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International Development Bill

Bill 49 2000-2001

The *International Development Bill* receives its Second Reading on 6 March 2001. It repeals the *1980 Overseas Development and Co-operation Act*, and will become the new basis for the UK provision of assistance to overseas.

The Bill does not substantially alter the basis for giving assistance, although it seeks to update the legislation and clarify the purposes for which development assistance is provided. It also widens the means of doing this, allowing the Secretary of State to employ a wider range of financial instruments than at present.

'Development assistance' is defined as assistance given to further sustainable development, or to improve the welfare of the population of a country. The Secretary of State will be able to provide development assistance to any country outside the UK, if satisfied that this is likely to help reduce poverty.

Development assistance may also be given to British overseas territories or to any country to alleviate the effects of a disaster or other emergency. The Bill will enable the Secretary of State to support activities promoting awareness of world poverty.

This paper describes the Bill and outlines the global and UK development assistance efforts, including the UK's progress towards the UN development targets.

Patsy Richards

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Summary of main points

The *International Development Bill* seeks to repeal and replace the *1980 Overseas Development and Co-operation Act*.

At present, the 1980 Act allows the Secretary of State to provide assistance of a financial, technical or any other nature to promote the development or maintain the economy of a country or territory outside the UK, or the welfare of its people.

The current Bill will allow the Secretary of State for Development to provide 'development assistance' to any country or territory outside the UK to contribute to a reduction in poverty. Development assistance is defined as assistance given to further sustainable development in one or more countries outside the UK, or to improve the welfare of the population of such countries.

'Development assistance' may also be provided to any UK Overseas Territory without the added justification of reducing poverty, or to any country to alleviate the effects on the population of a natural or man made disaster or other emergency.

The terms 'poverty' and 'welfare' are not defined although 'sustainable development' is, for the purpose of the Bill.

The Bill also allows the Secretary of State to support activities or organisations likely to promote awareness and understanding of world poverty.

When providing assistance the Secretary of State will be able to employ a wider range of financial instruments (such as offering guarantees or acquiring securities) than presently. The Bill provides for payments to multilateral development banks, and allows the Commonwealth Scholarship Commission to continue.

International development is a reserved matter and the Bill applies to the whole of the UK. The main implication relating specifically to Scotland and Wales is a requirement to obtain the consent of the Scottish Parliament and Welsh Assembly before Scottish or Welsh bodies acting as third parties enter into agreements with the Secretary of State to provide assistance.

This paper outlines the Bill but first considers the background to overseas development assistance, the international framework including UN targets, and UK development policy.

CONTENTS

I Introduction

According to the World Bank's *World Development Indicators 2000*[1] around 1.2 billion people lived in extreme poverty in 1998 (were living on less than $1 a day), which is about the same number as in 1987.

During the last decade, in East Asia and the Pacific the number in poverty fell sharply, but in almost all other regions, the number in poverty increased- from 242 million in 1990 to 291 million in 1998 in Sub-Saharan Africa, for instance. The poverty rate in Sub-Saharan Africa was 46% in 1998, barely different from that at the start of the decade. While in high-income countries seven of every 1,000 children die before age five, more than 90 die in low-income countries. The under-five mortality rate fell by 10% for all developing countries from 1990 to 1998, and by 3% in Sub-Saharan Africa over the same period, while to be on track to meet international development targets (see section II), a fall of around 30% was needed.

The Bank's *Global Development Finance 2000*[2] said that growth in developing countries is recovering from the 1997 global financial crisis, and is projected to rise to 4.6% in 2000, up from 1.6% in 1998. However, it stressed that some 41 countries with nearly a billion people (more than one-half of whom are low-income) will have 'barely crossed the threshold to positive gains in income in 2000'.

The UK's overseas assistance programmes operate within an international framework that took shape during the 1960s. Today's key institutions are outlined in the next section.

II International framework

A. The United Nations and the ODA/GNP target

The UN considers that up to 70% of its work is devoted to its economic and social mandate, which involves the promotion of higher standards of living, full employment and conditions of economic and social progress and development. This is done through its specialised agencies such as the World Bank, IMF and Food and Agriculture Organisation (FAO) and through its programmes and funds, which operate under the guidance of the General Assembly and Economic and Social Council. Prime among these is the UN Development Programme, UNDP, which works in 174 countries and territories to 'facilitate technical co-operation and eradicate poverty'[3].

1 At http://www.worldbank.org/data/wdi2000/index.htm

2 Global Development Finance 2000 at http://www.worldbank.org/prospects/gdf2000/vol1.htm, World Bank

3 http://www.un.org/Overview/brief.html#development

Other UN programmes with significant development roles include UNICEF, the World Food Programme (WFP), UN Population Fund (UNFPA) and UN Environment Programme (UNEP). The UN Conference on Trade and Development (UNCTAD) promotes international trade to increase the role of developing countries in the global economy, and works with the World Trade Organisation (WTO) on this.

