

**Accountability to the Poor**  
***Policies on International Development***

**Policy Paper 97**





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# Executive Summary

## The Liberal Democrat Approach: Development is Political

Liberal Democrats have always been – and remain – strongly committed to International Development. In the context of multiple global challenges – including climate change and other environmental threats, rising and ever more volatile prices of food and energy, population growth, increased conflict, failing trade talks and global recession – we believe that the UK must continue to play a leading role in ensuring justice and equity for poor people around the world.

International Development policy should be about much more than just aid. There are many vehicles for assisting the development process that are more important than financial provision, including strengthening grassroots civil society, technical assistance and support to domestic entrepreneurs. UK trade, investment, business, environment and security policy are all critical – as is the role of the private sector. Liberal Democrats will make a cross-departmental commitment to development goals. This policy paper focuses on key development issues where such collaboration is necessary.

We see the problem of poverty as fundamentally political. Barriers to the poor's development are political and social as much as economic. Sustainable development and poverty reduction can ultimately only be achieved through political empowerment in and for developing countries. We will take a political approach to development processes at all levels. A Liberal Democrat Department for International Development (DfID) will remain independent but be better integrated with other departments as part of a government-wide development strategy, focused on poverty reduction and social protection. We will improve transparency and accountability in UK development spending and demand it in multilateral agencies and transnational corporations. We will aim to enable poor communities to participate in their own development and to hold their governments to account. We will support local government, civil society and political processes in developing countries – especially in fragile and conflict-affected areas. We will make development assistance more demand-led and encourage governments and societies to reduce their need for aid. Liberal Democrats recognise that development is difficult and that there are limits to what can be achieved through external support. We will commission local research into obstacles to development; and monitor the impact of our efforts in terms of broad impacts over time.

## Development Assistance

The UK must increase its spending on official development assistance (ODA) to 0.7% of Gross National Income (GNI) by 2013. Spending on essential global goals – such as climate change mitigation, conflict prevention and resolution and debt reduction – must also increase, but should be additional to the 0.7% of GNI for ODA. The UK's important commercial and strategic objectives in the developing world must remain separate from development objectives.

DfID must also use its global standing and expertise to show greater leadership in persuading other bilateral and multilateral aid donors to coordinate aid, focused on sustainable development and poverty reduction objectives defined by recipients, in accordance with the Paris and Accra declarations.

Humanitarian responses to conflicts and crises are more important than ever. Yet sometimes the most useful assistance is in anticipating risk and preventing crises from developing – the benefits of which are invisible. For example, in the context of climate change and increased global consumption, far greater investment is needed in agriculture and food security in the poorest countries. This is essential to reduce malnutrition, prevent catastrophes and to create a platform for economic transformation – though it may not lead to measurable growth, or even poverty reduction, in the short-term.

Liberal Democrats are also committed to exploring and expanding alternative forms of Development Finance. This includes a global financial transactions tax; much tougher policing of tax evasion and capital flight from developing countries; assisting the optimisation of domestic taxation of incomes, capital gains and corporate profits in developing countries; encouraging commercial levels of rent for resource extraction; and enhanced debt reduction, facilitated by an international debt arbitration service.

## **Supporting Political Development**

Liberal Democrats will assist processes and institutions that enhance both the voice and agency of the poor and the responsibility and responsiveness of their local and national governments. This could include strengthening of parliaments and parliamentary committees, local government, advocacy organisations, diverse media, civil society, faith-based organisations, social movements, political parties and grassroots non-governmental organisations (NGOs).

The ultimate goal of development assistance must be to make itself obsolete. When governments reach a point where they have the capacity and domestic revenue sufficient to deliver welfare needs, and are incentivised to do so by embedded responsiveness to all of their citizens, there will be no systematic need for aid. Some countries – for example India and China – are already in this position and indeed are donors themselves. Others, especially where there is conflict and political fragility, will not be for the foreseeable future. For many nations, however, development independence is a realistic goal within two or three decades. Liberal Democrats will encourage and assist governments and communities to develop and implement their own concrete aid exit strategies.

This should not, however, signal an end to development relationships. The struggle for justice, equality and freedom is never-ending. Liberal Democrats will seek to forge global alliances for development, comprising like-minded current donor and recipient governments, international organisations and citizens groups. These are necessary to protect global public goods – for example the environment and food security – and to support global welfare. International coordination is necessary to ensure that there are no gaps in global development expertise and unnecessary overlap is minimised. A Liberal Democrat DfID will reconsolidate its specialist skills – for example in water, sanitation and hygiene, nutrition and conflict prevention – and provide advice and technical assistance where these are key issues.

# Introduction

## 1.1 Context and Challenges

1.1.1 A great deal has changed in the developing world over recent years. There has been a proliferation of international, national and non-governmental development agencies, many focused on very specific sectors. There have been many new international conventions and agreements – and also high profile failures to reach agreement, on trade and climate change.

1.1.2 The balance of the global economy has changed. Sustained global growth has given way to financial crisis and recession. Patterns of investment are moving away from Europe and North America and towards Asia. There is greater growth across the developing world than the developed, presenting both opportunities and threats to the poorest nations. Many nations in Asia, Latin America and Africa have significantly increased their wealth and reduced poverty. The most dramatic of these, in the huge economies of China, India and Brazil, have accelerated shifts in flows of investment, trade and aid. However, the structure of the global economy still works to keep people in poverty, rather than offering routes out of it.

1.1.3 Major new challenges for sustainable development have emerged – and old ones remain. Climate change disproportionately threatens the poorest countries, which have the lowest resources to pay for mitigation or adaptation. Food and energy prices rose exponentially in 2007-08 and will remain volatile. Conflict and fragility are reversing development and undermining security in many regions. Diseases of poverty still destroy families and societies. Many lack access to clean water or unpolluted air. Populations in poor countries have been predicted to grow dramatically – possibly leading to a global population of nine billion by 2040. Rural-urban migration is putting huge strains on city infrastructures. Technological advances are widening wealth gaps between nations and people. All of these present obstacles to people's own, sustainable paths to prosperity.

## 1.2 The Liberal Democrat Approach

1.2.1 We welcome and reconfirm our commitment to the International Development policy set out in the Coalition Agreement, *Freedom, Fairness, Responsibility*. This recognises that the UK has a moral responsibility to help the poorest people in the world and promises to honour our aid commitments, but at the same time ensure much greater transparency and scrutiny of aid spending to deliver value for money for British taxpayers and to maximise the impact of our aid budget. This paper adds to those commitments to offer a distinctive Liberal Democrat approach to International Development and our future plans.

1.2.2 Liberal Democrats embrace the need for strong, new, international cooperation in response to these challenges. Our philosophy is to identify and support agents of empowerment – and to identify and address obstacles to it. The main obstacles to development and poverty reduction remain the same: inequality and injustice between nations (for example trade barriers and unsustainable debt) and within nations (such as unequal access to clean water and land). Poverty is a political issue, defined by unequal power relations. Development can best be achieved by improving the capacity of

governments and – equally importantly – the voice and capabilities of the poor. Governance at all levels – local, national, international and multilateral – needs to be more transparent, accountable, responsible and responsive to the needs of the most vulnerable. In the long term, dependence on aid should be reduced to increase the responsiveness of developing country governments to their citizens.

1.2.3 For many nations, the path to prosperity for all citizens lies first in improved domestic transparency, accountability and policy reform. There is also a need for much better international cooperation to protect global public goods – above all the environment. Over twenty years after the Brundtland Report articulated the concept of environmentally sustainable development – ‘development that meets the needs of the present without compromising the ability of future generations to meet their own needs’ – most development pathways are still not environmentally sustainable and most development aid is not delivered in a sustainable manner; this must change. The UK should also work harder to support developing countries in the fight for global security and justice, for example by strengthening their position in trade negotiations and in battles against global and local causes of hunger, disease and crime. All of these require alliances more than aid.

1.2.4 We recognise that the poorest people face a series of natural and human barriers to development, including poor governance, limited access to markets or employment, and environmental stress. Conflict, corruption, exploitation and fragility are often associated with valuable natural resources as well as with weak state and civil society institutions. In such circumstances, aid – including support for peace-building and reconstruction – will remain essential in the long term.

1.2.5 This paper sets out distinctive Liberal Democrat strategies and policies for International Development. We take a rights-based approach, focused on liberal values: freedom, fairness, democracy, human rights, equality, justice, dignity, equity, environmental sustainability, international responsibility and the value of human life. The goal of development should be to provide decent standards of health, education, work and welfare, not just basic needs. We will strive to reverse injustice and discrimination in all forms. We will work with states to support them in negotiations in global forums – for example over trade and climate change – and when dealing with banks and other transnational businesses. We will seek to help them to overcome natural and human obstacles to prosperity. We will also work to strengthen grassroots groups and poor people, to ensure that their voice is listened to better. We will back them in their struggle against barriers that block their own paths out of poverty.

