RESEARCH PAPER 01/85
1 NOVEMBER 2001

The *International Development Bill* [HL]

Bill 37 of 2001-02

This paper updates Research Paper 01/18 on last session's *International Development Bill.* That Bill ran out of time, and this session a Bill identical in substance was reintroduced in the Lords.

The Bill has been sent from the Lords without amendment and has its Commons second reading on 7 November 2001.

The Bill repeals the *1980 Overseas Development and Co-operation Act* and will become the new basis for the UK provision of overseas assistance. International assistance is a reserved matter and the Bill extends to the whole of the UK.

The Bill does not substantially alter the basis for giving assistance, but seeks to update the legislation, clarify the purposes for which development assistance is provided and widen the means of doing this.

This paper outlines the Bill and debate so far, but first considers the background to overseas development assistance, the international framework including the UN targets, debt relief and the Heavily Indebted Poor Countries Initiative, and UK policy and performance.

Patsy Richards

ECONOMIC POLICY & STATISTICS SECTION

HOUSE OF COMMONS LIBRARY

Recent Library Research Papers include:

01/70	Unemployment by Constituency, August 2001	12.09.01
01/71	The Local Elections of 7 June 2001	27.09.01
01/72	11 September 2001 – The Response	03.09.01
01/73	The *Football (Disorder) (Amendment) Bill* [Bill 26 of 2001-02]	11.10.01
01/74	Unemployment by Constituency, September 2001	17.10.01
01/75	The *Sex Discrimination (Election Candidates) Bill* [Bill 28 of 2001-02]	22.10.01
01/76	The *Marine Wildlife Conservation* Bill [Bill 8 of 2001-02]	24.10.01
01/77	House of Lords reform – developments since 1997	24.10.01
01/78	The *Adoption and Children Bill* [Bill 34 of 2001-02]	26.10.01
01/79	The *Proceeds of Crime Bill* [Bill 31 of 2001-02]	29.10.01
01/80	The *Travel Concessions (Eligibility) Bill [HL]* [Bill 38 of 2001-02]	30.10.01
01/81	Operation *Enduring Freedom* and the Conflict in Afghanistan: An Update	31.10.01
01/82	Economic Indicators	01.11.01
01/83	Social Indicators	01.11.01
01/84	The *Patents Act 1977 (Amendment) Bill*	01.11.01

Research Papers are available as PDF files:

- *to members of the general public on the Parliamentary web site,*
  URL: ***http://www.parliament.uk***
- *within Parliament to users of the Parliamentary Intranet,*
  URL: ***http://hcl1.hclibrary.parliament.uk***

ISSN 1368-8456

Summary of main points

- The *International Development Bill* [HL] (Bill 37 2001-02) seeks to repeal and replace the *1980 Overseas Development and Co-operation Act*.

- A Bill of the same name and identical in substance ran out of time during the 2000-01 session. The current Bill was introduced in the Lords, from where it has been sent without amendment.

- The 1980 Act allows the Secretary of State for Development 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 present Bill will allow the Secretary of State 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. The terms 'poverty' and 'welfare' are not defined.

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

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

- 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 and describes debate so far, but first considers the background to overseas development assistance, the international framework including the UN's targets, debt relief and the Heavily Indebted Poor Countries (HIPC) initiative and UK development policy.

CONTENTS

I Introduction

Of the 6 billion people in the world around 1.2 billion live in extreme poverty, surviving on less than a dollar a day. Some 2.8 billion people - almost half the world's population - live on less than two dollars a day.[1]

Extreme poverty declined only slowly in developing countries during the 1990s. The share of the population living on less than $1 a day (in purchasing power parity terms) fell from 28% in 1987 to 23% in 1998, but this was because the number of poor people stayed roughly constant while populations increased. [2]

UNICEF's *State of the World's Children 2002* report[3] says that during the 1990s a third of the children in the world suffered from malnutrition. Child malnutrition rates fell during the decade by only 17% (the target had been 50%) while in sub-Saharan Africa the absolute number of malnourished children actually increased.

The under-five mortality rate for low-income countries in 1999 was 116 children per 1,000 born. In high-income countries only five of every 1,000 children die before age five. Life expectancy at birth is 47 in sub-Saharan Africa, less than it was in 1980. This compares to a life expectancy of around 78 in high-income countries.[4]

At the start of 2001 the World Bank expected growth in the developing countries to slow after reaching cyclical highs following a strong recovery from the 1997/98 recession. Even so, under all of the World Bank's scenarios published early in 2001, the number of people living in poverty in Africa would increase by 2015, the target date for the UN's international development goals (see section II). Only under the most optimistic of these scenarios would the target - to reduce by 2015 the share of people living on under $1 a day to half of 1990 levels - be met.[5]

The situation has now been made worse by the events in America on 11 September 2001. The World Bank expects the terrorist attacks to adversely affect economic growth in developing countries in 2001 and 2002 with the effect that poverty will rise, with up to 10 million more people facing poverty (living on under $1 a day) in 2002. [6]

The current humanitarian disaster in Afghanistan and the UK's response is covered in Library research paper 01/81 'Operation *Enduring Freedom* and the conflict in Afghanistan: An Update'.

---

1 World Bank *World Development Indicators 2001*
2 World Bank *Global Economic Prospects and the developing countries* 2001
3 http://www.unicef.org/sowc02/index.html
4 World Bank *World Development Indicators 2001* Table 2.19
5 World Bank *Global Economic Prospects and the developing countries* 2001
6 World Bank News Release No: 2002/093/S *Poverty to Rise in Wake of Terrorist Attacks In US Millions More People Condemned To Poverty In 2002* 1 October 2001

II International development framework

A. The United Nations and the UN targets

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'[7].

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. (The WTO meets in November 2001 in Qatar with the aim of launching a new trade round with the needs of developing countries firmly in mind.)

Starting in 1960 the UN General Assembly announced a series of development decades. The first decade sought to achieve a rate of growth in the developing countries of 5% per annum by 1970, and to 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% UN aid target refers to so-called 'total flows' - both official and private money.

The 1970 UN General Assembly launched the Second UN Development Decade with a target for donors of 0.7% of GNP for Official Development Assistance (ODA), to be reached 'by the middle of the Decade'. For a definition of ODA and details of progress, see section III B.

Neither target has yet been reached.