Starting in 1960 the UN General Assembly announced a series of development decades, each with 10 year International Development Strategies. The first UN Development Decade sought to achieve a rate of growth in the developing countries of 5% per annum by 1970, and increase provision of assistance and capital to 'approximately 1% cent of the combined national incomes of the economically advanced countries' 'as soon as possible'. This 1% target refers to 'total flows' - both official and private flows.

The Second UN Development Decade and International Development Strategy announced at the 1970 UN General Assembly the ODA target of 0.7 per cent of GNP for Official Development Assistance, to be reached 'by the middle of the Decade'.

B. World Bank

The World Bank and IMF were the main institutions for economic co-operation created under UN auspices through the Bretton Woods negotiations following the Second World War. The Bank was originally known as the International Bank for Reconstruction and Development (IBRD) and the IRBD remains one of four parts of the World Bank Group, and its loans remain the Bank's main activity. The loans are designed to be medium term, with relatively low interest rates, while still being profitable.

The Bank also includes the International Development Association, established in 1960 to provide soft loans (very long term, with very concessional interest rates with a large grant element) to countries with particularly low GDP per head. It is argued by some that there is today very little difference between the IDA and IRBD. The other two parts of the Bank are further removed- the International Finance Corporation, which deals with the private sector, and the Multilateral Investment Guarantee Agency, providing guarantees for private sector investors in developing countries.

The emphasis of the Bank's work gradually switched from reconstruction to development during the 1950s and 1960s, during the time that the former colonial powers and the new superpowers began supplying aid[4]. James Wolfensohn, President of the Bank since 1995, has continued the move away from the reliance on market liberalisation (the so-called 'Washington consensus') that prevailed in the 1980s and early 1990s and the shift towards poverty reduction and the promotion of sustainable development[5].

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[4] *The World Bank Structure and Policies* CEPR Eds. Gilbert and Vines 2000 and *Overseas Aid Its defence and reform* Mosley, 1987

[5] *The World Bank Structure and Policies* CEPR Eds. Gilbert and Vines 2000 pp.16-17

C. Development Assistance Committee; the DAC List and the International Development Targets

The OECD's Development Assistance Committee (DAC) was established in 1960[6] as a forum for aid donors to consult on assistance to less-developed countries[7]. Today it describes itself as 'one of the key forums in which the major bilateral donors work together to increase the effectiveness of their common effort to support sustainable development'[8].

At this time in 1960/61 the United States was the source of more than 40% of total official aid to developing countries, and one-third came from France and the UK and the DAC has sought to improve burden-sharing. Since 1967 the DAC has published data on "Total Official Contributions as Per Cent of National Income"[9].

Today statistics are collected from each of the DAC's members, the 22 main multilateral donor countries[10] and the European Commission. The DAC maintains a list of aid recipients, the 'DAC List', which is designed to show all aid flows. This is in two parts, created following the emergence of new aid recipients such as Eastern European and former Soviet Union countries, and new aid needs. 'Traditional developing countries' are shown on Part I of the DAC list and are eligible for official development assistance (ODA). Part II of the DAC list includes 'more advanced' countries who are eligible for official aid (OA).

The List is reviewed every three years and countries above the World Bank High Income Country threshold[11] for three consecutive years generally move to Part II of the List. However, exceptions can be made, and countries may be transferred between Parts I and II. It is important to recognise that the two parts of the List are there for statistical purposes only, and do not determine or influence provision of aid. While various organisations have various definitions of 'developing countries', the DAC statistics are universally used and accepted. The current DAC List can be found on the OECD website.[12]

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6 Originally the Development Assistance Group of the OEEC until the inception of the OECD in 1961

7 *DAC in Dates*, OECD 2000 at http://www.oecd.org/dac/pdf/dacindates.pdf

8 http://www.oecd.org/dac/htm/aboutdac.htm

9 *The Story of Official Development Assistance A history of the Development Assistance Committee and the Development Co-operation Directorate in dates, names and figures* Helmut FÜHRER OECD Paris 1996 at http://www.oecd.org/dac/pdf/storyoda.pdf

10 The DAC donor countries are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, UK and USA.

11 The World Bank uses the terms 'low and middle-income countries', referring to per capita GNP, rather than developing countries, which would include eastern European countries on Part II of the DAC List.