1.2.6 Our key proposals are:

- To provide direct support to people in developing countries that will help them to participate more in development, recognising that empowerment of women and minority groups is an essential prerequisite for this.
- To integrate the Department for International Development (DfID) much better with other departments, and mainstream development objectives across the whole UK government.
- To maintain our commitment to increasing development assistance to a legally-binding level of 0.7% of GNI and making it more effective.

## Accountability to the Poor

- To expand other forms of development finance, including debt reduction and local and global taxation.
- To take a people-centred and rights-based approach to welfare provision and social protection, especially for people facing violence or discrimination.
- To protect people's rights to security and justice, especially in fragile and conflict situations.
- To promote environmentally sustainable development, and in particular to help to meet the disproportionate challenge that developing countries face as a result of climate change and other environmental threats.
- To support governments in protecting their citizens against the volatility of global markets and in securing long-term opportunities for exports through trade justice.
- To stimulate and facilitate the domestic private sector and UK investments in developing countries.



# Development as a Political Issue

2.0.1 Development is difficult and complex. It has multiple goals – some conflicting – and multiple obstacles. Effective development cannot be achieved if it is conceived as a purely technical or financial process. We recognise that poor governance is in many countries the biggest obstacle to poverty reduction. For citizens in developing countries, development issues are political issues.

2.0.2 Development policy-making must be politically engaged. DfID should be as interested in the demand for development from below as it is in its supply. Liberal Democrats will focus on improving relationships and processes, as well as on targets. Where states are resistant to this, a different approach is needed. Our main targets for aid will be the poor, not their governments, and we will seek ways to connect better with them. The best way to reduce poverty is for poor communities to be active in their own development and if necessary hold their governments to account.

## 2.1 Good Governance, Accountability and Transparency

2.1.1 Liberal Democrats support the increased attention given in recent years to good governance. We will, however, seek to redefine it in terms of government openness and responsiveness to citizens' needs, rather than by policy measures. History shows that human development outcomes are achieved when state power shifts from arbitrary authoritarianism and is made accountable. The best governments in developing countries are those that are responsive to their citizens. People are often better at defining what they need than outside experts can be – the success of Malawi's popular fertiliser subsidy scheme, opposed by donors, is an example. The rule of law and freedom of expression can lead to the development of social and political contracts between governments and citizens, for example to protect against famines. Where governments are not accountable, aid itself risks entrenching inequality.

2.1.2 Liberal Democrat goals of justice, equity and empowerment will be put into practice through a combination of demands for government transparency, improved state capacity and enhanced freedom for people to participate. Accountability requires governments to make information available, but also to allow people to criticise – and to be responsive to criticism. It is consistent to enable government autonomy by giving aid through budget support and to strengthen active civil society at all levels to hold those governments to account from below. Liberal Democrats will therefore provide support for the consolidation of equitable justice systems, free and fair elections, independent and well-qualified civil services and ombudsmen.

2.1.3 Transparency of government incomes, expenditures and both budget and policy processes is essential – and empowering. Monitoring of government activity is necessary at all levels – from below and also by other countries. We strongly support the NEPAD Peer Review Mechanism. The UK can play a legitimate part both in holding governments to account and by demanding improved accountability and transparency. For example, we strongly support the Extractive Industries Transparency Initiative and will call for similar rules for transparency in other sectors.

2.1.4 The battle against abuse of power is hard and never-ending. Liberal Democrats are proud to fight against it in the UK and will not be ashamed to do so elsewhere. DfID staff

should not feel uncomfortable in speaking out against political malpractice, as was the case against corruption in Kenya. There are times when local campaign groups know what the problems are, but need external stimulus to push for a radical and systematic overhaul. There are other times when it is appropriate for civil society or governments to critique donor behaviour. A Liberal Democrat DfID will set an example in its own standards of transparency, accountability and responsiveness to criticism. We will regularly publish the amount of funding provided by DfID to each sector, programme, agency and country, in as much detail as possible.

## 2.2 Making Local Voices Heard

2.2.1 In order to strengthen accountability from below, Liberal Democrats will provide direct support to existing groups and movements to develop their active citizenship. We will also provide direct support to processes and institutions that facilitate informed public debate. In particular, we will channel resources towards initiatives that strengthen the voice of the poor, enabling them to define their own sustainable development needs, make claims on the state and challenge power in all its forms.

2.2.2 We recognise that local voices cannot be imposed from outside. However, more can be done to support the strength and diversity of existing voices from below. A Liberal Democrat DfID will continue to fund civil society groups capable of scrutinising government budgets and lobbying for policy change. We will also support small, grassroots groups, informal networks and faith-based organisations, in both rural and urban areas – and encourage them to build alliances and movements between each other, as well as with international social movements and NGOs. We will not be scared to include individuals from radical campaigning groups – and try to engage them in constructive processes. We will strive to ensure that opportunities for participation are available in particular to those who often face discrimination – including refugees and non-citizen groups, women, children, ethnic and religious minorities and people with disabilities.

2.2.3 Facilitating the development of articulate, informed and active societies from the bottom up will not be quick or easy, but it is a worthy use of aid. Development programmes that are not participatory are more likely to fail. Neither markets nor governments are likely to provide services to reduce the engagement gap between themselves and the poor. We will invest in long-term support to local campaigners – for example training in how to interpret spreadsheets, so that they can scrutinise local government. We will make existing research data available to local groups. We will compensate participants for the time, costs and travel expenses incurred during such training. We will also invest in formal education, including better quality teacher training and increased access to higher education for people from poorer backgrounds.

2.2.4 We will also encourage the development of forums for informed debate, to create space for the gradual maturation of political engagement – perhaps even for different kinds of people to enter politics. For example, we will create user feedback mechanisms for donor-funded clinics or schools – and disseminate the results locally. Not only will this incentivise better service delivery, it can lead to a culture of critique, of service providers, of governments and also of donors. We will encourage people to compare and rank the performance of different agents – including DfID itself. Ultimately, grassroots groups can identify and push for their own development needs and opportunities – and draw attention to obstacles and threats.

## 2.3 Channels of Communication

2.3.1 Freedom of expression is a right. When utilised, it is also a dynamic force for change to unaccountable systems, creating justice and stability. This has been seen in recent years in Sierra Leone, Ukraine and Uganda. Non-material rights can have material outcomes in terms of better provision of healthcare, education and food security. Everyone supports the notion of increasing people's voice, but funding for it as a development goal is currently extremely low.

2.3.2 As Liberal Democrats, we are keen to support democratic institutions and processes – especially at local levels – that increase participation and accountability. We recognise that democracy is not the only way to achieve these goals – and will not be sufficient on its own, especially where there are cultures of deference and clientelist systems of governance. Democracy involves risks – for example it can enhance social tensions – but it is of value in itself and it has a strong track record in increasing the responsiveness of governments to citizens. When international election observers declare that elections are not free and fair, we will link future development funding to demonstrations of improvements in political systems. We will also provide direct funding for measurable, bottom-up democratic processes, including:

- The creation and training of parliamentary committees, linked to the frequency and independence of their scrutiny.
- Campaign training for bona fide political parties, via the Westminster Foundation for Democracy.
- Direct budget support to local government, linked to development outcomes and demonstration of local consultation. Where necessary, we will provide support for the costs of decentralisation and training of local officials and politicians.
- Support for Local Government Associations in developing countries, as well as the world local government body (UCLG) and Commonwealth Local Government Forum.
- The conduct of elections at all levels.

2.3.3 Numerous, decentralised, independent media outlets are also essential to create space for diverse voices to be heard. At its best, strong media – including social media – can hold governments and donors to account, engage people in politics, shape democratic outcomes and drive social change. The importance of the media has been seen, for example, in recent elections in Iran, Nigeria and Uganda, though more needs to be done to strengthen its effectiveness. The BBC World Service's Question Time-style programme *Bangladesh Sanglap* attracted 21 million listeners during the December 2008 elections. Where print and broadcast media are controlled by governments or political elites, democracy and debate are stifled. When only one point of view is heard, extremism thrives and frustrations can lead to conflict, as seen, for example, in Rwanda and the Democratic Republic of Congo.

2.3.4 DfID currently has no section – or individual expert – on media. Liberal Democrats will support:

- Specialist advice for media managers.
- The creation of independent, socially-motivated Press Trusts.
- Journalism schools.
- Training for journalists on specific development issues and on effective and challenging forms of investigative journalism.