In May 1996 the OECD adopted seven of the resolutions passed at various UN conferences as the International Development Targets (IDTs)[8] and these were affirmed at

---

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

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

the UN Millennium Summit[9] in New York in September 2000. The G7 Finance Ministers' meeting in Palermo in 2001[10] agreed to aim to meet the targets. They 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-quarters 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 World Bank's annual publication *World Development Indicators* reports progress towards meeting these. The 2001 report said that with less than 15 years to go, while the prospects for success in some areas are improving, none of the goals on health or education are likely to be achieved on present trends at a global level. The likelihood of meeting the poverty target was briefly discussed in the introduction to this paper.

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, originally known as the International Bank for Reconstruction and Development (IBRD), remains one of four parts of the World Bank Group, and the loans it makes are the Bank's main activity. The loans are designed to be medium term, with relatively low, but still profitable, interest rates.

The Bank also includes the International Development Association, established in 1960 to provide soft loans (very long term, with very concessional interest rates and 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 IBRD. The other two parts of the Bank are further removed- the International Finance Corporation, which deals with the

---

9 UN General Assembly 55th session see http://www.un.org/millennium/sg/report/summ.htm

10 *The Guardian*, 19 February 2001 p.23 G7 in Palermo: Brown strikes blow for the poor: G7 leaders are persuaded to deliver UN development goals

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.[11] 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.[12]

C. OECD Development Assistance Committee

The OECD's Development Assistance Committee (DAC) was established in 1960[13] as a forum for aid donors to consult on assistance to less-developed countries.[14] 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'[15].

When the DAC began, the United States was the source of more than 40% of total official aid to developing countries, while one-third came from France and the UK between them. The DAC sought to improve burden-sharing, to which end it has since 1967 published data on contributions.[16] Today statistics are collected from each of the DAC's members, the 22 main multilateral donor countries[17] and the European Commission.

The DAC maintains a list of aid recipients (the 'DAC List') designed to measure and classify all aid flows for statistical purposes. This is in two parts. '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 new aid recipients or 'more advanced' countries such as Eastern European and former Soviet Union countries, to which aid is recorded as official aid (OA), not ODA. 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.

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

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

[13] Originally the Development Assistance Group of the OEEC until the inception of the OECD in 1961

[14] *DAC in Dates*, http://webnet1.oecd.org/pdf/M00003000/M00003430.pdf

[15] OECD DAC website at http://webnet1.oecd.org/oecd/pages/home/displaygeneral/0,3380,EN-about-notheme-2-no-no-no-0,FF.html

[16] *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://webnet1.oecd.org/pdf/M00003000/M00003431.pdf

[17] 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.

The List is reviewed every three years and countries above the World Bank High Income Country threshold[18] for three consecutive years generally move to Part II although exceptions can be made. While various organisations have different definitions of ‘developing countries’, the DAC statistics are universally used and accepted. The current list can be found on the OECD website. [19]

D. The European Community

The European Community spends a large part of the Department for International Development’s (DFID’s) budget, which is contentious in the UK because DFID has relatively little say in where or how this money is spent. For the year 2000/01, DFID's estimate of this expenditure was £728 million, 25% of its budget.[20]

The International Development Select Committee examined the EC Development Budget in the 1998-99 session,[21] and again in the *Effectiveness of EC Development Assistance*, its Ninth Report of 1999-2000.[22] The Committee remained exasperated, saying that ‘EC external assistance policies are clearly determined more by political priorities than poverty alleviation’. It questioned the targeting of EC aid:

> Whilst it is undoubtedly true that many middle-income countries do, indeed, have a considerable number of their populations living in poverty, this does not justify the current situation where, for the year 2001 the Commission is proposing to spend €961 million on Mediterranean and Middle Eastern Countries, €1.3 billion in the Eastern Europe and the Balkans (excluding pre-accession expenditure which, in itself amounted to €3.3 billion) — largely middle-income countries — yet, has proposed only €691 million from the Category 4 Budget for Asia, Latin America and Southern Africa combined despite the fact that, as Clare Short told the Committee, a third of people living in absolute poverty are in India alone.

The Committee noted a lack of focus, and was appalled by underspends and the backlog of outstanding commitments. The average delay in disbursing committed funds had increased from three to four-and-a-half years.

The Government in its response agreed with almost all of the Committee’s recommendations, sharing its disappointment at the poor performance of the Community

[18] 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.

[19] http://www.oecd.org/htm/M00003000/M00003167.htm

[20] International Development Committee HC 669 1999/2000 8.11.00 *The Effectiveness of EC Development Assistance*

[21] First Report 29 January 1999 HC 44 1998/99 *The Future of the EC Development Budget*

[22] 8 November 2000 HC 669 1999/2000 *The Effectiveness of EC Development Assistance* http://www.publications.parliament.uk/pa/cm199900/cmselect/cmintdev/669/66902.htm

in this respect. It agreed that urgent and radical reform was needed to make EC development assistance contribute to the goal of eradicating poverty.[23]

DFID says that in 2000 the EC increased its spending in developing countries.[24] The November 2000 Development Council issued a declaration stating that the principal aim of the Community's development policy is to reduce poverty with a view to its eventual eradication. The declaration will be accompanied by a Commission action plan which will define its implementation in practice. This will be subject to constant monitoring, through an annual report.[25]

The May 2001 Development Council called for increased poverty focus in EC aid; clear indicators of performance; more effective collaboration with other donors; and coherence between development objectives and other EC policies. It also agreed a mechanism for monitoring performance against such indicators.[26]

III UK policy and performance

The UK has historically been one of the world's major donor countries. This stems partly from its position as a former colonial power and one of the largest industrial economies. 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 and later became the Overseas Development Administration. In 1997 the new Government established a separate department, DFID.

A. Development White Papers

The present Government's first White Paper on development, *Eliminating World Poverty*[27] promised to promote the international development targets and aimed to eliminate poverty in poorer countries, 'the greatest single greatest challenge the world faced'.

