions to renewable energy, provide similar lessons. The UK could learn from these in promoting greener and fairer economies at home and abroad. Recognising the alignments of interests which drive climate relevant policies in diverse countries provides the essential starting point for finding more effective ways of international cooperation in climate change mitigation and accelerating sustainability.

1.4 New forms of international cooperation

1.4.1 Working more effectively with the rising powers is essential for making UK influence count. Recognising and celebrating the achievements of the BRICS countries provides lessons that can be applied within the UK, in addressing social, economic and sustainability challenges. This provides a good basis for challenging rising power governments to stop hiding behind their poor and contribute more to global public goods, for example in mitigating climate change. The UK can also play key roles in tripartite learning and co-operation, as these countries increasingly act as aid donors.

1.4.2 IDS’ work on China has found that DFID enjoys a good reputation and China values its practical support. The Working with Rising Powers on International Development Issues programme has demonstrated both practical, on-the-ground results, as well as policy-level contributions. High level inter-governmental dialogue is a key feature of the success of the programme, and it has broken new ground for DFID in allocating resources to engage with BRICS countries in a non-aid, multi-tiered, dialogue-based relationship, involving DFID and other UK government departments. This way of working will become increasingly relevant as more countries approach middle-income status. However, as it progresses, it would be advantageous for DFID if more staff were equipped with the core competencies necessary for modern diplomacy, policy and political work.

1.4.3 IDS’s work on China and Africa demonstrates a number of successful initiatives in learning and information sharing. For example work on climate change adaptation and low carbon development contributed significantly to delivering a UK-China strategy on climate change. There is evidence that DFID has helped shape official Chinese thinking on these issues, as well as in development policy more generally especially in relation to Africa.

1.5 Addressing inequalities

1.5.1 Inequality affects a range of social and human development outcomes, and badly inhibits social cohesion and co-operation around public good challenges, nationally and globally. Future development research and policy agendas need to address inequalities in their own right, not just as part of eliminating poverty, promoting progressive agendas for inclusive, balanced growth and redistribution. There are important roles for joined-up policy thinking and action aimed at limiting excessive (including corrupt) accumulation by elites, in areas such as financial regulation and taxation of wealth and assets. There are also important opportunities for mutual learning across countries in new welfare, social protection and redistribution approaches. Innovative examples and lessons from, for example Brazil’s Bolsa Familia social welfare programme, or approaches to cash
transfers to the poor in Africa deserve to be widely shared and adapted to other contexts, including the UK.

1.5.2 ‘Horizontal’ inequalities such as gender, ethnicity and sexuality intersect with ‘vertical’ social and economic inequalities around income and assets. Addressing these through legislation, policies and practices that actively promote rights and inclusion, and tackle structures that work against these, are critical. The recent DFID and cross government focus on gender including initiatives such as Ending Violence against Women and Girls could provide an example of best practice in terms of policy coherence. DFID and the UK government should continue to play a leading role around promoting gender equality and sexuality rights in global frameworks. The Sexuality, Poverty and Law programme at IDS provides a good example of DFID aid spending that is having wide impacts in providing practical tools, resources and shared learning for policymakers, lawyers and activists in tackling these dimensions of inequality across the world. Women’s unpaid care work, and the gender and economic structures that underpin it, offers a further area where the UK and many other countries share agendas, and, where domestic policy coherence and mutual learning across countries is needed.

1.5.3 Information is a GPG, and the creation and control of ever-increasing quantities of data creates huge risks, which could exacerbate existing inequalities. The UK government could take a lead in the ‘Big Data’ revolution developing and proposing global standards to protect developing countries and allow the potential of Big Data for development to be realised. Policy coherence with departments (such as BIS, and DCMS) promoting ICT developments could also help to ensure that the rapid digital revolution enhances opportunities for inclusion, voice and power, and does not create new digital divides that worsen inequalities.