- Funds for journalists to spend time researching stories in remote areas.
- Links between UK and developing country journalists.
- The work of the British Council, BBC World Service and World Service Trust.

2.3.5 We recognise that incorporating increased participation from below into existing political and policy-making structures will not always be easy. Liberal Democrats will encourage the development of new legal frameworks to democratise all government structures. In many countries this will not be possible in the short term. In fragile environments, both state and independent institutions and capacity are likely to be weak. However, this creates an opportunity for donors to create and fund accountability mechanisms directly – as was done by Lord Ashdown in Bosnia. Investment in them will be among Liberal Democrats' first priorities in post-conflict or fragile situations.

## 2.4 Researching the Politics of Development

2.4.1 The precise causes of impoverishment vary, as do obstacles to bottom-up development initiatives. No one set of measures can be applied in all developing countries. Empowerment programmes, like everything else, must be evidence-based. Links between research and development programmes have greatly improved in DfID in recent years. However, neither DfID, nor the Foreign and Commonwealth Office (FCO), have a track record of commissioning policy-driven research into local political circumstances and institutions, or into social, economic and political barriers to self-expression and sustainable livelihoods. In order to know whom we are trying to help and how, Liberal Democrats will commission ground-level, evidence-based research into:

- People's perceptions of need and risk, and how they change over long periods of time.
- Identifying the most vulnerable, the drivers of local, bottom-up change, and the dynamic forces opposed to change.
- The most effective ways to enhance local participation and accountability.

Above all, Liberal Democrats will seek to find out what governments and civil society groups themselves want to know. We will publish and share the findings of all our research, even when conclusions are critical of DfID, or we not agree with their recommendations.

## 2.5 Engaging UK Citizens in International Development

2.5.1 Mobilising citizens to participate in development processes is also important at a different level, in the UK. Development education is a valuable aspect of DfID's work – and currently underfunded outside of schools. Liberal Democrats will work harder to engage the British public in International Development issues and programmes. We will make an active, moral case for development, while also being open and honest about challenges. We will explain how UK resources will be used. We believe that people are interested to know more about developing countries' politics and culture, not just disasters and conflict. We will demonstrate the value of development spending by communicating positive stories about how change has been achieved through good leadership in many countries.

2.5.2 DfID needs to use a variety of mechanisms to encourage interest in development by enhancing access to information. A My Aid programme may help this, but runs the risk of over-simplifying issues and switching development spending towards measurable but

meaningless projects. Liberal Democrats, rather, will encourage people to get involved in development directly, for example by:

- Linking issues in developing countries to local issues at home, such as sustainable farming and fishing, the value of sport, or the long-term impact of credit crunches on government finances.
- Facilitating overseas volunteering opportunities and set gold standards for organisations offering UK citizens the chance to get involved in grassroots development.
- Engaging diasporic communities in two-way conversations about development.
- Advertising business opportunities in developing countries.
- Encouraging twinning between British and developing country towns and cities – linked to supportive partnerships between local governments and other community organisations.
- Requiring all levels of government procurement to be fair trade wherever possible and communicating the reasons for it.

# An Integrated Approach to International Development

## 3.1 Coordination between the Department for International Development (DfID) and Other Government Departments

3.1.1 DfID will remain an independent department, headed by a cabinet minister. However, it needs to change its focus and ethos. A Liberal Democrat DfID will be less of an aid implementation agency and more of a strategic Development Ministry. We support the International Development Act and its requirement for UK ODA to be focused on poverty reduction. This should not just be DfID's responsibility, however. We will rewrite the Public Service Agreement on Development so that other ministries are also required to take responsibility for development goals within their remits.

3.1.2 In the past, DfID's isolation within Whitehall was seen as helpful in making International Development a government priority. The major challenges in development today, however, cannot be addressed by aid alone. Tackling the development impacts of climate change, conflict, unfair trade, tax evasion, corruption or the rise of China, to name but a few, requires close collaboration with other Whitehall departments, working jointly towards shared goals. A Liberal Democrat DfID will be much better integrated, and responsible for, mainstreaming development objectives across the whole UK government.

3.1.3 In some areas, the UK's commercial and strategic interests diverge from development objectives; in others they converge. Achieving coherence is not easy, but development will never be achieved by avoiding difficult situations. A Liberal Democrat DfID will be a team player – with the confidence to argue the case for development powerfully within Whitehall. Separation of responsibilities weakened the case for development, for example, when DfID failed to persuade others that implementation of the OECD Convention on Bribery was in the national interest. Trade has been near the top of DfID's agenda in recent years, but DfID and the Department for Business, Innovation and Skills (BIS) have failed to engage seriously with each other. On issues such as migration, there are clear differences between the best policies from a development perspective and from a Home Office perspective. On all such issues – whether controversial or not – Liberal Democrats will create joint strategic units, requiring two or more departments to thrash out joint strategies, with all sides accountable for results, ensuring that implementation is collaborative. The process of working together will itself be valuable. DfID will not always get what it wants, but it will have more influence in Whitehall than at present.

3.1.4 At country level, DfID will work more closely with the FCO – and Ministry of Defence (MoD) where relevant – to agree common country-specific strategic agendas under a Joint Agency Framework, drawing upon each department's respective strengths. Where the UK's principal engagement with a country is as a donor, we will combine the roles of Ambassador / High Commissioner with Head of DfID country office, streamlining operations and saving accommodation and administration costs. Wherever DfID has country offices, these should be in the same buildings as diplomatic missions.

3.1.5 Poor cooperation with the MoD in Afghanistan in particular has reduced the effectiveness of development programmes in spite of very high levels of spending. Liberal Democrats will create common civilian rules of engagement, to allow civil servants from all departments to support each other's work. Coordination with other donor agencies at country level will also be given more emphasis. DfID will continue to work closely with recipient governments and civil society, but do more to engage with a wider range of domestic stakeholders.

## **3.2 Working with Global Partners**

3.2.1 DfID must also be a team player in Washington, Brussels and beyond, making the case for better aid harmonisation and coordination, in line with the Paris and Accra Declarations. Measuring the impact of any particular agency today is almost impossible, as so many have overlapping – and some competing – goals. Further, it must show international leadership. DfID is respected globally as the most poverty-focused donor agency. It must use its credibility and influence to move towards rapid implementation of the Paris Declaration, under which aid agendas would be driven and coordinated by recipient governments. For a start, we must work to persuade other bilateral donors to use aid to reduce poverty, promote environmental sustainability and protect rights, not for commercial interests.

3.2.2 A Liberal Democrat DfID will also take the lead in sharing data with other development agencies, as well as experiences of good and bad practice. Far too few multilateral agencies – and virtually no bilateral ones – are willing to talk openly about the challenges and obstacles they face. Liberal Democrats will call for international legal frameworks to facilitate joint development strategies and responsibilities.

3.2.3 Liberal Democrats will lead calls for structural reform of the United Nations system, World Bank, International Monetary Fund and World Trade Organisation, to make them more accountable and responsive to developing country needs. We would like to allocate a much higher proportion of DfID resources via multilateral agencies, including regional development banks and the EU as well as international financial institutions. However we first need to be confident that they will deliver aid transparently and effectively. We will demand democratic reforms to ensure much greater accountability – to both the poor and the UK taxpayer.

3.2.4 We will call for the creation of a single evaluation mechanism for all UN bodies, accountable directly to the UN General Assembly, in order to undermine competition and incentivise collaboration between different bodies. We will support collaboration between national and global specialist research organisations.

3.2.5 Recent years have seen a proliferation of new joint-funded mechanisms to channel aid for specific development needs. Examples include the Education for All Fast Track Initiative, the Global Environment Facility, the Global Alliance for Vaccination and Immunisation and the proposed European Food Facility. All of these are useful in their own right and we remain committed to provide funds for these goals. However, such initiatives add to the plethora of aid agencies, rather than harmonising. They are also prone to develop one size fits all strategies. Liberal Democrats believe it is now time to call a halt on the creation of new issue based funds, and to focus international collaboration on research and development of specific, integrated strategies for each country, jointly with local stakeholders.

3.2.6 A Liberal Democrat DfID, working together with the FCO and Prime Minister's Office, will be at the forefront in setting the terms for the emerging development strategy of the European Union's External Action Service (EAS). The EU has enormous potential – and the world's largest resources – to be an effective development agency. However it has hitherto lacked the architecture to facilitate collaborative approaches. As a result EU aid has been undermined by squabbles between member states over competing objectives – some of them of limited benefit to developing countries. The EAS, in collaboration with the EU Development Commissioner, could set a clear direction for development and play a very useful role in coordinating member states' bilateral aid. In the meantime, we will work to encourage greater coordination of development strategy among EU member states.