The Government's second development White Paper *Eliminating World Poverty: making globalisation work for the poor*[28] reiterated that the Government would work with others to achieve the seven international development targets. It noted that these had been

---

23 Ninth Special Report 7 November 2000 HC 949 *Government Response to the Ninth Report from the Committee, Session 1999-2000: The Effectiveness of EC Development Assistance*

24 DFID New Release 00/00 2 April 2001

25 2304th Council meeting - Development Brussels, 10 November 2000 http://www.europa.eu.int/comm/development/lex/en/council20001110a_en.htm

26 HC Deb 5 July 2001 c263w

27 *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

28 *Eliminating World Poverty, Making globalisation work for the poor* Cm 5006 11 December 2000 on DFID web site www.dfid.gov.uk

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.[29]

Other key policy commitments were made in the second White Paper. The Government said it would, *inter alia*,

- Work with others to manage globalisation so that poverty is systematically reduced and the International Development Targets achieved.
- 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.
- Work with developing countries to put in place policies that will attract private financial flows and minimise the risk of capital flight.
- 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.
- 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.
- Increase its development assistance to 0.33% 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.

The promised Development Bill to consolidate a poverty focused approach to development is the Bill currently under consideration. The Bill has been re-introduced via the Lords, after failing to complete its passage last session, despite being subject to a programme motion (see section V.B below).

[29] Partnership Agreement between African, Caribbean and Pacific States and the European Community and its Member States

B. The aid targets

The UK provides 'external assistance' to developing countries from various public sources, mainly DFID programmes. This flow of resources to developing countries is reported to the OECD DAC under several heads. '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).

As mentioned earlier, to compare aid provided by different donors, the OECD uses the measure of ODA (net after deduction of loan capital repayments) as a percentage of GNP. The 1970 UN General Assembly set a target of 0.7% of GNP for ODA to be reached 'by the middle of the Decade'.

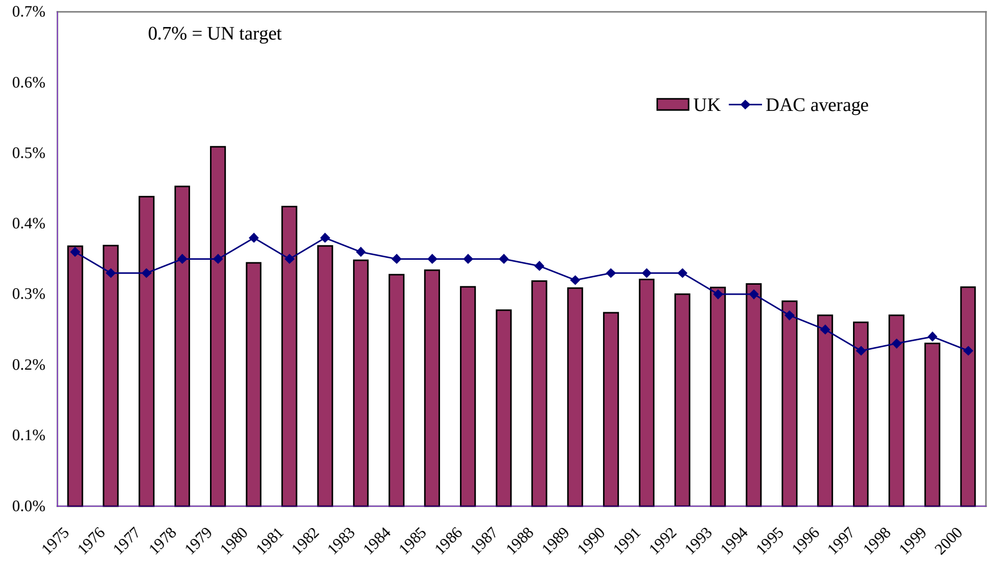
Estimated UK ODA for 2000 was £2.94 billion, an ODA/GNP ratio of 0.31%.[30] The Government has said that the UK's ODA/GNP ratio will increase to 0.33% by 2003/04,[31] and that it will continue to work towards the target set by the UN of 0.7%.[32] Reportedly, the Chancellor has agreed to go further than the White Paper commitment 'after pressure' from the Secretary of State for Development.[33]

The Government says that 1999's figure was anomalous (as were 1979 and 1980), for several reasons (the different time-frame of the UK's financial year and the OECD DAC's calendar year; 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.) The chart (underlying data are at table 1 at the end of this paper) shows a full run of figures:[34]

---

[30] DFID News Releases 20/01 23 April 2001 and 00/00 2 April 2001
[31] *Statistics on International Development 1995/6-1999/2000* DFID, December 2000
[32] *Eliminating World Poverty; Making globalisation work for the poor.* DFID December 2000
[33] *Guardian* 27 February 2001 p.14 Britain to boost aid for developing world as EU relaxes tariff barriers
[34] see also *Statistics on International Development 1995/6-1999/2000* DFID, December 2000 table 16.1

Net ODA/GNP ratios, UK and DAC average



The UK's figure of 0.31% ODA/GNP in 2000 can be compared with other countries' using DAC statistics. The DAC total spend in 2000, an estimated 0.22%, was the lowest ever. In 2000 Luxembourg reached, for the first time, the 0.7 per cent target, joining Denmark (which reached its highest ODA/GNP ratio ever recorded), the Netherlands, Norway and Sweden. No other countries exceeded the average country effort of 0.39%.[35]

On top of the ODA/GNP target, there is the UN target of 1% of GNP for total (official and private) flows. This target was set for the first UN Development Decade, which sought to increase provision of assistance and capital to 'approximately 1% cent of the combined national incomes of the economically advanced countries' 'as soon as possible'.

Total UK flows - including official flows that do not qualify as ODA and private flows, were an estimated 0.69% of GNP in 1999, the lowest ratio since 1991[36]. Comparing the UK to other donor countries in absolute terms of cash spent, the UK was the fourth largest donor country in 2000 after Japan, the United States and Germany[37].

C. Where does DFID aid go?

In 1999/00 53% of DFID programme money was spent on bilateral aid, 3% on administration and the rest (44%) was given on a multilateral basis via organisations such

[35] Special Factors Explain Lower Official Development Assistance (ODA) Outcome: Development Assistance Committee Announces ODA Figures for 2000 23/04/2001
on line at http://webnet1.oecd.org/pdf/M00005000/M00005154.pdf

[36] *Statistics on International Development 1995/6-1999/2000* DFID, December 2000 table 16.1

[37] DFID News Release 20/01 23 April 2001

as the EC, World Bank, IMF and UN agencies. The table shows a breakdown of gross public expenditure (GPEX) on aid for 1999/00.