12 http://www.oecd.org/dac/htm/daclst2000.htm

In May 1996 the DAC adopted seven of the resolutions passed at various UN conferences as the International Development Targets (IDTs)[13]. These are:

- a reduction by one-half in the proportion of people living in extreme poverty by 2015
- universal primary education in all countries by 2015
- demonstrated progress towards gender equality and the empowerment of women by eliminating gender disparity in primary and secondary education by 2005
- a reduction by two-thirds in the mortality rates for infants and children under age 5 and a reduction by three-fourths in maternal mortality, all by 2015
- access through the primary health-care system to reproductive health services for all individuals of appropriate ages as soon as possible and no later than the year 2015
- the implementation of national strategies for sustainable development in all countries by 2005, so as to ensure that current trends in the loss of environmental resources are effectively reversed at both global and national levels by 2015.

The targets were affirmed at the UN Millennium Summit[14], the UN General Assembly 55th session, in New York from 6-8 September 2000.

III UK Development policy and progress

The UK has historically been one of the major donor countries. This stems partly from its position as a former colonial power and one of the largest economies in the industrialised world. The *Colonial Development and Welfare Act 1945* replaced Acts passed in 1929 and 1940, and the *Overseas Resources Development Act 1948* established the Colonial Development Corporation. The Ministry of Overseas Development was created in 1964, became the Overseas Development Administration. In 1997 the new Government established it as a separate department, DFID, headed by a cabinet Minister.

A. Development White Papers

The Government's first White Paper on International Development, Eliminating World Poverty[15] promised to promote the international development targets and gave DFID the aim of eliminating poverty in poorer countries, 'the greatest single greatest challenge the world faced'.

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13 DFID statistics on International Development 1995/6-1999/2000 p.104 and World development Indicators 2000, World Bank

14 see http://www.un.org/millennium/sg/report/summ.htm for more details

15 Eliminating World Poverty: a challenge for the 21st Century Cm 3789 November 1997, on line at http://www.dfid.gov.uk/public/what/pdf/wpenglish.pdf

The Government's second development White Paper Eliminating World Poverty: making globalisation work for the poor[16] reiterated that the Government would work with others to achieve the seven international development targets. It noted that these had been endorsed by the World Bank and IMF, the DAC, the EU and by 77 African, Caribbean and Pacific countries as part of the Cotonou agreement[17]. Many of them had also been endorsed by 149 Heads of State at the UN Millennium Summit in New York.

At the G7 Finance Ministers meeting in Palermo[18] the Chancellor gained an explicit agreement towards meeting the UN 1995 development targets for 2015.

The other key policy commitments made in the second White Paper are shown in the box overleaf. They include working with others to tighten control of the arms trade, encouraging private financial flows and seeking international co-operation on investment, competition and tax to promote the interests of developing countries.

The Government was also committed to increasing development assistance to 0.33% of GNP by 2003/04, and ending UK tied aid. There was a commitment to faster and more substantial debt relief for HIPCs committed to poverty reduction[19].

One further promise was a Development Bill to replace the outdated Overseas Development and Co-operation Act (1980) and consolidate a poverty focused approach to development. This is the Bill currently under consideration.

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16 At http://62.189.42.51/ Cm 5006 Eliminating World Poverty, Making globalisation work for the poor 11.12.00

17 Partnership Agreement between African, Caribbean and Pacific States and the European Community and its Member States

18 Guardian, 19 February 2001

19 see Library Research Papers 98/81 Cancellation of Third World debt and 00/75 Third World Debt: after the Okinawa Summit for more background

THE CHALLENGE OF GLOBALISATION

The UK Government will:

•Work with others to manage globalisation so that poverty is systematically reduced and the International Development Targets achieved.

• Promote economic growth that is equitable and environmentally sustainable.

PROMOTING EFFECTIVE GOVERNMENTS AND EFFICIENT MARKETS

The UK Government will:

• Help developing countries build the effective government systems needed to reform their economic management, make markets work for poor people, and meet the challenge of globalisation.

• Work to reduce corruption, and ensure respect for human rights and a greater voice for poor people.

• Work with others to reduce violent conflict, including through tighter control over the arms trade.

INVESTING IN PEOPLE, SHARING SKILLS AND KNOWLEDGE

The UK Government will:

• Promote better health and education for poor people, and harness the new information and communications technologies to share skills and knowledge with developing countries.

• Help focus more of the UK and global research effort on the needs of the poor, and make intellectual property regimes work better for poor people.

HARNESSING PRIVATE FINANCE

The UK Government will:

• Work with developing countries to put in place policies that will attract private financial flows and minimise the risk of capital flight.

• Work to strengthen the global financial system to manage the risks associated with the scale, speed and volatility of global financial flows, including through use of 'road maps' to guide countries on opening of their capital accounts.

• Encourage international co-operation on investment, competition and tax that promotes the interests of developing countries.

• Encourage corporate social responsibility by national and transnational companies, and more investment by them in developing countries.

CAPTURING GAINS FROM TRADE

The UK Government will:

• Support an open and rules-based international trading system, and work to promote equitable trade rules and an effective voice for developing countries.