1.6 Security and Stability

1.6.1 In an increasingly volatile and insecure world, debates and tensions around the increasing alignment of security and development policy and pooled funding will continue. DFID will need to work closely with FCO, MOD and the Home Office to develop coordinated responses which make clear and transparent the intended purpose and outcomes of any interventions.

1.6.2 Understanding the political dynamics at all levels in fragile and conflict-affected countries is critical. Most of the world’s violence takes place in countries where democratic systems are in place (even if at times they are incomplete) and the state is able to provide (some) public goods, but where political conflict, instability and insecurity persist. Examples of such countries include many of the ‘Arab Spring’ nations, most of Latin America and Asia and several African countries that have recently emerged from long civil wars. A closer focus on these countries would allow us to rigorously observe the complex transition of modern societies towards peace, prosperity and stability providing lessons elsewhere.

New evidence shows that the organisation of post-conflict societies, economies and political systems depends crucially on how institutions are organised locally during conflict. Development policies and political interventions will fail and miss opportunities if these dimensions are not understood and appreciated. For example in Somalia, local armed groups eventually played key roles in how humanitarian actors accessed vulnerable populations, sometimes providing relief themselves. Detailed and systematic knowledge of how state, non-state actors and populations interact throughout conflict can importantly shape the design and success of political and development interventions – for instance in the establishment of elections, property rights, justice and security reforms, demobilisation and reconstruction programmes.

1.6.3 Donors need to be more prepared to take risks, and to let local NGOs and groups lead initiatives where they are better placed to understand local politics and contexts. Donor staff working in fragile contexts also need greater continuity - rotation every 6 months makes it hard to build
relationships and awareness of local political context - and a broader range of skills and expertise around security and diplomacy.

1.6.4 New donors including China, Brazil and regional players such as Ethiopia and Turkey have increasing influence in conflict-affected situations, and DFID and the UK government need to build partnerships and alliances where appropriate.

2. The underlying government mechanisms needed to support any changes, including:

2.1. The role of DFID in influencing the policies of other Whitehall departments - at home and abroad

DFID has a key role to play in influencing other UK government departments to act in joined-up ways around development issues. This includes encouraging attention to curbing inequality, accelerating sustainability and building security into other departments’ actions in Asia, Africa and Latin America. It also includes influencing departments to appreciate and address the broader development – as progressive social and economic change – implications of domestic policy action, whether by addressing poverty, inequality and sustainability in the UK, or contributing to global regulation and public goods.

The future UK approach to development needs a theory of change that encompasses these dimensions, and to which an improved monitoring and evaluation of influence system can be linked. From being primarily a (traditional) donor-recipient relationship around North-South relations, UK development needs to move more explicitly to a relationship based largely on dialogue, cooperation and mutual learning around a globally-defined development. DFID can play a key role in helping to define and deliver these new philosophies and strategies.

This role extends beyond DFID-London to country activities and offices. DFID China has forged effective relationships with several other UK government departments operating in China, especially the FCO and DEFRA, and it also has a mutually beneficial partnership with the World Bank. Through the UK-China Sustainable Development Dialogue (SDD) DFID China has worked competently with a dialogue and influencing model that works to a cross-governmental agenda, organised around high-level political engagement and linked to the creation of space for substantive sector-level activity. The model is operationally intensive in terms of staffing, yet entails a relatively low-spend.

2.2. The long-term future of a stand-alone Department for International Development

In a new global development era, a department with a global and international outlook and mandate (in contrast with other government departments prioritising UK national interests) is more critical than ever. It is vital that a DFID-equivalent retain high-level political status and a place in cabinet. This will be crucial for influencing the forms of joined-up government needed for the UK to deliver on its own development objectives, as well as to meet post-2015 sustainable development goals. And there is value for the UK, as a relatively declining economic power on the world stage, to be seen as a broker, mediator and ideas-leader in international affairs. This is a key role that the UK can play within, and as part of Europe, and that will be good for Britain and the world economically and politically in the long-term.