Gross public expenditure (GPEX) on aid 1999/2000

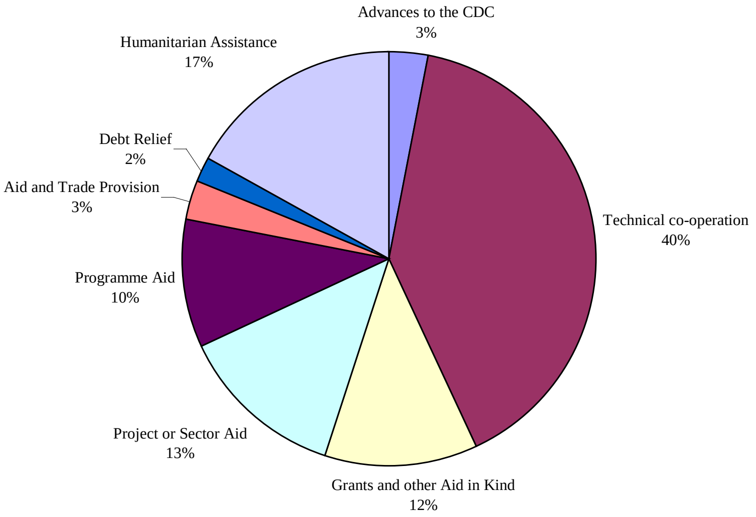
£ million

Total bilateral GPEX		1,657
Administrative costs		104
Multilateral aid:		
	EC	674
	World Bank Group	171
	IMF	17
	Global Environmental Assistance	17
	Regional Development Banks	67
	UN Agencies	151
	Commonwealth	7
	International research organisations	10
	Other programmes multilateral	44
Total Multilateral GPEX		1,158
Total GPEX on aid		**2,919**

DFID Statistics on International Development 1995/96-1999/00

DFID bilateral aid takes several forms. These include technical co-operation; grants and other aid in kind; humanitarian assistance and programme aid. In 1999/00 the DFID bilateral aid programme was split as follows[38];

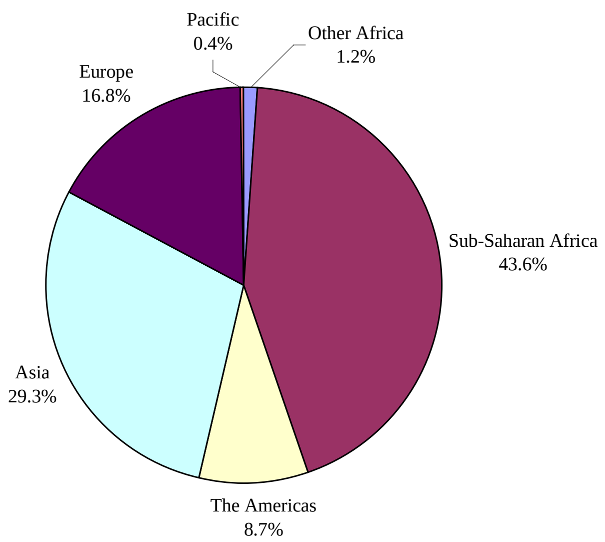
DFID Programme bilateral aid in 1999/2000 by form of aid



[38] *Statistics on International Development 1995/6-1999/2000* DFID, December 2000, figure 7

In contrast to the destinations for EC aid (see section II.D above), the UK's assistance is heavily targeted towards Asian and African countries. By region, some 44% of DFID bilateral aid went to sub-Saharan Africa in 1999/2000, as the chart shows:

DFID programme bilateral aid by region 1999/2000



IV Debt relief

The total external debt of aid recipients was $2,534 billion at the end of 1999, which was $33 billion less than in 1998. Half of the total debt stock is held by nine developing countries, the larger economies of Asia and Latin America. The 41 heavily indebted poor countries (HIPCs) account for only 7.5% of developing countries' debt stocks. Debt service payments were $300 billion in 1999, 9% more than in 1998, reflecting the 1997/98 financial crisis and restructuring of some short term loans.[39]

Of course this is not a new problem. Serious debt servicing problems arose in the 1980s, when a process of policy reform began[40]. By 1996 it was recognised that the existing measures for dealing with unpayable debt - both bilateral and multilateral debt, owed to institutions such as the IMF and World Bank - were insufficient.

The 1996 HIPC initiative seeks to provide relief to the 38 poorest, most indebted countries who had demonstrated a sustained commitment to poverty reduction through

---

[39] *DAC Journal Development Co-operation Report 2000* OECD 2001

[40] *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

sound economic policies and reform programmes. The number of countries qualifying as HIPCs is now 41.[41]

The HIPC initiative covers a relatively small amount of all developing countries' debt, and only those countries that meet certain strict criteria. Conventional debt treatment takes place under other auspices, notably the Paris Club,[42] which is an informal group of official creditors whose role is to find co-ordinated and sustainable solutions to the payment difficulties experienced by debtor nations by rescheduling debts due to them.

A prime example of one of the large debt holders is Argentina where the IMF has recently provided a package to restructure debt.[43] While IMF and World Bank activity in general is often criticised by campaigners who resent the conditionality attached to lending, it is the HIPC initiative, because it deals with the countries most in crisis, which receives most attention from campaigners.

Progress under the HIPC has been slow, and in June 1999 at the Cologne G7 summit creditor governments agreed the enhanced HIPC initiative, with 'deeper, broader, faster' relief. The IMF and World Bank would administer the package, worth some $100bn in nominal terms[44].

Following Cologne, all G7 governments made pledges of increased relief of bilateral debts. In January 2000 the Chancellor expanded on the timetable for relief, saying that 25 countries should have reached 'Decision Point' under the Initiative by the end of 2000.[45] Yet by the year 2000 annual meetings of the IMF and Bank, only 10 countries had received relief under the enhanced HIPC initiative.