• Support continuing reductions in barriers to trade, both in developed and developing countries, and work to improve the capacity of developing countries to take advantage of new trade opportunities.

TACKLING GLOBAL ENVIRONMENTAL PROBLEMS

The UK Government will:

• Work to reduce the contribution made by developed countries to global environmental degradation.

• Work with developing countries to ensure that their poverty reduction strategies reflect the need to manage environmental resources sustainably, and strengthen their capacity to participate in international negotiations.

USING DEVELOPMENT ASSISTANCE MORE EFFECTIVELY

The UK Government will:

• Increase its development assistance to 0.33% as a proportion of GNP by 2003/04, and continue to make progress towards the 0.7% UN target.

• Work to increase the proportion of global development assistance spent in poor countries, help to improve its effectiveness and to reduce the burdens placed on recipient countries, end UK tied aid and work for multilateral untying.

• Introduce a new Development Bill to replace the outdated Overseas Development and Co-operation Act (1980), to consolidate our poverty focused approach to development.

• Provide faster and more substantial debt relief for heavily indebted poor countries that are committed to poverty reduction.

STRENGTHENING THE INTERNATIONAL SYSTEM

The UK Government will:

• Work with others to build a stronger, more open and accountable international system, in which poor people and countries have a more effective voice.

B. ODA/GNP target

The Government has said that the UK's ODA/GNP ratio will increase to 0.33% by 2003/04[20], and that it will continue to work towards the target set by the UN of 0.7%[21]. Reportedly, the Chancellor has recently agreed to go further than this 'after pressure' from the Secretary of State for Development[22].

The UK provides 'external assistance' to developing countries from various public sources, mainly from DFID programmes. This flow of resources to developing countries is reported to the OECD DAC under several headers. 'Official aid' goes to countries on Part II of the DAC list. Flows to countries on Part I of the DAC list are reported as Official Development Assistance (ODA) and 'other official flows'. ODA is defined thus;

> ODA consists of flows to developing countries and multilateral institutions provided by official agencies, including state and local governments, or by their executive agencies, each transaction of which meets the following test: a) it is administered with the promotion of the economic development and welfare of developing countries as its main objective, and b) it is concessional in character and contains a grant element of at least 25 per cent (calculated at a rate of discount of 10 per cent).

The UK's official returns to the OECD use the measure of ODA (net after deduction of loan capital repayments) as a percentage of Gross National Product (GNP). The Government estimates that the ratio will reach 'at least' 0.29% for the year 2000, but final figures will not be available until June[23]. Spending on ODA was estimated at 0.27% of GNP in 1998, and 0.26% in 1997[24]. 1999's figure of 0.23% was anomalous (as were 1979 and 1980)[25]. The graph on the next page (underlying data at table 1 on page 22) shows a full run of figures[26].

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20 Statistics on International Development 1995/6-1999/2000 DFID, December 2000

21 Eliminating World Poverty; Making globalisation work for the poor. DFID December 2000

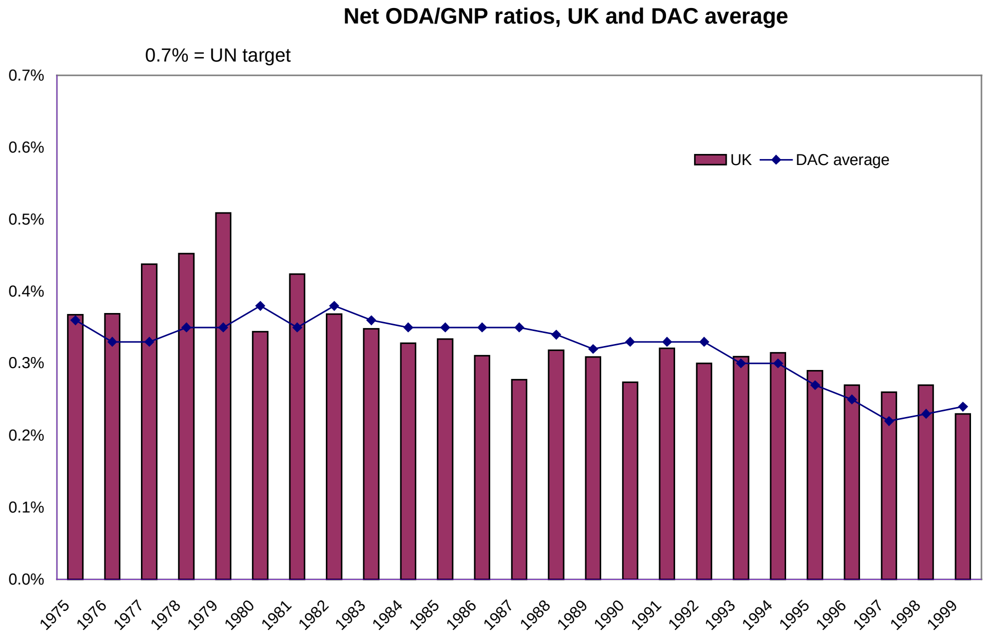
22 Guardian 27 February 2001 p.14 Britain to boost aid for developing world as EU relaxes tariff barriers