### **3.3 Reinvesting in Specialist Expertise**

3.3.1 In recent years, staff turnover and cutbacks have diminished DfID's once vaunted stock of specialist skills. Its primary expertise now lies in general aid management. We would refocus on supporting people's rights and capabilities. Consistent with an internationally coordinated approach to development, we will also redevelop specific areas of expertise, which can be deployed on request by provision of long-term technical advisors. DfID's former strengths in Water, Sanitation and Hygiene, Literacy, Poverty Reduction, Agricultural Livelihoods, Urbanisation, Private Sector Development and Conflict Prevention are all consistent with the needs of the bottom billion hardest to reach poor people. We will review staffing levels to determine whether DfID has the human resources and expertise necessary for effective specialist delivery.



# The Future of Development Finance

## 4.1 Official Development Assistance (ODA)

4.1.1 Liberal Democrats are committed to increasing the UK's spending on ODA to 0.7% of GNI by 2013 and enshrining that figure in law. Development finance is more important than ever during the ongoing global recession. A wide range of expenditures are allowed to count as ODA under the rules of the OECD Development Assistance Committee (DAC) that Liberal Democrats do not recognise as developmental – from scholarships for students from developing countries studying in the UK to provision of peacekeeping forces. It is a concern that the three largest recipients of global ODA in 2009 were Afghanistan, Iraq and China. Liberal Democrats will link all UK ODA to poverty reduction goals, under the terms of the International Development Act. We will retain the 2009 balance of allocation of ODA, ensuring that no more than 10-15% of ODA is spent by departments other than DfID. Not all DfID spending will be counted as ODA.

4.1.2 It is our long-term goal to make existing Liberal Democrat spending commitments on climate change mitigation in developing countries, and for providing security and stabilisation forces in fragile and conflict zones, additional to our 0.7% of GNI commitment to ODA. We would like future UK debt reduction – also counted as ODA by DAC – to be treated separately. Taken together with our mainstreaming of development goals throughout all government departments, these commitments will lead to real, significant increases in UK development spending.

4.1.3 Liberal Democrats support the Millennium Development Goals (MDGs), which have been effective in mobilising increased support for aid globally and have delivered some successes. We will continue to prioritise spending on education, health, clean water, food security and social protection. The time is right for a big push before 2015 – especially on health standards – to reduce child and maternal mortality – and agricultural productivity, to right decades of underfunding. However, the original Millennium Declaration emphasised the importance of rights to decent living standards. It is now time to look at ways to fulfil human rights and achieve greater equity on a permanent basis. After the 2015 deadline for achievement of the goals (which will not be met in most of Africa), we will call for less focus on apolitical development targets and more on processes of change.

4.1.4 We will take a pragmatic approach regarding the best mechanisms to achieve poverty reduction, global welfare and sustainable growth with equity. Where governments are accountable, we will allocate aid to governments via Budget Support, ensuring predictability and domestic ownership of development policy. As the aim of Budget Support is to transfer state accountability from donors to citizens, we will expect to see significant budget allocations to guarantee transparency and enhance opportunities for domestic scrutiny. We will fast track aid to countries with concrete plans to empower the poor. Where governance is poor or states weak, aid cannot be delivered unconditionally. Budget support in those circumstances can be used directly to create new accountability mechanisms.

4.1.5 Liberal Democrats will also deliver aid via multilateral agencies, local governments and NGOs where they can provide evidence of effectiveness in poverty reduction. This will be subject to the same levels of monitoring that we will apply to aid given to states and

may be appropriate where there are problems with central government capacity or accountability. There are also many circumstances in which local government is more effective than central government.

4.1.6 Our main focus will be to address the needs of the most vulnerable in societies. All UK aid should be targeted to achieve the greatest possible levels of empowerment and opportunity for the poorest people. Liberal Democrats will particularly invest resources in overcoming discrimination, notably against women, children, people with disabilities and ethnic and religious minorities. We will focus on safeguarding children and vulnerable adults, especially in emergency situations. We recognise the increasing share of ODA spent in recent years on responding to crises. We will create combined strategies for humanitarian interventions, long-term development goals and mitigation of risks, bringing separate experts together.

4.1.7 In order to anticipate risk effectively, we will combine local evidence regarding household vulnerability with wider information. This could include, for example, regional political fragility, local impacts of climate change or global food price fluctuations. Liberal Democrats will emphasise the importance of human security, embracing food security and personal security as well as conflict prevention.

## **4.2 Aid Transparency, Monitoring and Evaluation**

4.2.1 In current straitened economic circumstances, there can be no justification for the waste of development aid. Spending targets, for all their merits, can create a perverse incentive to 'push aid out of the door' without proper checks on its likely effectiveness. Worse, top-heavy aid delivery structures, combined with multiple agency overlap, mean that often neither recipient government ministers nor country officers know how much aid is being spent on what within their remits. DAC aid figures are insufficiently disaggregated and only available up to eighteen months after the money has been spent.

4.2.2 Liberal Democrats welcome the creation of an independent aid watchdog and a UK Aid Transparency Guarantee. We also strongly support the International Aid Transparency Initiative (IATI), set up under the Accra Declaration, which will collect data more quickly and disseminate it widely among developing country stakeholders. This will improve country ownership of aid programmes, as well as accountability both to the poor people at whom aid is targeted and to UK taxpayers. A Liberal Democrat DfID will take the lead in piloting IATI mechanisms and pushing for its widespread implementation in the immediate future. We will also make the case for a robust succession agreement to the Accra Declaration, which expires in 2015, with the goal of further strengthening developing nations' control of development processes.

4.2.3 Liberal Democrats value transparency and monitoring of all government processes, in order to reduce the risk of abuse. We recognise, however, that the ultimate aim of the monitoring and evaluation of DfID spending is to identify effective policy for future use. Effective monitoring should take place alongside the implementation of development programmes, not after they have finished. Excessive attention paid to monitoring, however, can encourage implementation of easy to monitor projects with a high chance of visible success, at the expense of difficult, risky ones that are better focused on the complex needs of the bottom billion poorest people. Moreover, monitoring of specific projects takes no account of fungibility – the alternative use of resources that governments would have spent on the project if it had not been externally funded.

4.2.4 Results of evaluations of DfID programmes should be shared with all stakeholders, especially when they are disappointing. It is of grave concern that the Independent Advisory Committee on Development Impact identified a ‘culture of defensiveness’ within DfID and, worse, noted the existence of pressure on evaluators to manicure their conclusions when they were not positive. Liberal Democrats welcome the announcement of a new aid monitoring and transparency watchdog. We call for it to be independently-led but include key members of delivery teams, so that they buy in to conclusions and the need to solve rather than ignore problems. We will take further steps to ensure better responsiveness to constructive criticism, including:

- The creation of an operational Code of Practice for monitoring and evaluation.
- Increased status for internal monitoring staff, with the Head of Evaluation reporting directly to the Secretary of State for International Development.
- Evaluation reports to be shared with all in-country stakeholders and discussed with development partners.

4.2.5 A Liberal Democrat DfID will not be obsessed with fear of failure. Forty percent of all UK small businesses fail within a year. Development investment is by definition targeted towards the most difficult circumstances and our expectations need to be sensible. Often programmes do not deliver tangible results but have other benefits, or prevent situations from worsening. It is essential that effective monitoring is able to distinguish such programmes from those that are pointless or harmful. If development spending is only targeted where it is most likely to succeed, it is unlikely to have a transformative effect, and will probably bypass the poorest people completely. DfID cannot have a mentality of risk-aversion. If it does, it will be set up to fail to meet its overall objectives. Liberal Democrats will invest in research to identify the best possible ways to empower the bottom billion and invest in them for the long term.

### **4.3 Alternative Sources of Development Finance**

4.3.1 Liberal Democrats are committed to seeking out innovative mechanisms to raise capital for individuals and governments to invest in development. We are already committed to facilitate remissions to developing countries – which currently exceed the value of both ODA and Foreign Direct Investment (FDI) – via RemitAid, significantly reducing transaction costs.

4.3.2 We will make the case internationally for a Financial Transactions Tax, to raise significant global funding for development. Financial transactions are so enormous in scale that it is possible to tax them globally without significantly altering market behaviour. It is morally wrong that global capital movements should remain tax free – unlike almost all other economic activities – especially in the light of the negative impact on development of the global financial crisis. We would prefer to see such a tax collected (via the Continuous Link Settlement bank and equivalent systems) and allocated globally by a new UN agency devoted to the protection of material human rights and global public goods, including in particular mitigating and adapting to climate change (see section 7.1.2). We will explore opportunities to levy this alongside a few key partner nations, rather than waiting for a global consensus.

