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Policy Coherence and the Future of the UK's International Development Agenda

A report to World Vision UK

By Matthew Lockwood and Sarah Mulley, with Emily Jones, Alex Glennie, Katie Paintin and Andrew Pendleton

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Challenging ideas – Changing policy

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Acknowledgements

Foreword by World Vision

Poverty, for World Vision, is an issue of justice, or, more correctly, an issue of injustice. Poverty, exploitation and violence are not inevitable. The problems that millions living in economically poor countries face, and which claim 30,000 young lives each day, are the result of failures to ensure that systems and structures at international, national and local levels support the well-being of those who find themselves at the margins of society.

It is the transformation of society and communities that will deliver improved well-being in the lives of those intended to benefit from development efforts. Dramatic increases in aid over the last decade have saved and improved the lives of millions of people in poorer communities, particularly children. The communities we work with can see the change that aid money is delivering and the contribution it is making to sustainable development, but these increases have also highlighted the limits of aid as a development tool.

Factors such as governance and corruption, security and peace building, trade, finance, migration and climate change are all impacting on development, and the interplay between these factors is increasingly important if we want development to be successful and sustainable. Tackling structural and systemic injustice must go hand in hand with the provision of development aid. This means that a wide range of UK policies beyond aid have significant implications for the lives of people in economically poor countries.

For World Vision, a major development, humanitarian and advocacy organisation working in towns and villages in nearly 100 countries around the world, the impact of each of these policies on children is of paramount importance as we seek to alleviate the poverty and suffering experienced by so many in the world today. Our primary goal through every aspect of our work is to contribute to changes in society and communities that result in improved well-being in the lives of children through the realisation of their rights.

Our focus on children is informed by a belief that children are central to the development process, and policies impacting on development that ignore the well-being of children will ultimately fail to transform the lives of all those living in the poorest communities. A focus on child well-being:

- supports sustainable and equitable human development by breaking cycles of poverty and inequality – the effects of poverty on children today, who constitute the majority of those living in poverty, have consequences that are often passed on to their children tomorrow

- provides an entry point into addressing the well-being of families and communities and acts as a 'barometer' for the well-being of the wider population – child well-being is best improved through ensuring that the contexts in which they live are ones in which they can thrive. As such, child well-being is an important measure of impact for any intervention aimed at supporting social and human development

- recognises that children can play a significant role as agents of transformation in their communities

- recognises a child rights framework as the most effective tool to achieve minimum standards of well-being for children in areas such as health, care, protection and education.

Failing to put children at the centre of development weakens the impact of today's development efforts both now and for the future. But our call for children to be placed at the heart of the development agenda is not purely utilitarian. Children are rights-holders, as outlined in the United Nations Convention on the Rights of the Child, and, as such, development actors, including the UK Government, have an obligation to address the rights of children through all policies and actions that impact on development outcomes.

Recognition that positive, sustainable development outcomes can only be achieved through engagement with the underlying causes of poverty expands the areas of policy relevant to the development endeavour beyond those with a pure focus on development. The impacts of other areas of policy that have implications on international poverty reduction objectives, such as those relating to conflict, trade and investment, corruption, climate change and migration, must be recognised.

World Vision is concerned that the relationship between these factors and development has not been adequately explored. Though we strongly believe that the Department for International Development should remain a strong and independent department within Government with a cabinet-level Secretary of State, development policy must be considered by other UK departments including the Foreign and Commonwealth Office, Ministry of Defence and the Department for Business, Innovation and Skills if we are to make progress in development outcomes and to improve the well-being of children living in poverty. As we approach a crucial election, and the world convenes to review the Millennium Development Goals, now is the right time to ask these questions and to determine how UK development policy will be taken forward.

We commissioned the Institute for Public Policy Research (ippr) to carry out this independent research as a leading UK think tank and we thank them for their considerable work on this project and the contribution we hope it makes to the future development debate. We are also grateful to all those, both inside and outside of the UK Government, who participated in interviews and provided comment to inform the findings and conclusions of this report.

While the detailed conclusions and recommendations in the report are those of ippr, World Vision supports the findings and the call for greater policy coherence for development across the UK Government with a continued strong and independent role for the Department for International Development. How the UK contributes to development policy and uses its position on the global stage needs to be revisited, and World Vision hopes that this research helps shape that debate.