During the year 2000 the movement Jubilee 2000 came to prominence. It had existed for some years but its objective had became imminent, since 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'[46]. The UK Government called Jubilee 2000 an 'unprecedented grassroots campaign'[47] and cancelled all aid debts to HIPC countries. Addressing the

---

41 The Initiative is open to the poorest countries, those that: (i) are eligible only for highly concessional assistance such as from the World Bank's International Development Association (IDA) and the IMF's Poverty Reduction and Growth Facility (formerly called Enhanced Structural Adjustment Facility); (ii) face an unsustainable debt situation even after the full application of traditional debt relief mechanisms; and (iii) have a proven track record in implementing strategies focused on reducing poverty and building the foundation for sustainable economic growth – from http://www.worldbank.org/hipc/faq/faq.html

42 http://www.clubdeparis.org/en/

43 *Financial Times* 30 August 2001 Argentina likely to need more aid, says Fischer and 4 September 2001 The end of top-down IMF packages: The fund's programme in Argentina signals a shift towards local ideas

44 HIPC-progress report, IMF, April 2000

45 Oxfam's Gilbert Murray Memorial Lecture by The Chancellor of the Exchequer 11 January 2000

46 *The Reality of Aid* 1998/1999 Earthscan

47 *Statistics on International Development 1995/6-1999/2000* DFID, December 2000 p.82

Jubilee 2000 final event the Chancellor said that 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[48].

In the event, by the end of the year 2000 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.[49]

James Wolfensohn, president of the Bank, and Horst Kohler, managing director of the IMF, have said the Bank and Fund will 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.

By the end of June 2001 23 countries had reached their decision point and were receiving debt service relief which will amount to about $34 billion over time, approximately 70% of the total relief projected to be delivered under the Initiative[50]. A status table of country cases showing those at decision point and the amounts of money involved can be found on the World Bank's website.[51]

The Bank and Fund also called on industrial countries to raise their ODA towards the UN targets and open their markets to HIPC exports[52]. In February 2001 Pascal Lamy, the EU trade Commissioner announced that the EU would provide full duty- and quota-free

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

[49] *The Guardian* 23 December 2000 p.24 Last-minute deal cuts Dollars 34bn debt for poor nations

[50] World Bank *Financial Impact of the HIPC Initiative First 23 country cases.* August 2001

[51] October 2001 edition at http://www.worldbank.org/hipc/progress-to-date/Status_table_October.pdf

[52] *The Guardian* 23 December 2000 p. 24 Last-minute deal cuts Dollars 34bn debt for poor nations

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.[53]

Jubilee 2000 has been wound up but was immediately replaced by ‘Drop the Debt’, an organisation pushing for 100% multilateral debt cancellation at the G8 summit in Genoa in July 2001.

The Genoa G8 meeting was dominated by violence between police and protestors.[54] The Government statement following the summit said that the G8 would ‘press ahead’ with the HIPC initiative but placed more emphasis on trade liberalisation than on debt relief (the statement also mentioned two other summit initiatives, the New African Initiative and the Global Health Fund): [55]

> The Government believe a new trade round would provide a significant boost to confidence in the world economy. It has been estimated that a truly liberalising round could boost global income by some $400 billion a year.
>
> Of this, between $100 billion and $150 billion could go to developing countries. G8 leaders agreed that increased trade, and particularly access to markets in the developed world, was the single biggest thing we could do to help their economies.
>
> …
>
> G8 leaders pledged to press ahead with the implementation of the debt relief initiative agreed at their Cologne summit in 1999, which has slowly brought debt relief of some $53 billion to some of the world's poorest countries. They agreed to make particular efforts to help those countries affected by conflict to come forward for relief under this programme and to ensure the sustainability of the reduced debt burdens of those countries which have already benefited from it …

Drop the Debt said the amount being dedicated to the Global Health Fund was equivalent to just five weeks of debt repayments from Sub-Saharan Africa, and said the summit ended with ‘no significant action to help the world’s poorest people’.[56] The Drop the Debt campaign has now officially finished, but similar and related organisations continue, notably Jubilee Plus[57].

---

53 *Financial Times* 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

54 see for example *Financial Times* 23 July 2001 Italy grapples with aftermath of violence.

55 HL Deb 23 July 2001 c161-3WA

56 Drop the Debt news release 27 July 2001 No new debt cancellation from G8 leaders in Genoa

57 see http://www.dropthedebt.org/index.html and http://www.jubileeplus.org/

The Bank and IMF have issued a joint response to those calling for 100% debt relief and defending progress under the HIPC initiative. This says that, contrary to the statements of some debt campaigners, HIPCs will spend on average much more, not less, on priority social investments than on debt service after debt relief. Also, it says that supporters of 100 percent debt cancellation must be honest about the costs; the total public external debt for low-income countries stands at some $460 billion, and HIPCs and many other poor countries will rely on external financing for their development needs long into the future.[58]

The World Bank expects the terrorist attacks of 11 September 2001 to adversely affect economic growth in developing countries in 2001 and 2002 with the effect that poverty will rise, with up to 10 million more people facing poverty (the under $1 a day line) in 2002. The Bank says its IDA programme, including possible extra relief under the HIPC Initiative, is being reviewed as a result of the attacks.[59]

V The International Development Bills

A. Contents of the Bill

Bill 37 of 2001-02 that has come to the Commons has 20 clauses and, with no amendments from the Lords, is identical in substance to the Bill presented to the Commons last session. The Explanatory Notes[60] 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.

Indeed, during the Bill's passage during the Lords this Session, several Peers expressed their regret that the Bill did not go further, seeking for example to eliminate poverty, or to expressly forbid the use of tied aid. These points are covered in detail below.

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,

[58] 100% Debt cancellation? A response from the IMF and World Bank at http://www.worldbank.org/hipc/Debt_Cancellation_-_100_.pdf

[59] World Bank News Release No: 2002/093/S *Poverty to Rise in Wake of Terrorist Attacks In US Millions More People Condemned To Poverty In 2002* 1 October 2001

[60] Bill 37-EN at http://pubs1.tso.parliament.uk/pa/cm200102/cmbills/037/en/02037x--.htm

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

1. 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’.

Although the explanatory notes state that the Bill does not define sustainable development (nor poverty or welfare), several speakers referred to the above definition (and some commended it) during the Bill’s passage through the Lords (see section V.C below). This will be the first time that a definition of sustainable development has reached the statute book although the clause says that the definition is for this Bill’s purposes only. There is no one agreed definition of ‘sustainable development’ although the most frequently used is the Brundtland commission’s 'development which meets the needs of the present without compromising the ability of future generations to meet their own needs'[61]. The Government’s sustainable development strategy[62] 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 in the case of a British Overseas Territory 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.