4.3.3 Liberal Democrats will seek to remove developing countries’ unsustainable debts by leading international calls for the creation of a fully transparent international debt arbitration service. We will conduct our own audit of all existing UK government and commercial debts, ruling invalid any past lending that was recklessly given to dictators

known not to be committed to spend the loans on development. We recognise that many loans were taken in good faith by nations seeking to invest in development, but became unpayable because of circumstances beyond their control, caused by the oil crises in the 1970s. Justice has not been served by making states bear all the risks of their borrowing, when lenders also made mistakes. In the light of the UK's response to the global financial crisis since 2007, we recognise that developing countries' attempts to maintain public spending in the early stages of the debt crisis may have been legitimate. We will re-introduce legislation to outlaw the activities of so-called Vulture Funds, which profit by collecting developing countries' outstanding debts.

4.3.4 In the long run, the most important form of development finance is taxation raised by developing countries themselves. Once economies are strong enough to generate significant revenues – which many are already – and governments have developed both the capacity to levy taxes effectively and the incentive structures to stick to sustainable development strategies, there will be no more need for international assistance. There is strong evidence that significant levels of domestic taxation are positively correlated with improved governance, reduced dependency on aid, the perceived effectiveness of democracy and the share of government spending which has developmental goals. Liberal Democrats will provide technical assistance to governments to develop their tax regimes – and to institutions such as the African Tax Administration Forum – drawing on expertise from the Treasury, HMRC and National Audit Office.

4.3.5 Liberal Democrats will also work internationally to create a Multilateral Agreement on Tax Evasion, which is estimated to cost developing countries \$160 billion a year – fifty percent more than the total value of ODA. This will increase the transparency of tax deals, in particular those conducted in secret between transnational corporations and governments. We will call for international guidelines to oversee negotiations over natural resource extraction rights, with a preference for fully transparent public auctions. When such a deal in Zambia was revealed to earn royalties of only 0.3%, political pressures forced immediate renegotiation. We would like to see a Multilateral Agreement that forces simultaneous public disclosure by companies of all payments to governments throughout the world. This would show up evidence of possible tax avoidance and evasion worthy of further investigation. We reaffirm our commitment to introduce a General Anti-Avoidance Rule, as set out in Policy Paper 75, *Fairer, Simpler, Greener*.

## 4.4 Exit Strategies for Development Aid

4.4.1 Many countries that currently depend on international aid for large proportions of their development budgets are not well served by that dependence. Their economic sovereignty has been undermined, and with it any prospect of greater accountability to their citizens. Aid inflows have also distorted the values of their currencies, making it harder to develop successful export industries. Moreover, many nations have become resentful of aid conditionality and would rather take money from China, which is less concerned about governance or poverty reduction and prioritises its own interests. Liberal Democrats will encourage such countries to find their own ways to reduce their dependence on aid, particularly through taxation. Those countries, notably China itself and India, that have strong economies, revenue capacities and policy regimes, already have no need for further financial aid from the UK, though DfID can still offer new ideas and help to facilitate change, including funded technical assistance. Conversely, significant development assistance will be needed in fragile states for many years to come.

4.4.2 The Liberal Democrat commitment to delivering aid via Budget Support where possible should be seen in this context – as a first staging post on the route to complete ownership of national development agendas. But we do not foresee the end of constructive development partnerships. The majority of developing countries do not need help so much as fairness. Liberal Democrats will continue to argue for trade justice – and to treat climate change mitigation and adaptation as global issues to be financed internationally – even in a post-aid world.

4.4.3 In the context of rising new global powers, it is in the UK's national interest to forge new alliances among liberal states, both developed and developing. DfID's global reputation can contribute soft power, for example in South Asia. Liberal Democrats would also seek to build coalitions around regional bodies, building on links between the EU and African Union, for example, to pool expertise and funding for trans-border development issues such as migration, security, infrastructure development and regional trade. We would increase our cooperation with global research foundations.

4.4.4 Political engagement will still be the most effective way to promote development and remove injustice. The effectiveness of the EU trade embargo against Sri Lanka in pressuring them to provide proper welfare for internally displaced people in 2009 is an example. Political engagement need not be negative, however. Liberal Democrats will seek to build alliances with grassroots groups, local governments and social movements, both locally and internationally – such as the Global Call to Action against Poverty and the humanitarian International Committee of Voluntary Agencies. A Liberal Democrat DfID will continue to advocate the interests of those who are poor, insecure and discriminated against, including those in regions where it no longer takes direct responsibility for financing development.

## Welfare and Social Protection

5.0.1 Standards of welfare have improved in recent years in many developing countries. However, the bottom billion poorest people live without adequate welfare and social security. Liberal Democrats recognise a global responsibility to support social protection for all people and their right to human security, where necessary financially. Our goals, however, remain to build up local capacity and skills for decent welfare services and to empower poor people to demand them. Expanding the provision of decent shelter, education, healthcare, disease prevention, water, sanitation and hygiene are at the heart of the Millennium Development Goals. Urgent efforts are particularly needed to address those MDGs which are currently furthest from being met, notably sanitation and preventative health for children under two years old. These needs are also included in the UN Declaration of Human Rights.

5.0.2 The Liberal Democrat approach to welfare provision will be rights-based and people-centred. We are committed to full and fast implementation of UN Conventions; in particular those on the Rights of the Child, Rights of Persons with Disabilities and the Elimination of Discrimination Against Women. We will seek to adopt and implement global legal frameworks for action, such as “Sanitation and Water for All” and UN guidelines on care standards. Further, we will work with partner governments to adopt constitutional, legal and political mechanisms to enforce local accountability for the protection of material rights and the provision of decent services. Guidelines for decent and appropriate standards of care must be met by service providers, be they public, private or voluntary. Comprehensive welfare and social protection strategies need to be drawn up at country (or sub-national) level, involving all stakeholders and taking account of people’s wishes and rights as well as evidence of what works best. For example, the widespread provision of orphanages in response to the HIV/AIDS pandemic is seen as culturally insensitive and not in children’s best interests in some African communities.

5.0.3 We are keen to explore and expand forms of social insurance among the poorest people, including cash transfers to vulnerable households and minimum employment guarantees, modelled on the Indian National Rural Employment Guarantee Act. A Liberal Democrat DfID will also give greater priority to tackling the challenges of urbanisation and urban poverty. It is essential that social protection mechanisms are based on informed anticipation of both local vulnerability and external risks (such as extreme weather events or global food price rises). Responding to crises – whether widespread or at household level – is far more expensive and socially disruptive than spending on risk reduction.

5.0.4 Liberal Democrats recognise that obstacles to decent welfare standards take the form of social, political and economic marginalisation. Better understanding is needed of how these forces work in different societies. Welfare provision has often failed to take adequate account of this. We will focus on providing social protection to people facing discrimination on the grounds of ethnicity, religion, citizenship, sexual orientation, age, gender and disability. In particular we will ensure that:

- The particular needs of women, children and people with disabilities are mainstreamed in all development, social protection and humanitarian programmes, both in planning and evaluation.
- Funds are provided for research into experiences of all forms of discrimination, including violence – and for awareness campaigns to combat them.

- Support is given to build networks, such as the Global Partnership on Disability.
- Safeguarding principles are applied not only in fragile or conflict circumstances, but more broadly – for example for child-headed households.
- More aid is directed towards education of girls and women and full access to reproductive health and comprehensive family planning services.
- Better data is collected and managed on populations, including records of population movements. Effective tracking of the movements of children, as successfully implemented in the Indian state of Karnataka, is paramount.
- Particular recognition is given to the needs of young people who are now the largest demographic group in developing countries.

## Conflict and Human Security

6.0.1 A large majority of the bottom billion poorest people live in conflict-affected or fragile circumstances. The total financial costs of conflict in Africa from 1990 to 2005 have been estimated by Oxfam to be \$284bn, equivalent to international aid transfers over the same period. According to Paul Collier, around forty percent of all post-conflict societies return to violence within a decade. The rights of women and children are particularly vulnerable to abuse in conflict situations. Internally displaced people and refugees are among the hardest to reach.

6.0.2 There has also been a fifty percent increase in deaths in crisis situations in developing countries in the last decade. A few of these are very well reported and attract huge donor support, such as the Asian tsunami and the Haitian earthquake. However, many smaller disasters, which devastate communities, are virtually ignored. Some crises and conflicts are directly linked – such as ongoing food shortages in the Horn of Africa.

6.0.3 Liberal Democrats believe that access to security and justice are basic rights. We seek to understand human security from vulnerable people's perspectives, in which physical, personal, social and food security are interlinked. Conflict directly affects communities' access to means of production, trade, agriculture, health and education. These can also be undermined by fragility and the failure of security guarantees – for example if girls cannot walk to school without fear of being attacked. We will seek to protect people's entitlements to security and justice in all fragile and conflict situations.