Justin Byworth

Chief Executive, World Vision UK

List of abbreviations

ACP	African, Caribbean and Pacific states
BAF	British Armed Forces
BERR	Department for Business, Enterprise and Regulatory Reform
BIS	Department for Business, Innovation and Skills
CA	Conflict adviser
CPP	Conflict Prevention Pool
CT	Counter-terrorism
DAC	Development Assistance Committee [OECD]
DECC	Department for Energy and Climate Change
Defra	Department for the Environment, Food and Rural Affairs
DFID	Department for International Development
DG	Director General
DRC	Democratic Republic of Congo
EBA	Everything But Arms
ECGD	Export Credit Guarantee Department
EITI	Extractive Industries Transparency Initiative
EPA	Economic Partnership Agreement
FCO	Foreign and Commonwealth Office
FTA	Free Trade Agreement
GATS	General Agreement on Trade in Services
HM Government	Her Majesty's Government
HMT	Her Majesty's Treasury
IDA	International Development Act (2002)
MDG	Millennium Development Goal
MOD	Ministry of Defence
NHS	National Health Service
NIC	Newly industrialising country
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
PBS	Points-based system
PETS	Public expenditure tracker surveys
PSA	Public Service Agreement
QIP	Quick Impact Project
SU	Stabilisation Unit
SWAPs	Sector-wide approach
UKBA	UK Border Agency
WTO	World Trade Organisation

Executive summary

Over the last 12 years, the United Kingdom has built an international reputation as a leading aid donor, and as an innovator in development policy. The Department for International Development (DFID) is a strong, independent actor both in London and in the countries in which it works. Furthermore, a consensus has now been established across much (if not all) of the political spectrum for the department's existence, for the commitment to meet the 0.7 per cent of GDP aid target, and for the legitimacy of the development agenda. These achievements should be celebrated and built on.

But beyond aid, a serious attempt by the UK or any other developed country to engage with the underlying causes of poverty also requires policy changes beyond the traditional territory of development policy – in foreign affairs and defence, in migration and trade, in finance and environment. This agenda is usually referred to as 'policy coherence for development', and is the focus of this report.

Although aid from the UK can have an important impact on the lives of some poor people in the developing world, the impacts of a range of other factors on poverty and rights are both more profound and far wider. These include: insecurity and violent conflict; the opportunities for and returns from trade and international migration; corruption, and climate change. The UK's commitment to, and delivery of, international poverty reduction objectives thus needs to be judged across a range of policies far beyond what is usually thought of as 'development policy', and which are outside the direct control and remit of DFID.

This debate is often expressed through a more specific discussion of DFID's place within government. DFID officials argue that the department has become a development ministry, not an aid agency, focusing as much on influencing policies in Whitehall (and internationally) as on delivering high-quality development assistance. Critics (inside and outside government) argue that DFID still operates primarily as an aid agency, separate from the rest of government; that wider UK public policy in defence and security, environment, migration and trade is rarely approached through a poverty reduction lens (particularly where there are genuine conflicts between UK interests and those of poor countries); and that the result is a lack of clear focus or coherence in the UK's support for, and engagement with, the poorest countries. Of course, in the real world of politics there are genuine trade-offs – between tightly-focused development policies and wider influence, between short-term poverty reduction objectives and longer-term change processes, and, in some cases, between the interests of rich and poor countries. This report does not claim to have easy answers. Rather, we aim to set out the nature of the trade-offs that exist, explore the (explicit or implicit) decisions that have been made by the UK government in the face of these trade-offs and draw some conclusions about areas in which the evidence suggests that different choices should be made in the future.

The UK record on policy coherence

The ambition to achieve policy coherence has, in principle, been present ever since the establishment of DFID. A series of government White Papers have all given prominence to policy coherence, although the focus has shifted over time. The Government has also tried to use its central policy and target-setting machinery to promote coherence. A plethora of cross-Whitehall mechanisms have also evolved over time, reflecting attempts to achieve a more joined-up government effort on development. These bodies often oversee spending from an aid budget that has increasingly spread out across departmental boundaries.

This report, based in part on interviews with around 25 civil servants from a range of departments, as well as political advisers and external experts, suggests that the Government has made real steps towards greater coherence, especially in some areas such as trade, climate change and conflict resolution. However, more remains to be done. DFID still appears

to have a core focus on conventional aid programmes and in-country reform processes, and is criticised by some for its largely technocratic (rather than political) approach to putting the development case in government. Other departments, while they do increasingly value DFID's input, also have a way to go in reflecting the importance of the UK's international development objectives in their policies and practice.