[61] Report of the World Commission on Environment and Development, Our Common Future 1987
[62] A better quality of life. A strategy for sustainable development for the UK Cm 4345 May 1999

In last session's Bill the territories were listed in Schedule 1 to the Bill[63], which under clause 2 could be changed by order. The current version of the Bill says the territories are listed in Schedule 6 to the *British Nationality Act 1981*. [64]

Clause 3 states that the Secretary of State may provide overseas 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 humanitarian assistance to be related to a reduction in poverty. Ministers confirmed during the Bill's passage through the Lords that this would be the clause that could be used for providing aid to the current situation in Afghanistan (see section C below).

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. The explanatory notes say this might include commissioning research and Ministers also gave the example of employing people, during the Bill's passage last session. The Secretary of State 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 acquisition of securities. Assistance may be provided in one or more such forms. This clause is subject to Treasury approval.

Clause 7 expands on the terms on which assistance is provided. Assistance (other than financial assistance) under the Act may be provided free of charge or on such terms as determined by the Secretary of State. Financial assistance can only be provided if the Treasury has approved the terms and conditions (other than for grants). The wording of this clause has been altered slightly from last session's Bill.

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.

---

[63] 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

[64] The explanatory notes to the current British Overseas Territories Bill [HL] (Bill 40 1999-2000 say that the Overseas Territories are Anguilla, Bermuda, British Antarctic Territory, British Indian Ocean Territory, British Virgin Islands, Cayman Islands, Falkland Islands, Gibraltar, Montserrat, Pitcairn Islands, St Helena and Dependencies, South Georgia and the South Sandwich Islands, the Sovereign Base Areas of Akrotiri and Dhekelia in Cyprus, and the Turks and Caicos Islands.

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 1 to the Bill[65], 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.

2. Part II. Miscellaneous, international financial institutions

Clause 11 allows the UK to make payments to multilateral development banks, which are defined. The World Bank or regional development banks are examples. Contributions may be made though an Order 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 2 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 allows for financial provisions; for payments to be made into the Consolidated Fund as necessary under the Act and for the provision of expenses or sums required as guarantees under the Act. The order of clauses has changed slightly since last session's bill when Clause 16 dealt with Order-making powers. Clause 17 deals with interpretation.

---

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

Clause 18 provides for orders under the Bill to be made by statutory instrument, which will be subject to the negative procedure, apart from Orders making 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 3 dealing with consequential amendments and Schedule 4 dealing with repeals.

Clause 20 says the Bill will come into effect on a date to be appointed by the Secretary of State, enacts Schedule 5 and says that the Bill applies to Northern Ireland.

B. Debate on last session's Bill (49 of 2000-01)

a. Second Reading

Last session's Bill (Bill 49 2000-01) was introduced in the Commons and had its second reading on 6 March 2001[66]. Broadly speaking, all Members welcomed the Bill although some questioned the need for it and the debate ranged wider, to the money being spent on aid and debt relief.

The Secretary of State for International Development (Clare Short) outlined the reasons for introducing a new Bill. Much of the 1980 Act was outdated or obsolete and a poverty reduction objective had to be entrenched. As it stood, the existing legislation allowed the Secretary of State free rein to use the aid budget to soften the terms of commercial contracts through mixed credits (aid-and-trade), to re-tie aid, or to use the aid budget to serve short-term political or commercial interests. The Pergau Dam judgement had shown that the existing powers were so widely drawn that 'they caused the Minister to mislead himself into believing that he could use aid to back economically unsound projects'.

New powers were needed to support civil society and to provide financial guarantees and hold securities when developing the private sector and economies in developing countries. Two exceptions to the overriding requirement of poverty reduction were the additional responsibilities involved in providing aid to overseas territories, and the provision of aid in response to disasters and emergencies.

Gary Streeter, the Conservative spokesman, said that the Opposition and Government shared a common goal. He did not oppose the main thrust of the Bill, but questioned whether it was really necessary, and why it was being introduced so soon before a general election. He suspected it would make no difference to the British aid effort.

Indeed, the focus on poverty reduction could be too narrow, ruling out work that needed to be done promoting democracy and good governance. The Secretary of State gave an

---

[66] HC Deb 6 March 2001 c158

assurance that this would not be the case. The Government's legal advice was that matters were within the poverty focus if the point of the reform was to create conditions under which poor people would have the chance of a better life, and poverty would be reduced. If the objective was desirable, but had nothing to do with improving the lives of the poor of the world, then it was not allowed.

Dr Jenny Tonge for the Liberal Democrats welcomed the Bill but was concerned about the wide definition of sustainable development. She felt money for the overseas territories should not come from DFID's budget, and she called for closer cross-departmental co-operation to back up DFID's work.

Following second reading the Bill was subject to a programme motion, a move decried by Conservative Members. Gary Streeter alleged that the bill had been introduced 'out of the blue' for party political pre-election purposes and the time allowed for Committee would not permit proper scrutiny. Clare Short assured Members that there was time to scrutinise the Bill properly and get it through the House.

b. Committee

In Committee,[67] Chris Mullin, then Parliamentary Under-Secretary of State for International Development said it was a small, important and apparently uncontroversial Bill. But he believed it would prevent a future Administration using development funds to serve short-term political or commercial ends and, in particular, would prevent the tying of aid. Cheryl Gillan reiterated concerns about the programme motion. Jenny Tonge was doubtful that the Bill in its present form would eliminate tied aid, but welcomed the lack of criticism from NGOs, which was a tribute to the Bill.

Cheryl Gillan wanted a definition of 'poverty' in the Bill, and moved amendments to clause 1 so that aid could be given that would lead 'directly or indirectly' to a reduction in poverty, and for other reasons; for promoting good governance, reducing conflict and attracting foreign or private direct investment. Jenny Tonge thought there were perfectly good international definitions of poverty and poor countries, and since the causes of poverty were multifaceted, singling out just three as the amendments sought to do was dangerous.

The Government felt that allowing aid that was likely to contribute 'indirectly' to poverty reduction would provide too much leeway, and make aid for trade schemes lawful. The other amendments (relating to good governance, reducing conflict and attracting foreign or private direct investment) were simply not necessary since it was accepted that these were all vital to development anyway. The amendments were all rejected. An amendment seeking an annual audit report was defeated and a probing amendment

[67] SC B 13 and 15 March 2001 four sittings

allowing the funding of public awareness campaigns in developing countries with the aim of reducing economic migration was withdrawn.