23 HC Deb 12 February 2001 c23w

24 HC Deb 11 June 1999 c413w

25 according to the Secretary of State, because of several factors- the different time-frame of the UK's financial year and the OECD Development Assistance Committee's use of the calendar year, largely the consequence of the timing of the deposit of promissory notes in respect of IDA and the African Development Fund, lower than predicted spending by the EC, and the timing of bringing to book expenditure on Kosovo

26 see also Statistics on International Development 1995/6-1999/2000 DFID, December 2000 table 16.1



Total UK flows in 1999- including official flows that do not qualify as ODA and private flows, were an estimated 0.69% of GNP, the lowest ratio since 1991[27]. The UN target for total (official and private) flows is 1% of GNP and in 1998, the latest year available, the DAC average was 0.81%.

Comparing the UK to other donor countries, in terms of cash spent, in 1999 the UK was the fifth largest donor country, after Japan, the United States, France and Germany. But when ranked in terms of the ODA/GNP ratio, the UK comes towards the bottom of the list, and the US is bottom. Full figures can be found in DFID's Statistics on International Development[28].

Between 25-30% of DFID's budget is spent by the European Community. For the year 2000-2001, DFID's best estimate of this expenditure is £728 million or 25% of its budget. The International Development Select Committee examined the *Effectiveness of EC Development Assistance* in its Ninth Report of 1999/2000[29].

DFID aid takes several forms. These include technical co-operation, grants and other aid in kind, humanitarian assistance, and programme aid. In 1999/2000 the DFID bilateral aid programme was split as shown overleaf[30];

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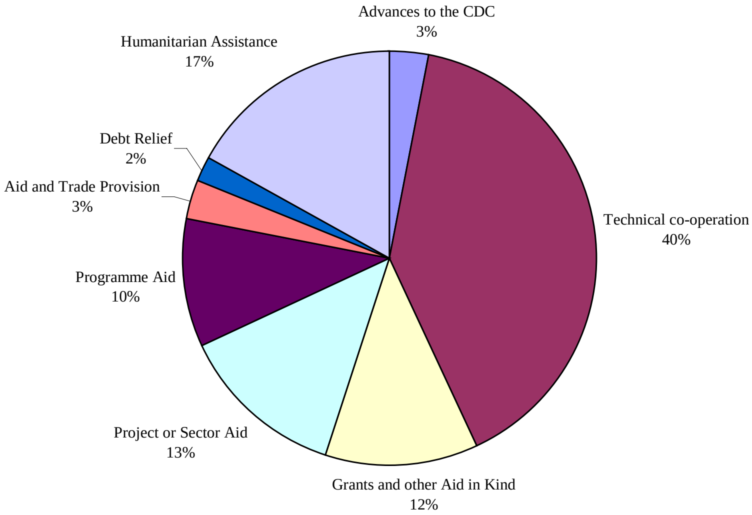
27 ibid
28 ibid, table 17, at http://www.dfid.gov.uk/public/what/pdf/stat17.pdf
29 HC 669 1999/2000 8 August 2000 The Effectiveness of EC Development Assistance
30 Statistics on International Development 1995/6-1999/2000 DFID, December 2000, figure 7

DFID Programme bilateral aid in 1999/2000 by form of aid



C. Reduction of debt

In its *Resolution on the Common Aid Effort* of 1961, the DAC agreed that

- assistance provided on an assured and continuing basis would make the greatest contribution to sound economic growth in the less-developed countries
- while private and public finance extended on commercial terms is valuable and should be encouraged, the needs of some of the less-developed countries at the present time are such that the common aid effort should provide for expanded assistance in the form of grants or loans on favourable terms, including long maturities where this is justified in order to prevent the burden of external debt from becoming too heavy.

By the 1980s, developing countries were encountering serious debt servicing problems prompted by over-borrowing, ineffective use of resources, two oil shocks, rising real interest rates and depressed export earnings. In 1982 Mexico declared its inability to meet debt obligations, followed by Brazil and others. Governments, international financial institutions and the banking community had to act to avoid a financial crisis, and a process of policy reform began. In 1984 the OECD published the first in an annual series of *OECD External Debt Statistics* and the first meeting took place of the International Working Group on External Debt Statistics (comprising the OECD, Bank for International Settlements, Berne Union, IMF and World Bank)[31]. These issues are discussed in earlier Library research papers[32].