Policy coherence, and the interaction between DFID and other government departments, has evolved in a rather uneven way, often away from the political spotlight.

Trade policy was targeted from the very start of DFID's existence: an early decision was taken to invest in expertise within DFID, and to engage with the then Department of Trade and Industry (DTI) to make the argument that once trade policy moved away from mercantilism, development became the main issue. There was also an evolution in DFID's approach to conflict quite early on, with humanitarian military intervention in the Balkans and Sierra Leone forcing the department to think about how it worked alongside the Ministry of Defence (MOD), and about the relationships between stabilisation, reconstruction and long-term development. A somewhat different set of issues has arisen in the more recent cases of Iraq and Afghanistan. While work in these countries accounts for a relatively small part of DFID's programming, it has attracted a large amount of political debate.

More recently, there has been major engagement with Number 10 and the Department for Energy and Climate Change (DECC) on the international aspects of climate change. DFID has also pressed successfully for action by other departments on quite specific issues, such as the banning of cluster munitions by the UK and the promotion of an international agreement on the same issue.

On a range of other issues (such as migration), DFID has either made little effort to shape policy in other government departments, or has lacked the resources, arguments or political weight to do so.

DFID has had good reason to hold itself slightly apart from the rest of government – the benefits of DFID's independence are clear in the poverty focus of UK aid spending, and in its international reputation – but the gains made in the last decade need to be secured by advance into a wider agenda, not by a retreat into a narrowly defined aid agency role.

Why policy coherence matters now

Development outcomes depend crucially on factors beyond aid, and UK Government policies across a range of areas matter for poverty reduction and for securing basic human rights. On the other side, UK interests are increasingly bound up with successfully responding to a range of international issues (such as climate change). In this context, a narrow view of the UK's national interest is looking increasingly outdated.

But cutting across the policy coherence debate are the implications of a rapidly changing fiscal and political situation in the UK and elsewhere. A massive squeeze on public expenditure and a possible change of government will define the next five years of UK development policy. The stated position of the Conservative Party is that many of the wider parameters of the consensus established since 1997 will not change. A Conservative government would keep DFID as a separate department and would maintain or even increase aid spending. There are no proposals to amend the 2002 Act which limits DFID spending to poverty reduction, although the Conservatives have indicated that they want to explore the possibility of using more of the aid budget for security-related spending. In any case, there are likely to be considerable political pressures on DFID's budget, independence and ways of working.

There are different views on the question of 'where next?' for DFID, and for UK development policy. Some argue that, faced with increasing fiscal and political pressures in the coming years, DFID should defend its 'separateness' and independence even more; others that the

changing nature of poverty requires a more joined-up approach across government. Some even argue that DFID should be merged back into the Foreign and Commonwealth Office.

Much of the controversy has focused on how DFID operates in countries where the UK is at war, and Iraq and Afghanistan in particular. These situations, while very important politically, represent only a small part of what DFID does. Particular problems do arise in such situations but we suggest that they require targeted solutions rather than systematic changes. It would be a mistake to reconfigure DFID's entire approach on the basis of the demands of these particular cases. In such situations it is critical to have clarity about the mission and objectives, and an agreed strategy for the whole of Government based on shared analysis. It then makes sense to apply principles of flexibility and transparency in the use of resources. Government spending in such circumstances should not be about a struggle between those who want to 'raid' the aid budget and those who want to defend the aid budget at all costs. The important distinction should not be between which spending can count as official development assistance (ODA) and which cannot, but between effective and ineffective spending. This might mean DFID recognising that security objectives are legitimate for poverty reduction as well as for wider UK interests, and agreeing to spend on non-ODA categories, but this will also mean the Government being clear that this expenditure cannot be counted as ODA.

In the end, concerns about protecting aid spending for poverty reduction and maintaining an appropriate allocation of DFID spending between countries are best addressed through having a strong DFID voice making the developmental case at the heart of government. We think that the benefits of a strong DFID, independent of the FCO, clearly outweigh the costs, and there is no question in our minds that DFID's position as a separate department with a Cabinet-level secretary of state should be maintained and strengthened.

However, this does not mean that DFID should stand apart from the rest of government. It is important both for UK development policy and for DFID as a department that the coherence of government policy and practice deepens and becomes more systematic. DFID should continue to be independent and to make decisions based on a clear set of development and poverty reduction objectives (particularly about aid programming), while also engaging more effectively with the rest of government at the policy level and on the ground.