Several times during the Bill’s proceedings Members commented on the paradox of whether the Bill was really needed. For example, during Committee Cheryl Gillan said ‘I am pleased with the Minister's assurances that he believes that nothing that the Department is currently doing will be outlawed by the Bill, but that begs another question--why is the Bill necessary?’[68]

An amendment to clause 3, seeking to make all multilateral humanitarian assistance meet the same standards as bilateral aid, was withdrawn. The Minister said it was already open to the Secretary of State to impose standards on those who carried out activities on her behalf and the amendment would constrain responses in a crisis.

During discussion on clause 4 (supplementary powers) Cheryl Gillan said she thought this was an enormous let-out clause that might lead to the use of the aid budget for almost anything- and to support agencies and organisations that did little to contribute to poverty reduction. The Minister refuted this and said that subscription to any organisation was subject to the same poverty reduction test as clause 1. The clause was there to allow support for activities such as the commissioning of research and the recruitment of personnel, which in themselves might not contribute to the reduction of poverty, but were clearly and causally related to it.

During the last committee session Jenny Tonge moved an amendment seeking to ensure that ‘financial assistance may not be provided now or in the future for the purposes of ‘tied aid’’. The Minister said that because of drafting difficulties the Bill had not specifically banned tied aid. He believed that clause 1 was adequate for the purpose, and the Government’s legal advice was that specifically banning tied aid might risk banning payments to some international institutions that limited the provision of assistance to their members. Dr Tonge withdrew her amendment ‘for the time being’.

After further discussions concerning bribery, the Bill’s relation to the devolved legislatures and departmental co-operation the Bill was sent from Committee without amendment.

c. Report and third reading

During the Bill’s report on 10 April 2001[69] the Opposition again moved a group of amendments dealing with promotion of good governance and aid spending via third parties, including the EU, UN and other multilateral organisations. The debate centred

---

[68] SC B 13 March afternoon session

[69] HC Deb 10 April 2001 c366 onwards

on the need for good governance and the shortcomings of EU aid spending. Dr Tonge again raised the question of tied aid.

The Minister pointed out that the Secretary of State would be able to support good governance without the tabled amendments, and repeated his arguments in committee concerning multilateral aid. Moreover, the EU aid spending that was covered by the 1980 Act and would be covered by the new Act was the 30% that was the most focused, being spent on developing countries. The remainder of EU spending, which was funded by the UK under the *1972 European Communities Act*, was spent by the EU on its development programmes in central and eastern Europe, the Mediterranean, Asia and Latin America. This expenditure, which over the past five years had accounted for over 70% of DFID's EC expenditure, would be unaffected by the new Act.

Simon Thomas highlighted the definition of sustainable development in the Bill, which he said did not accord with the commonly accepted Brundtland definition (see section V A 1). His amendment seeking to insert the Brundtland definition was, the Government thought, too narrow and put undue emphasis on environmental concerns. It might prohibit mineral extraction for instance, which could be beneficial to a country's population. The Bill remained unamended, and was given a third reading.

The Bill received its first reading in the Lords on 23 April 2001[70] but proceeded no further.

C. The current Bill's passage through the Lords

a. Lords second reading

This session's *International Development Bill* [HL] was introduced to the Lords as Bill 3 of 2000-01 and given a second reading on 2 July 2001.[71] Baroness Amos, the Parliamentary Under-Secretary of State, Foreign and Commonwealth Office, said that[72]

> This Bill was introduced into Parliament in the other place in the previous Session. All parties supported the principle behind the Bill, if not all the detail of it. It completed its passage there without amendment and was introduced into this House on 23rd April. My right honourable friend the Secretary of State for International Development and I met with interested Peers to discuss the content and implications of the Bill at that time. Unfortunately, the Bill fell on the prorogation of Parliament. The Bill introduced now is identical to the one which fell then.

---

70 c1147, as HL Bill 46 2000/2001
71 c700
72 ibid

In fact the Bill is not quite identical, but unchanged in substance. As in the Commons, the Bill was generally welcomed. After Baroness Amos had outlined its contents Baroness Rawlings said the Opposition agreed with the Bill and welcomed its introduction early in the session. The previous Bill had been allowed insufficient time for debate and for NGOs to become involved, which the Conservatives would press for, along with amendments to make certain that encouraging good governance was at the heart of UK aid programmes. Lord Redesdale, for the Liberal Democrats, drew attention to the 'glaring omission' of tied aid from the Bill and was concerned about pockets of poverty in middle income countries; would the Bill be aimed at poor people or poor countries?

The second reading debate was wide ranging, touching on reform of the Bretton Woods institutions, the EU and UN's roles, the Commonwealth scholarship scheme and support for organisations supporting civil society and NGOs. A number of speakers mentioned the need for a definition of poverty, and Lord Desai commended the Bill's definition of sustainable development.

Summing up, Baroness Amos assured the House that the Bill was premised around providing development assistance to tackle poverty, not around providing development assistance to poor countries, and so would allow efforts to contribute to the elimination of poverty in middle income and transition countries. The Bill would allow the Government to continue to support activities to help the fight against corruption in all its forms. She repeated the reasons for the lack of a reference to tied aid; the Government had been unable to develop a convincing and useful definition when drafting. 'Tied aid' could be defined only by the motivation behind the assistance, not by its mechanism or form. This was dealt with in Clause 1 of the Bill, the core power.

b. Committee

The Bill was considered in a Committee of the whole House on 16 July 2001.[73] Baroness Rawlings introduced the same amendment (number 1) as had been introduced during the Commons committee stage the previous session; seeking to allow aid to be provided to 'directly or indirectly' alleviate poverty.

Lord Judd spoke in support of his several amendments, to eliminate, not simply reduce, poverty, to define poverty, to make assistance compatible with global environmental strategies, and to refer specifically to the untying of aid. He wanted to eliminate any subjectivity in the Bill. Baroness Wilkins said that, similarly, a commitment to human rights needed to be stated explicitly, and she had tabled an amendment to this effect. Subsequent speakers felt that elimination of poverty was impossible but generally agreed with many of Lord Judd's other amendments.