### 6.1 Humanitarian Assistance

6.1.1 Liberal Democrats strongly support the Good Humanitarian Initiative, the UN Central Response Fund and the Sphere Project Minimum Standards for Provision of Disaster Relief. We recognise the importance of neutrality and international collaboration in humanitarian interventions.

6.1.2 The share of ODA spent on humanitarian aid has significantly increased in recent years. It is essential to maintain current levels of spending, in accordance with need. However, it will also be important to protect the share of ODA spent on long-term poverty reduction. A Liberal Democrat DfID will declare humanitarian spending as a separate item, so that any change in the proportion of ODA it consumes will be transparent.

6.1.3 Current DfID humanitarian spending includes about 70% spent in conflict-affected areas and 30% on reducing chronic vulnerability. The value of crisis prevention cannot be under-estimated and we will invest significant research and resources in this. As conflicts themselves usually have long build-ups, there are clear overlaps between humanitarian and development agendas. Notwithstanding our conception of development as political and humanitarianism as neutral, we would like to see greater integration of staff in each area before, during and after conflicts arise.

### 6.2 Cooperation between DfID, FCO and MoD

6.2.1 Conflict is a massive obstacle to development, and cannot be overcome through development policy alone. DfID needs to work better with military and non-military MoD staff, as well as the FCO, both in Whitehall and in conflict zones. Liberal Democrats will



use the National Security Council to formulate joint strategies. We recognise that there is a difference between security goals that DfID could play a part in achieving – by winning hearts and minds – and poverty reduction goals that can be supported by British troops. The latter include addressing the root causes of conflict and safeguarding the most vulnerable. Justice is central to the Liberal Democrat approach to International Development. It is therefore legitimate to use pro-poor aid directly to combat injustice, so long as there are demonstrable benefits for the poor. However, there is a danger that a MoD-dominated Stabilisation Unit will use ODA to prioritise security agendas. We will give DfID a strong voice in negotiations, but it will have to win arguments on a case-by-case basis.

6.2.2 We will scale up the Conflict Prevention Pool, which demonstrates the effectiveness of cross-government collaboration. We will implement Joint Agency approaches on the ground in all conflict zones, in order to ensure that everyone works together, in shared offices, under common protocols, towards agreed goals. This has been shown to be far more successful, for example in Sierra Leone, than the confused, competitive agendas that emerged in the allied approach in Afghanistan.

### **6.3 Post-Conflict Reconstruction**

6.3.1 Conflict often arises when ineffective states are unable or unwilling to maintain the rule of law. There is usually a failure of leadership and of mechanisms to provide human security, such as the civil service, military, police and independent judiciaries. Rebuilding these is the first task before peace can be established. We will do this initially via Public Service Agencies, drawn from non-state groups, to restore confidence. Liberal Democrats will create a Civilian Response Corps of UK professionals, such as police officers, to contribute to people-centred security systems.

6.3.2 Post-conflict reconstruction requires rebuilding of state capacity, but it is essential to rebuild civil society and checks and balances at the same time. Bodies are needed to hold executive power to account. Economies are often badly harmed by unchecked looting of state assets in the aftermath of conflicts. Societies are stifled by the failure to re-establish systems to report crime. It is important to set a new direction from the start that embraces consultation and creates space for multiple voices to be heard, including via independent broadcast and social media. This creates risks – the media was used harmfully in Rwanda and more recently after the 2008 elections in Kenya. But it remains essential to expose both combatants and non-combatants to a wide range of opinions, to stimulate debate within civil society. A vibrant civil society will deny credibility to the manipulative voices of extremism.

6.3.3 Peacemaking is a political process. DfID staff have expertise in this area, but will need to work closely in the field with diplomatic and military staff. In principle, Liberal Democrats are willing to engage with combatants – during as well as after conflicts – in an effort to draw them into peaceful dialogue. Peace-building also takes time – sometimes a generation. Burundi is a good example of reconstruction based on constitutional accountability frameworks, but it remains fragile. External peacekeeping forces may have to remain for long periods. We will continue to work closely with the UN, EU and African Union in conflict prevention, resolution and reconstruction.

## **6.4 Arms Control**

6.4.1 Liberal Democrats believe in rules-based and collaborative international relations. International agreements to ban the use of landmines and cluster munitions have demonstrated the success of this approach. We will uphold the UN Programme of Action on Illicit Trade in Small Arms and Light Weapons in all its aspects. This created national responsibility to find, collect and destroy illegally-manufactured weapons. We will work closely with BIS to ensure this responsibility is discharged in the UK.

6.4.2 We remain strongly committed to the Arms Trade Treaty Initiative. Liberal Democrats urge the Government to take a global lead in pushing for a robust Arms Trade Agreement to be signed by 2012.

# Environmentally Sustainable Development

7.0.1 Environmental threats set a new context for development in the 21<sup>st</sup> century. More than 60 per cent of the basic ecosystems that support life on Earth are being degraded or used unsustainably. The impact on developing countries is much more severe than on the industrialised world; poorer countries have fewer resources to tackle problems such as water and local air pollution, and their populations depend more closely on natural products, such as timber for fuelwood. Soil degradation, habitat destruction and reduced biodiversity increase vulnerability and are a potential brake on growth. The increased frequency of extreme weather events reduces recovery times and undermines coping strategies. Water scarcity increases food insecurity, disease, displacement and conflict. Localised water and air pollution have a devastating effect on life expectancy and quality of life for many millions of people. Some attempts to mitigate and adapt to climate change – such as the use of land and crops for biofuels or exported livestock feed – can impoverish people by reducing their access to land and food and increase risks of conflict.

7.0.2 DfID's aid programme needs to be carefully designed to take environmental imperatives fully into account. This has not always been the case in the past; in 2006, for example, the House of Commons Environmental Audit Committee, concluded that "DfID's climate change policy lacks coherence ... it is directly and indirectly responsible for very significant emissions of carbon into the atmosphere through the projects it funds". Within the UK and abroad, we will work for climate-proofing of development assistance and export credit to ensure that climate change is mainstreamed into development programmes and initiatives. This will require coordinated action through the EU, DAC, World Bank, and the OECD Group of Export Credit Agencies to ensure that development objectives fully support climate mitigation.

## 7.1 Climate Change

7.1.1 Liberal Democrat policy on climate change is set out in full in Policy Paper 82, *Zero-Carbon Britain* (2007). We continue to argue for an effective global climate treaty, bringing in the key non-party to the Kyoto Protocol, the US. Only when all industrialised countries accept stringent greenhouse gas emission reduction targets can we expect developing countries to do likewise. The Copenhagen Accord agreed in 2009 provides a helpful transitional mechanism, but is not an alternative to a legally binding global treaty. In the long term, emission reduction targets should be based on the 'contraction and convergence' approach, providing an equal right to emissions for every citizen on the planet.

7.1.2 Urgent progress needs to be made towards the establishment of an effective climate treaty. In particular, agreement is needed on long-term sources of finance for developing countries, both for mitigation and adaptation. The UN Adaptation Fund, at \$1.5 billion, is far too small to have a meaningful impact – the resources needed are closer to \$100 billion a year. Liberal Democrats call for the rapid conclusion of the work of the UN High Level Advisory Group on Climate Change Financing. We support the use of revenues from a global Financial Transactions Tax (see section 4.3.2), and also from the international taxation of aviation and marine fuel (which are currently tax-exempt). We will also explore the possibility of raising global funds through open and competitive auctions of carbon emission permits.

7.1.3 It may take some time to agree a global treaty, and action should be taken to reduce greenhouse gas emissions without waiting for one. The UK and EU need to build a successful low-carbon economy at home, both accepting the responsibility of richer nations to take the lead in reducing their historic legacy of emissions and demonstrating practical low-carbon development pathways. We need to work with developing countries to reduce their own carbon emissions, in particular through developing and transferring renewable energy, energy efficiency, carbon capture and storage and low-carbon industrial technologies. Liberal Democrats call for the establishment of an 'International Leapfrog Fund', funded by international contributions and managed by UNEP, to provide funds to facilitate their development. We will also make advance market commitments to stimulate private sector investment in them.

7.1.4 Climate change is already affecting many developing countries – the conflict in Darfur, for example, is thought to have its roots in long-term climatic change – and adaptation strategies are urgently needed. Effective adaptation, like all development strategies, must be locally planned. The participation of a wide range of people is especially important, as there are trade-offs between different groups' adaptation strategies and livelihoods. In particular, young people – who will be most affected by the intergenerational injustice of climate change – must be engaged. Liberal Democrats will fund research into positive ways for communities to build environmentally sustainable routes out of poverty, such as low-carbon zones and organic farming.

