

DFID: THE FIRST FOUR YEARS

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The manifesto of the Labour government elected in May 1997 asserted strong support for development issues. This commitment showed itself immediately in the creation of the Department for International Development (DFID) and the first White Paper on International Development since 1975 just six months later. Did these changes signal major changes in the UK aid programme, or has it just been business as usual over the last four years?

This question can be answered in several ways. What have been the main changes in strategic direction during DFID's four years, and how do these enhance the prospects for poverty reduction. Have these new ideas been put into practice? If so, what quantifiable and qualitative differences can we see in the UK aid programme?

The White Papers on International Development

The first White Paper, entitled 'Eliminating World Poverty', opened with the words: 'we shall refocus our international development efforts on the elimination of poverty and encouragement of economic growth which benefits the poor'. This commitment was underwritten by signing up to the International Development Targets (IDTs), a set of international goals for poverty reduction including things such as halving the proportion of people in the world living below the poverty line of a dollar a day and reducing the percentage of children dying before their first birthday by two-thirds.

There has always been some poverty focus to British aid. It waned somewhat in the 1980s, but was reasserted during the nineties under Baroness Chalker. Nonetheless, the White Paper signalled a break with the past in several ways. First was an emphasis on partnership. DFID alone is not going to achieve the IDTs. But it can contribute to their being reached by working together with the governments of poorer countries, civil society, the private sector and other donors. So instead of working in isolation on British aid projects, DFID should help support processes and systems for poverty reduction.

A second change was to promote policy coherence. The UK interacts with poorer countries in a variety of ways – trade, investment and the exchange of ideas. Relationships in all these areas should be determined by the commitment of the UK government to the IDTs. The second White Paper, 'Making Globalisation Work for the Poor', takes this idea forward with specific proposals such as tighter control over arms exports.

The White Paper emphasised the importance of economic growth to achieving the poverty reduction targets. More money helps people have better health and increases the taxes government can use to provide services. But, in a break with the past, the White Paper argued the case for a synthesis of state and market, rather than a reliance on one or the other, as had been the case in the previous development strategies.

The importance of the state in regulating the market is a theme in the second White Paper. Globalisation has great potential for enhancing growth and poverty reduction in poorer countries. But unfettered market forces will not realise this potential. There is a need for rules at both international and national levels to ensure that the benefits are spread equitably.

Strategy papers

How DFID will help poorer countries is laid out in a series of strategy papers. There are nine Target Strategy Papers (TSPs), which lay out how the various International Development Targets are to be met. Institutional Strategy Papers (ISPs) explain the role of other partner organisations, such as the World Bank, various UN bodies and the Red Cross, and how DFID can assist or influence them in contributing toward achieving poverty reduction goals. For each country with a DFID programme there is a Country Strategy Paper (CSP) which analyses the nature of poverty in that country and DFID's role in tackling it. In accordance with the spirit of partnership all these papers are prepared in a consultative manner. Whereas CSPs used to be a confidential document, they are now prepared in close collaboration with government and civil society. The TSPs - and indeed the White Paper - were drafted with various consultative processes. Though unlike the case for the TSPs, there was no opportunity to discuss actual drafts of the White Paper.

The value of British aid

The new labour government committed itself to sticking to Tory spending plans, which meant a fall in the aid budget during its first year in office. Spending fell from £2.15 billion to £2.08 billion: a fall of six per cent in real terms. But the subsequent two years saw climbing aid: a 12 per cent real increase in the next followed by one of over 5 per cent the next. By 1999/2000 the aid budget reached over £2.5 billion. Nonetheless, the UK remains a long way from meeting the international target that aid should be 0.7 per cent of GNP. This share had been over 0.3 in the early nineties, but was 0.26 in 1997 and fell to only 0.23 in 1999. It is set to rise to 0.30 per cent during 2001.

Some practices which undermine the value of aid have been stopped. The first White Paper announced the abolition of the Aid and Trade Provision, a scheme which linked aid to non-concessional supplier's credits to be used to buy British goods. The second White Paper has indicated that aid tying (requiring British aid to be spent on British goods) will be stopped.

Changing ways of doing aid

The aid programme has been changing to reflect changing ideas about how to make effective aid. Amongst these changes is a move toward a sector wide approach (SWAp). Rather than supporting stand-alone projects, DFID, together with other donors, supports a government-led process for improving management and service delivery in specific sectors, such as health and education. The rise of Poverty Reduction Strategies in the generalisation of this approach. Under the scheme of debt relief called the Highly-Indebted Poor Country (HIPC) initiative, countries must have a Poverty Reduction Strategy Paper (PRSP) to qualify for relief. Donor agencies providing the relief want to be satisfied that the strategy has been prepared in a truly consultative manner and commands broad support.

Both SWAps and PRSPs are a channel for DFID engaging with civil society and supporting its contribution to political life and achieving poverty reduction goals. More generally, the importance

of a vibrant civil society is recognised, so that DFID has several programmes supporting civil society institutions. This change represents a broadening of DFID's engagement which was formerly more narrowly restricted to supporting NGOs directly involved in development activities.

But qualifying for debt relief also requires 'sound' economic policies. This is an example of the idea of selectivity, strongly supported by the World Bank and increasingly accepted by bilateral donors, including DFID. Selectivity means that aid should only be given to 'good policies', meaning a market-oriented development strategy.

It is this support for World Bank-style policies which has drawn the most criticism from UK-based NGOs, particularly in relation to the second White Paper. NGOs are virtually unanimous in their criticism of the content of much of the White Paper, in particular its support for globalisation as a means for achieving poverty reduction. Christian Aid's press release said that these policies "will not bring an end to global poverty" and that "Clare Short is advocating the wrong rules" for global trade. These shortcomings in DFID's approach are seen as a downside of "joined up government" (i.e. policy coherence) – DFID has to agree with the pro-trade and investment stance of DTI and the Treasury when it should be fighting for the interests of poorer countries.

More generally, DFID's relationship with the NGO community has been somewhat chequered. It might be thought that the trends outlined above of a stronger poverty focus and the emphasis on partnership have led to a closer working relationship between DFID and NGOs. In reality the picture is somewhat more mixed. It is true that NGOs welcome the poverty focus, and they find several positive aspects in the changing nature of DFID's work – the HIV/AIDS programme is often mentioned in this regard. But there is also a feeling that there is not a genuine partnership, since DFID is not really prepared to enter into dialogue.

As mentioned above, these criticisms centre in particular on the second White Paper. The consultation process for preparing the document was said by one NGO to not be very consultative. The relationship between DFID and NGOs is also seen to have suffered as a result of Clare Short's personal antagonism toward the NGO community. Mainstream NGOs believe that genuine debate has been sacrificed by the Secretary of State's desire to distance herself from the anti-liberalisation stance of more radical members of their community.

In summary, the creation of DFID and many of the changes implemented in the last four years offer great potential for assisting countries reach poverty reduction targets. But to realise this potential requires a more open partnership with developing country governments and civil society at home and abroad.