[73] HL Deb 16 July 2001 c1270 onwards

Replying, Baroness Amos said that clause 1 already reflected the 'directly or indirectly' concept. Allowing the amendment would permit the Secretary of State to act for mere incidental or probable knock-on effects of, perhaps, commercial or political acts. The Government had been advised that the 'elimination' of poverty was too tough a test to embed in legislation directed to the sanctioning of individual spending decisions. Having the elimination of poverty as the overarching aim would risk the Secretary of State being able to support nothing, as she could not be satisfied that any single initiative or activity was likely to contribute to the elimination of poverty.

Poverty was a complex and relative concept, and defining it in the Bill would leave the Secretary of State open to legal challenge on decisions. Since a natural understanding of poverty existed, action would be taken on that basis, with the additional tests of furthering sustainable development or promoting the welfare of people. It would be inappropriate and unnecessary to enshrine human rights in the Bill since section 6 of the *Human Rights Act 1998* already made it unlawful for any public authority to act in a way incompatible with human rights. Moreover, a duty to take into account a government's human rights record before granting aid could compromise the overarching purpose of alleviating poverty.

The Government felt that amendments 9 and 10, requiring 'sustainable development' to be interpreted as development compatible with 'essential global environmental strategies', were undesirable since the Government wanted to protect the Secretary of State from being forced to adopt an overly economic or environment-oriented interpretation of the term. The needs of poor people, not any wider concepts, must determine policy.

All amendments were either withdrawn or not moved following debate, except for Baroness Rawlings's amendment relating to conflict reduction which was put to a division. This aimed to let the Secretary of State provide assistance, whether financial or technical, to reduce the potential for conflict in developing countries. Baroness Amos said such action was already possible under the Bill, and Lord Redesdale pointed out that the Exports Control Bill should also do much in that regard when enacted. The amendment was rejected.

Further amendments - seeking cross-departmental co-operation, making Treasury funding or approval decisions a matter of public knowledge and expanding the scope of development awareness activities - were withdrawn or not moved.

Baroness Rawlings moved Amendment 22 which sought to prevent countries being made loans that amounted to more than 10% of the assistance given to them in a year. This would avoid countries running up new debts, since most aid would be in the form of grants. The Government recognised these concerns, but did not want to place an arbitrary limit that might restrict the government's ability to render assistance where needed. There was no intention to push loans again. The amendment was withdrawn.

The debate continued to cover amendments dealing with issues such as stipulating an ODA/GNP target, setting the amount of spending channelled through NGOs, and addressing human rights issues and corruption. But in the event the Bill was passed without amendment.

c. Report

The Bill was Reported after the events of 11 September (on 18 October 2001)[74] and the emerging humanitarian crisis in Afghanistan. Baroness Amos explained that, for example, starvation and the situation in Afghanistan would be covered by Clause 3 of the Bill dealing with humanitarian assistance.

Lord Judd attempted to amend the Bill so that assistance under Clause 1 could be provided *only* for poverty reduction, which was, as he understood, the intent of the Bill. This would prevent it being used by other departments for other means. He repeated arguments made earlier about the desirability of 'eliminating' rather than 'reducing' poverty. He also wanted to add a definition of 'poverty' to the Bill. Baroness Amos repeated earlier arguments against such amendments.

Amendments dealing with environmental soundness and the aims for which humanitarian assistance could be given were withdrawn. A further amendment by Baroness Cox, which would require the Secretary of State not to provide assistance to any organisations or individuals who were involved in promoting or practising coercive population policies, was also withdrawn.

Lord Brennan introduced an amendment seeking to make the Bill prioritise children's needs, on whom the burden of poverty fell disproportionately. A number of Lords supported the amendment. But Baroness Amos said that following Committee stage the Government had put the point to parliamentary counsel who drafted the Bill. They had said that any reference to children as a special case would seriously undermine the structure of the Bill and its core aim of poverty reduction. The amendment was withdrawn following the Minister's reassurance of the Government's commitment to protecting children.

Baroness Rawlings wanted the Bill to enact the OECD convention on bribery and corruption. But the Minister gave examples of how DFID was already fighting corruption, and said the Government was committed to introducing legislation that would give effect to that convention, although she could not give a date.

---

[74] HL Deb 18 October 2001 cc711-740

d. Third Reading

At Third Reading on 25 October 2001[75] Lord Elton spoke to further amendments seeking to prevent financial assistance being given to organisations that supported coercive population control. The debate dwelt for some time on the situation in China in this regard before the House divided; the amendment was defeated. Again an amendment was introduced relating to fighting bribery and corruption; Lord Grocott, the Minister, repeated earlier arguments against this and, on division, the amendment was defeated.

In the summing up speeches, Lord Howe of Aberavon said that with regard to DFID's future direction he hoped that the new 'poverty focus' would not lead to money being withdrawn from hitherto perfectly good projects, such as those supporting good governance or training. Lord Judd said unequivocal assurances from Ministers during the Bill's passage had persuaded him that the Government was determined to move towards the elimination of poverty, despite this not being explicit in the Bill. The Bill appeared widely permissive but similarly Ministers had given assurances that it would only be used where poverty would be reduced as a result. Lord Thomson of Monifieth pleaded for the widest possible interpretation of how poverty could be eliminated, and that should include a recognition of how education, training and good governance could make an essential contribution to a wise aid policy.

The Bill was passed and sent to the Commons without amendment.

[75] c1105 onwards

Table 1 UK net Official Development Assistance

	ODA	
Calendar year	£ million, cash	as % of GNP
1970	186	0.36%
1971	231	0.40%
1972	243	0.37%
1973	246	0.33%
1974	307	0.36%
1975	389	0.37%
1976	462	0.37%
1977	638	0.44%
1978	763	0.45%
1979	1,016	0.51%
1980	797	0.34%
1981	1,081	0.42%
1982	1,028	0.37%
1983	1,062	0.35%
1984	1,070	0.33%
1985	1,193	0.33%
1986	1,195	0.31%
1987	1,168	0.28%
1988	1,489	0.32%
1989	1,578	0.31%
1990	1,485	0.27%
1991	1,815	0.32%
1992	1,856	0.30%
1993	1,945	0.31%
1994	2,089	0.31%
1995	2,029	0.29%
1996	2,050	0.27%
1997	2,096	0.26%
1998	2,332	0.27%
1999	2,102	0.23%
2000	2,940 [a]	0.31%

Source: DFID Statistics on International Development 1995/6-1999/00

[a] DFID News Release 20/01 23 April 2001