## **7.2 Investment in Agriculture and Food Security**

7.2.1 Rising chronic food insecurity is a particularly worrying consequence of climate change. In 2007-08 it was exacerbated by a temporary but exponential rise in the global price of all staple crops, itself possibly linked, in part, to climate change. Until recently, agriculture has been systematically neglected in development strategies and let down by weak UN bodies. Low agricultural profitability and limited market access has discouraged farmers from abandoning narcotic crops. Private sector investment has, in some cases, increased food insecurity by focusing on the production of export crops on large commercial farms, exacerbating unjust land distribution. Responses to the 2007-08 food crisis have worsened this, with large tracts of African and Asian land being covertly purchased to produce food for overseas markets. It is essential that international transparency in major land acquisition is immediately enforced.

7.2.2 Liberal Democrats will direct significant new investment into agriculture. Economic take-off in several Asian countries started with successful agricultural development. In the context of global population growth, the first priority must be to provide for local food security, focusing on minimising risks, rather than maximising profits. Future food price spikes are certain. Most African nations would be wise to reduce their dependence on food imports. We support the Food Sovereignty approach, which gives national governments autonomy over the balance between protecting food security and encouraging more profitable crops for export. We also see smallholder agriculture as efficient and best-suited to protecting biodiversity and maintaining sustainable livelihoods for vulnerable populations and will support the strengthening of agricultural extension services. Malawi has recently achieved national food self-sufficiency – and exported grain – by subsidising fertiliser for smallholders, though this is not environmentally sustainable and remains weather-dependent.

7.2.3 We will invest in research into improved crop productivity and diversity, including small-scale irrigation techniques, high-yielding seeds and drought-resistant crops. We also

support the development of sophisticated famine early warning systems that combine locally-generated information on household vulnerability – for example by the Vulnerability Assessment Committees of the Southern African Development Community – with satellite weather and crop predictions.

7.2.4 Liberal Democrats call for much more efficient global systems to support agriculture. The Food and Agriculture Organisation, International Fund for Agricultural Development and World Food Programme must work together towards common goals. We continue to oppose unfair agricultural subsidy programmes, like the EU Common Agricultural Policy, which undermine developing countries' attempts to trade out of poverty. We believe that the World Trade Organisation (WTO) Special Safeguarding Mechanism for Agriculture, which allows protection against subsidised imports, should be strengthened.

### **7.3 Other Environmental Issues**

7.3.1 It is right to focus attention on climate change, the environmental challenge with the greatest potential to wreck ecosystems and economies and cause human suffering. However, we should not forget the other real challenges that developing countries face, including local air pollution, a lack of clean water for humans and agriculture, soil degradation, desertification, the destruction of habitats and the loss of biodiversity.

7.3.2 Local solutions need to be found to all of these challenges, many of which derive from an expanding population, urbanisation and the spread of intensive agriculture. Aid programmes need to focus on building up the policy and technical expertise in developing countries to tackle these issues effectively. In addition, there are a series of steps that the international community can take to set the right international framework, and the UK and EU should take the lead in arguing for them. These include:

- Making sure that the environment is fully integrated into the objectives of international institutions such as the World Bank, International Monetary Fund and World Trade Organisation.
- Working to increase the resourcing of the UN Environment Programme and improve the enforcement of international environmental treaties.
- Protecting the world's forests, not only to reduce carbon emissions but also to preserve this crucial reservoir of biodiversity. Liberal Democrats call for an international target of zero net deforestation by 2020 and support a new system of payments to developing countries to enable them to reduce deforestation. We welcome the recent agreement on a new EU regulation making it illegal to import timber produced illegally in foreign countries; Liberal Democrats have long argued for this.
- Working with other countries to develop an international labelling system for the environmental impact of products, helping consumers choose those with the least impact on resource use and pollution, thus rewarding producers of sustainable products in poor countries for their efforts.

## Trade Facilitation and Justice

8.0.1 Trade is crucial to development. No country has ever been lifted out of poverty through development aid alone; developing countries need access to international markets for their economies to develop and diversify. However, the global economic downturn and the rise of China as a huge exporter of processed and manufactured goods have made it harder for developing countries to gain from trade.

8.0.2 Trade liberalisation has the potential to reduce poverty, extend choice and opportunity, improve environmental standards and reduce the likelihood of conflict between nations. However, there can be negative impacts too. The processes and benefits of trade liberalisation have been deeply uneven. Industrialised countries still maintain higher trade barriers against many developing-country exports than they do against each others’.

8.0.3 Many of the poorest countries lack the capacity fully to benefit from trade liberalisation. Economies opened up abruptly to trade can suffer severe consequences, including major impacts on particular sectors and regions, and a loss of government revenue from lower import and export duties (on which poor countries, lacking efficient income tax systems, are often reliant). The deregulation and privatisation that tends to accompany trade and investment liberalisation open developing country economies to new stresses and new requirements for government regulation and enforcement for which they are often not well suited. Transnational corporations, particularly those in the extractive industries, are often resistant to regulation by host-state governments, with negative social and environmental consequences. So while in the long term trade liberalisation will generally have positive consequences, in the short term it often engenders increased inequality, hardship and instability, undermining government authority and social cohesion.

8.0.4 DfID has taken responsibility for UK trade policy since 2007. We welcome this and encourage it to work more confidently with BIS by setting up a Joint Trade Unit with shared targets, with an emphasis on developmental outcomes.

8.0.5 Liberal Democrats deplore the likely failure of the WTO Millennium Development Round to forge a pro-poor deal, recognising that the most recent version would not benefit the poorest countries, but large-scale agricultural exporters. It is time to start a new Development Round, with a specific focus on export subsidies and trade barriers in developed nations, without expectation of reciprocation. We will push for immediate implementation of patent pooling rules within the TRIPS agreement, which require technology transfer to poor countries, and for the creation of a system by which countries in genuine medical need are allowed to manufacture or procure royalty-free drugs. Liberal Democrats support calls for reforms of global trade governance, based on cooperation rather than competition between rich and poor nations. We will argue for a stronger United Nations Committee on Trade and Development (UNCTAD), which represents developing countries. We strongly support the work of effective regional development corporations.

8.0.6 We support greater investment in ‘aid for trade’ assistance to the poorest developing countries, with a focus on increasing nations’ negotiating capacity in international forums, as well as helping them to open their economies to international trade without suffering excessive disruption. This includes investing in domestic rural markets and transport systems, and strengthening regional trade bodies. We reiterate our call for

extended 'special and differential treatment' within WTO agreements, through which the poorest countries can open their markets over a much longer timescale. We recognise that some trade restrictions may enhance social protection and are compatible with increased trade volumes. We also call for revisions to the General Agreement on Trade in Services (GATS).

8.0.7 Liberal Democrats reiterate our call for reforms to the EU's Economic Partnership Agreements (EPAs) with developing countries, which have in some cases undermined regional trade agreements as well as autonomous development strategies. We will argue for greater flexibility in trade preferences and more generous capacity-building assistance.

8.0.8 The Fair Trade movement aims to seek greater equity in international trade, by offering better trading conditions to, and securing the rights of, marginalised producers and workers, especially in developing countries. Global fair trade sales have grown rapidly over the past decade, reaching €2.9bn in 2008, 22 per cent more than the year before; growth in sales since 2004 has been over 300 per cent, and it is estimated that 7.5 million people benefit directly from fair trade products. Local governments throughout Europe and North America have started to use their procurement policy to purchase fair-trade-labelled products, though central governments (including the UK) remain more cautious, largely because of concern about the interaction with international procurement rules set by the WTO and EU. We will seek clarification of these rules with a view to switching all possible government procurement to fair trade products.

# Making Business Work for Development

## 9.1 Investing to Support Business Development

9.1.1 Sustainable, equitable growth cannot be achieved in poor countries without a healthy private sector and significant direct investment, both foreign and domestic. In the current economic environment, outlays have been greatly reduced, but the long-term potential returns on investment are greater in even the poorest developing countries than in Europe. We will help to stimulate and facilitate UK investments in developing countries by underwriting commercial uncertainty. DfID has much to learn about what business is able to achieve. Liberal Democrats will work with successful British and international entrepreneurs, private foundations and companies. Collaboration with BIS and the Treasury is essential.