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31 *The Story of Official Development Assistance A history of the Development Assistance Committee and the Development Co-operation Directorate in dates, names and figures* Führer OECD Paris 1996

32 98/81 Cancellation of Third World Debt and 00/75 Third World Debt: after the Okinawa Summit

By 1996 it was recognised that the existing measures for dealing with unpayable debt were insufficient. The problem related to both bilateral debt and debt owed to the multilateral institutions such as the IMF and World Bank.

The heavily indebted poor countries (HIPC) initiative sought to provide relief to 38 countries with exceptional debt problems who had demonstrated a sustained commitment to poverty reduction through sound economic policies and reform programmes. In June 1999 at the Cologne G7 summit creditor governments agreed the enhanced HIPC initiative, with more and faster relief, and shorter qualifying periods. The IMF and World Bank would administer the package, worth some $100bn in nominal terms[33]. But by the year 2000 annual meetings of the IMF and Bank, only 10 countries had received relief under the enhanced HIPC initiative.

The movement Jubilee 2000 had been formed during the mid 1990s but came to special prominence during the year 2000, because it was calling for cancellation of all unpayable debt of the 52 poorest countries by the end of the year 2000 by a ‘fair and transparent process’[34]. The Government has called this an ‘unprecedented grassroots campaign’[35]. On 2 December 2000, Jubilee 2000 held its final rally[36]. Although wound up in the UK Jubilee 2000 says debt campaigning will continue, and its campaigning wing is now the organisation ‘Drop the Debt’. Jubilee 2000 is succeeded, then, by:

- Jubilee Plus' a long-term support unit for global campaigns on international debt and finance, led by Jubilee 2000 UK Director Ann Pettifor. www.jubileeplus.org

- 'Drop the Debt', a short-term campaign focused on winning a new debt deal at next year's G8 summit in Genoa, Italy, led by Jubilee 2000 UK Deputy Director Adrian Lovett. www.dropthedebt.org

- A Jubilee Debt Campaign Network of aid agencies and advocacy groups to share information and co-ordinate policy.

- Jubilee 2000 groups in many countries, continuing as before.

‘Drop the Debt’ has called for auditors to be brought in to examine the scope for the IMF and World Bank writing off further debt[37].

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33 HIPC-progress report, IMF, April 2000
34 *The Reality of Aid* 1998/1999 Earthscan
35 Statistics on International Development 1995/6-1999/2000 DFID, December 2000 p.82
36 Jubilee 2000 press release 2 December 2000 Campaigners welcome British decision to renounce debt payments, but say more must be done
37 Guardian 19 February 2001

Addressing the Jubilee 2000 final event the Chancellor said that in the spirit of Jubilee 2000 the UK would renounce the right to receive any benefit from the historic debt owed by all the 41 most indebted countries;

> I can say to you, and to all 41 heavily indebted poor countries, on behalf of the British Government I will from today and in the spirit of Jubilee renounce our right to receive any benefit from the historic debt owed by all the 41 most indebted countries.
>
> I say to the first 20 countries: 100 per cent debt relief this year means that all the money from debt relief can, for 200 million of the world's poorest people, go to poverty relief now.
>
> I say to those in conflict, in civil war or without agreed poverty reduction programmes at decision point - countries of 140 million of the poorest people owing Britain £1 billion in historic debt: from today all debt payments received by us will be held in trust for poverty relief in your own country, paid when poverty reduction plans are agreed, backdated to this day in December when this final Jubilee 2000 rally has been held[38].

Following Cologne, all G7 governments made pledges of increased relief of bilateral debts. The UK government cancelled all aid debts to HIPC countries. In January 2000 the Chancellor expanded on the timetable for relief, saying that 25 countries should have reached 'Decision Point', receiving debt relief, under the HIPC Initiative by the end of 2000. The UK had concentrated first on the international agreement on multilateral debt relief worth 100 billion dollars to ensure that additional unilateral relief benefited the poor countries.[39]

In November 2000 the Prime Minister claimed that 20 countries would have debt cancellation in place by the end of 2000[40]. In the event, by the end of the year 22 countries originally identified under the enhanced HIPC initiatives were receiving assistance. Reportedly, the 20 country target was achieved by 'eleventh hour talks' on 22 December 2000 which led to the IMF and World Bank cutting around £23bn of debt.

James Wolfensohn, president of the Bank, and Horst Kohler, managing director of the IMF, said the Bank and Fund would continue working to help countries yet to qualify under the HIPC initiative. They echoed Gordon Brown's assertion at the Jubilee 2000 final rally that in many cases countries had to put an end to civil wars or external conflicts before they could be helped. Countries given assistance had to concentrate on economic, social and governance reforms, and on designing and implementing nationally owned poverty reduction strategies. The Bank and Fund also called on industrial countries to raise their ODA towards the UN targets and open their markets to HIPC exports[41].