9.1.2 We will also use the International Financing Facility to help governments to bolster their legal and regulatory institutions. Liberal Democrats will seek to influence CDC – of which DfID is the sole shareholder – to refocus on stimulating growth where it is most needed – especially where this may not be profitable in the short term – rather than investing in profitable enterprises that are already attractive to private speculators. The Labour government's sale of CDC's fund management arm Actis to its own managers at fire sale prices – and their subsequent withdrawal from many poverty-focused investments – are greatly regrettable. We will pressure CDC not to invest in Private Equity Funds in tax havens, which are unaccountable and increase inequality. Instead, we will encourage it to create a direct venture capital finance fund, targeted towards new locally owned businesses in low income countries – particularly in areas such as green technology, agriculture and agribusiness, urban and rural transport, information and communications technology infrastructure and higher education.

9.1.3 We will strongly support local entrepreneurship and especially encourage female-headed businesses, which have better success rates and are more likely to have beneficial social impacts. Liberal Democrats are strong supporters of microfinance and would seek to multiply schemes, rather than scaling-up, which diminishes their impact on poverty. We recognise that many effective microcredit programmes are never able to become self-financing but are worthy of long-term support.

## 9.2 Regulation of Transnational Corporations

9.2.1 The UK government needs to ensure that human and natural resources in developing countries are treated fairly, not exploited, and that supply chains are sustainable. A Liberal Democrat DfID will seek to align the interests of UK companies operating in developing countries more closely with development objectives. We will promote responsible business conduct more strongly and specifically, in line with the OECD Guidelines for Multinational Enterprises and International Labour Organisation Codes of Conduct. In particular, we will:

- Make reporting of environmental and community impact audits and all payments to governments mandatory.
- Enforce the Extractive Industries Transparency Initiative.
- Create a UK Commission on Business, Human Rights and the Environment, to advise British companies and act as a conduit for complaints.



- Develop frameworks setting out the responsibilities and liabilities of the directors of UK-based corporations and their subsidiaries, with clear sanctions for failure to uphold minimum standards. For example, any company found to have been complicit in human rights abuse will be permanently barred from support by the Export Credit Guarantee Department.

9.2.2 Liberal Democrats will clear a path for legitimate business by taking a tough line against corruption, tax evasion and money laundering. We will:

- Support the UN Convention Against Corruption, ratify the UN Convention Against Bribery and ensure that the recent Bribery Act is rigorously enforced through prosecution in British courts for overseas bribery.
- Press for transnational corporations to publish global business reports, indicating where their profits have been declared, in accordance with international accounting standards.
- Demand automatic disclosure of profits declared in tax havens.
- Require UK banks to investigate the source of all substantial overseas deposits and repatriate all that have been stolen or acquired through illegal activity.

## Glossary and Acronyms

**The Accra Agenda for Action (AAA)** – This was drawn up in 2008 and builds on the commitments agreed in the Paris Declaration to harmonise aid in line with recipient countries' specific needs.

**BIS** – The British Government Department for Business, Innovation and Skills.

**CDC** – Company privatised in 2004, with DfID as its sole shareholder. Formerly the Commonwealth Development Corporation – an organisation established by the UK Government in 1948 to invest in developing economies in Africa, Asia and the Caribbean.

**Clientelist** – Clientelist political arrangements are said to exist where leaders' legitimacy is maintained by giving jobs or favours to 'clients' in return for political support.

**DAC** – The Development Assistance Committee of OECD, responsible for defining and measuring ODA.

**DfID** – The British Government Department for International Development.

**EAS** – The European Union's External Action Service.

**EPAs** – Economic Partnership Agreements, trade deals between the EU and individual developing nations.

**Extractive Industries Transparency Initiative (EITI)** – This increases transparency over payments by companies to governments and to government-linked entities, as well as transparency over revenues by those host country governments. It was announced, at the World Summit on Sustainable Development in Johannesburg, South Africa in 2002.

**GATS** – General Agreement on Trade in Services, a treaty of the World Trade Organisation which stipulates that privatisation of services (e.g. water and sanitation) must be opened up to global tenders.

**FCO** – The British Government Foreign and Commonwealth Office.

**Fungibility** – This refers to the possibility that a government might accept aid for a sector but then divert its own funds away from that sector for non-developmental purposes.

**GNI** – Gross national income (GNI) is the total value produced within a country (i.e. its gross domestic product), and its income received from other countries (notably interest and dividends), less similar payments made to other countries.

**IATI** – The International Aid Transparency Initiative (IATI) is a new initiative which aims to make information about aid spending easier to access, use and understand.

**Millennium Development Goals (MDGs)** – These are eight international development goals that all 192 United Nations member states have agreed to achieve by the year 2015. They include reducing extreme poverty, reducing child mortality rates, fighting disease epidemics such as AIDS, and developing a global partnership for development.

**MoD** – British Government Ministry of Defence.

**My Aid** – Conservative Party Proposals before the election to give people a direct say in how Britain's aid budget is spent as part of an “X-Factor-style” competition, allowing them to vote for their favourite overseas project.

**NEPAD** – The New Partnership for Africa’s Development (NEPAD) is an economic development programme of the African Union. NEPAD aims to provide an overarching vision and policy framework for accelerating economic co-operation and integration among African countries.

**NGO** – A Non-governmental organization (NGO). A legally constituted organisation that operates independently from any government. The term is usually applied only to organisations that pursue some wider social aim that has political aspects, but that are not overtly political organisations.

**ODA** – Official Development Assistance. This is a statistic compiled by the Development Assistance Committee of the Organisation for Economic Co-operation and Development to measure aid and includes some loans.

**OECD** – The Organisation for Economic Co-operation and Development, including most developed countries, including the Member States of the EU, the USA, Canada and Australia.

**RemitAid** – Remittance Tax Relief for International Development scheme.

**The Paris Declaration** – This is an international agreement (March 2005) made by over one hundred Ministers, Heads of Agencies and other Senior Officials to continue to increase efforts in harmonisation, alignment and managing aid for results with a set of monitorable actions and indicators.

**UCLG** – United Cities and Local Governments, the global association for local authorities.

**UNCTAD** – The United Nations Conference on Trade and Development.

## Accountability to the Poor

**Vulture Funds** – A private equity or hedge fund that invests in debt issued by an entity that is considered to be very weak or dying in order to gain the assets, behaviour akin to feathered vultures.

**World Trade Organisation** – Deals with the rules of trade between nations at a global level.

# Policy Equality Impact Assessment

		Yes/No	Comments
1.	<b>Will the outcomes from the policy paper affect one group less or more favourably than another on the basis of:</b>		
	<ul style="list-style-type: none"> <li>Race, Ethnic origins (including gypsies and travellers) and Nationality</li> </ul>	Yes	Justifiable benefits to people in developing nations.
	<ul style="list-style-type: none"> <li>Gender</li> </ul>	No	Justifiable benefits to women.
	<ul style="list-style-type: none"> <li>Age</li> </ul>	No	
	<ul style="list-style-type: none"> <li>Religion, Belief or Culture</li> </ul>	No	
	<ul style="list-style-type: none"> <li>Disability – mental and physical disabilities</li> </ul>	No	
	<ul style="list-style-type: none"> <li>Sexual orientation including lesbian, gay and bisexual people</li> </ul>	No	
2.	<b>Is there any evidence that some groups are affected differently?</b>	Yes	See answers above.
3.	<b>Is there a need for external or user consultation?</b>	No	
4.	<b>If you have identified potential discrimination, are any exceptions valid, legal and/or justifiable?</b>	Yes	
5.	<b>Is the impact of the policy/guidance likely to be negative?</b>	No	
6.	<b>If so can the impact be avoided?</b>	N/a	
7.	<b>Are there alternatives to achieving the policy/guidance without the impact?</b>	N/a	
8.	<b>Can we reduce the impact by taking different action?</b>	N/a	

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*This paper has been approved for debate by the Federal Conference by the Federal Policy Committee under the terms of Article 5.4 of the Federal Constitution. Within the policy-making procedure of the Liberal Democrats, the Federal Party determines the policy of the Party in those areas which might reasonably be expected to fall within the remit of the federal institutions in the context of a federal United Kingdom. The Party in England, the Scottish Liberal Democrats, the Welsh Liberal Democrats and the Northern Ireland Local Party determine the policy of the Party on all other issues, except that any or all of them may confer this power upon the Federal Party in any specified area or areas. The Party in England has chosen to pass up policy-making to the Federal level. If approved by Conference, this paper will therefore form the policy of the Federal Party on federal issues and the Party in England on English issues. In appropriate policy areas, Scottish, Welsh and Northern Ireland party policy would take precedence.*

*Many of the policy papers published by the Liberal Democrats imply modifications to existing government public expenditure priorities. We recognise that it may not be possible to achieve all these proposals in the lifetime of one Parliament. We intend to publish a costings programme, setting out our priorities across all policy areas, closer to the next general election.*

**Working Group on International Development**

*Note: Membership of the Working Group should not be taken to indicate that every member necessarily agrees with every statement or every proposal in this Paper.*

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