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[38] Speech given by the Rt Hon Gordon Brown MP, Chancellor of the Exchequer at the Jubilee 2000 Final Event, 2 December 2000 FAITH IN THE FUTURE *http://www.hm-treasury.gov.uk/speech/cx021200.html*

[39] Oxfam's Gilbert Murray Memorial Lecture by The Chancellor of the Exchequer - Tuesday 11 January 2000

[40] HC Deb 29 November 2000 c958

[41] Guardian December 23, 2000 p. 24

At the UN Special Session on Children in London in February 2001 addressing debt relief and child poverty (the 'International Action against Child Poverty' conference hosted by Gordon Brown and Clare Short) the president of the World Bank and managing director of the IMF reiterated these views[42]. Most rich countries, they said, were still well short of the UN target[43].

Italy has announced that the agenda for the G8 summit in Genoa in July 2001 will focus on debt relief for poor countries, tackling world poverty and making global governance more democratic and accountable[44]. Giuliano Amato the Italian prime minister has also promised to use the summit to push towards opening G8 markets to developing country exports, in advance of the next WTO round[45].

On 26 February 2001 Pascal Lamy, the EU trade commissioner announced that the EU would provide full duty- and quota-free access to EU markets for the least developed countries, many of which are HIPCs, ending all import tariffs. This is the so called 'everything but arms' deal supported by EU Foreign Ministers with the exception of France - only arms are excepted although imports of sugar, rice and bananas will be fully liberalised only after several years.[46]

IV International Development Bill

The International Development Bill (Bill 49 2000-2001) has 20 clauses. The Explanatory Notes state that the Bill gives form to policies contained in the Development White Papers.

It replaces the *1980 Overseas Development and Co-operation Act*, and in so doing becomes the new basis for Government spending on overseas assistance. The 1980 Act had consolidated 33 statutes, and under it assistance of a financial, technical or any other nature could be given to promote the development or maintain the economy of a country or territory outside the UK, or the welfare of its people. The new Act is intended to simplify the legislation, repeal redundant sections, and slightly alter the reasons for which assistance can be provided.

Because this is replacing a previous Act, and because it is not expected that the sums expended under the Act will be significantly greater than those spent under the 1980 Act,

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[42] Speech by the Rt Hon Gordon Brown MP, Chancellor of the Exchequer at the Jubilee 2000 Final Event, 2 December 2000
[43] FT 27 February 20001 p.12
[44] FT 11 January 2001
[45] FT 27 February 2001 p.12 Trying times in the war against poverty
[46] FT 27 February 2001 p.12 EU to end all curbs on trade with poor nations and Guardian 27 February 2001 p.14 Britain to boost aid for developing world as EU relaxes tariff barriers

the explanatory notes states that there are no new financial implications and no regulatory impact assessment is required.

A. Part I Provision of assistance

Clause 1 says that the Secretary of State may provide development assistance to any person or body, if satisfied that this is likely to contribute to a reduction in poverty. 'Development assistance' is defined as assistance provided for the purpose of

- Furthering sustainable development in one or more countries outside the UK or
- Improving the welfare of the population of one or more such countries.

'Sustainable Development' is defined *for the purposes of this section* as 'any development that is, in the opinion of the Secretary of State, prudent having regard to the likelihood of its generating lasting benefits for the population of the country or countries in relation to which it is provided'.

(There is no one agreed definition of 'sustainable development' although the most frequently used is 'development which meets the needs of the present without compromising the ability of future generations to meet their own needs'[47]. The Government's sustainable development strategy[48] defines it as ensuring a better quality of life for everyone, now and for generations to come.)

It is envisaged that most assistance provided will be under Clause 1, with the over-arching aim of reducing poverty. The Explanatory Notes say that this can therefore be considered the core power of the Bill. They add that because poverty is such a complex phenomenon the powers are drawn so that the actions taken can be varied and wide.

Clause 2 says that the Secretary of State may provide any person or body with development assistance even without it being likely to contribute to a reduction in poverty, if the assistance is being provided to a UK Overseas Territory. These are listed in Schedule 1 to the Bill[49], which under clause 2 can be changed by order.

Clause 3 states that the Secretary of State may provide assistance (not necessarily 'development assistance') to alleviate the effects of a natural or man-made disaster or other emergency. There is no requirement for this to be related to a reduction in poverty.

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[47] Report of the World Commission on Environment and Development, Our Common Future 1987 'Brundtland Report'

[48] A better quality of life. A strategy for sustainable development for the UK Cm 4345 May 1999

[49] Anguilla, Bermuda, British Antarctic Territory, British Indian Ocean Territory, Cayman Islands, Falkland Islands, Gibraltar, Montserrat, Pitcairn, Henderson, Ducie and Oeno Islands, St Helena and Dependencies, South Georgia and South Sandwich Islands, The Sovereign Base Areas of Akrotiri and Dhekelia in Cyprus, Turks and Caicos Islands and Virgin Islands

Clause 4 says that the Secretary of State may carry out work or enter into arrangements to help prepare to carry out powers in clauses 1, 2 or 3. This might include commissioning research. She may also support activities or organisations that promote an awareness of poverty, if this is likely to contribute to a reduction in poverty.

Clause 5 defines 'assistance' as assistance of any form or nature, including financial or technical assistance, or the supply of materials. Technical assistance may include know-how in the form of people, training, or the results of research, or scholarships.

Clause 6 defines 'financial assistance' as grants, loans, guarantees, or the acquisitions of securities. Assistance may be provided in one or more such forms.

Clause 7 says that the provision of financial assistance under clause 6 is subject to Treasury approval except for grants (subsection 7(3)). Financial assistance may be provided free of charge or on payment terms to be decided by the Secretary of State.

The explanatory notes say that it is not envisaged that extensive use will be made of guarantees or securities, in preference to grants or loans.

Clause 8 allows the Secretary of State to enter into arrangements with third parties to provide assistance under clauses 1-4, and to make payments for this.

Clause 9 defines statutory bodies, listed in Schedule 2 to the Bill[50], who may enter into and carry out agreements to further sustainable development, improve the welfare of the population or alleviate the effects of disaster or emergency in countries outside the UK.

These bodies cannot supply financial assistance, and any agreement needs Ministerial approval. These powers are similar to those in the 1980 Act, but because of devolution the giving of Ministerial consent has been complicated.

Clause 9 subsection 4 therefore requires that the Secretary of State may consent only with the approval of Scottish Ministers or National Assembly for Wales, where appropriate.

Clause 10 defines Welsh and Scottish bodies for the purposes of clause 9.

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[50] The British Tourist Authority, a Health Authority, Health Board, National Health Service trust or Primary Care Trust, The Public Health Laboratory Services Board, a Special Health Authority, Special Health Board and the Wales Tourist Board.

B. Part II. Miscellaneous, international financial institutions

Clause 11 deals with the UK's relations with 'multilateral development banks', which are defined. The World Bank is an example. Contributions may be made though an order, but only with the approval of the Treasury and the House of Commons.

Clause 12 allows for an Order in Council to make provision for various privileges and immunities relating to international financial institutions including the IBRD and IDA (see section II of this paper). The approval of both Houses of Parliament is required.

Clauses 13 and 14 allow for the Commonwealth Scholarship Commission to continue, largely as under the 1980 Act. Schedule 3 sets out further details.

Clause 15 repeals the 1980 Overseas Development and Co-operation Act in its entirety. Three redundant sections of that Act are not directly replaced by the current Bill, and so are named specifically.

Clause 16 provides for orders under the Bill to be made by statutory instrument, which will be subject to the negative procedure, part from orders making to payments to multilateral development banks. Orders made by Scottish Ministers under clause 9(5) are subject to annulment by the Scottish Parliament.

Clause 19 enacts Schedule 4 dealing with consequential amendments and Schedule 5 dealing with repeals.

Clause 20 says the Bill will come into effect on a date to be appointed by the Secretary of State, and that it applies to Northern Ireland.

Table 1
UK net Official Development Assistance

Calendar year	£ million, cash	as % of GNP	DAC average
1970	186	0.36%	
1971	231	0.40%	
1972	243	0.37%	
1973	246	0.33%	
1974	307	0.36%	
1975	389	0.37%	0.36%
1976	462	0.37%	0.33%
1977	638	0.44%	0.33%
1978	763	0.45%	0.35%
1979	1,016	0.51%	0.35%
1980	797	0.34%	0.38%
1981	1,081	0.42%	0.35%
1982	1,028	0.37%	0.38%
1983	1,062	0.35%	0.36%
1984	1,070	0.33%	0.35%
1985	1,193	0.33%	0.35%
1986	1,195	0.31%	0.35%
1987	1,168	0.28%	0.35%
1988	1,489	0.32%	0.34%
1989	1,578	0.31%	0.32%
1990	1,485	0.27%	0.33%
1991	1,815	0.32%	0.33%
1992	1,856	0.30%	0.33%
1993	1,945	0.31%	0.30%
1994	2,089	0.31%	0.30%
1995	2,029	0.29%	0.27%
1996	2,050	0.27%	0.25%
1997	2,096	0.26%	0.22%
1998	2,332	0.27%	0.23%
1999	2,102	0.23%	0.24% [b]
2000	n/a	0.29% [a]	

Source: DFID Statistics on International Development 1995/6-1999/2000 Table 16.1

[a] *estimate- HC Deb 12 February 2001 c23w*

[b] *provisional*