In the current economic and political climate, a public and political defence of aid spending, and of the UK's successful international development policies, must recognise the interdependency of different objectives. The development debate in the UK will increasingly be linked to debates on issues including conflict and security, climate change, and migration and trade. Similarly, when considering the circumstances of the poorest countries, it seems impossible not to recognise the links between development and issues such as conflict and climate change.

So, there are both pragmatic and principled reasons to consider policy coherence. It seems likely that the UK's international development 'community' may need to make these interdependency arguments more strongly in the future than it has in the past, in order to protect the aid budget and DFID's independence. This adds another dimension to the debate about whether DFID is sufficiently joined-up with other parts of Government, and on what terms.

Where next for UK development policy?

DFID needs to continue building closer relationships with other government departments, which brings risks for the 'purity' of DFID's poverty reduction mission. However, DFID cannot afford to keep being seen as 'the NGO down the road', as it has been caricatured within other parts of government – perceptions can matter as much as reality. Instead, in the words of one interviewee, the department must become more of a 'Whitehall warrior'.

Successful policy coherence for development must be just that – for development. This means that there need to be clear political and official mechanisms to ensure that the

Government's development objectives are systematically considered across a range of policy areas. When other objectives or interests legitimately supersede development objectives, this should be transparent, and steps should still be taken to minimise harm and maximise development benefits. Policy coherence does not mean abandoning policies that seek development and poverty reduction for their own sake. But confidence is needed to engage on challenging issues, and to recognise that messy compromises are part of making progress. The key risk to be mitigated is that, in seeking coherence, the development agenda gets lost or downgraded relative to other issues (for example, security), and that the UK's core development policies become less effective as a result.

A central conclusion of this study is that greater coherence is not usually being prevented by a lack of cross-government mechanisms for dialogue and cooperation; there are many such mechanisms on most issues, often at very senior as well as operational levels. A more important issue is the incentives (or lack thereof) within government to make these mechanisms work well in practice. We argue that the key to coherence is agreed-upon joint strategy across government, based on shared analysis and clear political leadership, and supported by an effective case made to the public.

Summary of recommendations

- Development concerns and objectives should form a key part of decision-making across the full range of UK policies that impact on developing countries. Attempts to increase policy coherence for development should always include a child well-being and rights perspective. Where tensions exist and development objectives cannot appropriately be given priority, harm should be minimised, development benefits maximised and decisions should be made openly and accountably.

- The Government should develop a whole-of-government international development strategy, and should carry out a systematic analysis of the development impacts of UK policies (including, but not limited to, conflict, trade and investment, corruption, climate change and migration). This should have strong ownership across government, and a strong focus on non-DFID policy levers.

- The Government should ensure that DFID, the FCO, the MOD, the Department for Business, Innovation and Skills (BIS), DECC, the UK Border Agency (UKBA) and other relevant departments agree joint UK Government strategies for all important developing countries where the UK has both a substantial aid programme and significant strategic, commercial or security interests. These country strategies should be based on shared analysis contributed to by all departments.

- FCO posts and DFID country offices should play a key role in the process of forming joint country strategies and wider thematic strategies. DFID should retain operational independence at the country level, but needs to operate within cross-governmental strategic frameworks.

- All departments should create incentives – for example through appraisals and promotion criteria – for spending time and resources on inter-departmental working. These incentives should extend up to senior levels (including via Public Service Agreement frameworks) to encourage senior civil servants to provide an example to more junior staff and create a culture where working with other departments is valued. Career progression structures should also reflect the importance of cross-departmental working.

- All departments should review the skills of their staff to ensure that they are appropriate for achieving greater coherence (for example, DFID should employ more political advisers).

- DFID's sole spending focus on poverty reduction under the International Development Act should be retained and even strengthened, but should be based on a broad

analysis of what drives poverty reduction. The restrictions of the Act should apply to ODA spending across government, not just in DFID. The definition of ODA should not be reopened, but DFID should have access to more non-ODA funds, particularly in order to engage more effectively in situations of conflict.

- The Government should encourage the OECD's Development Assistance Committee to provide better reporting on non-ODA spending on a limited type of clearly-defined activities that promote development, in order to grant such spending more recognition and political credit.

- All departments should engage with their civil society constituencies, and with the public, on the importance and value of the coherence agenda. DFID in particular needs to proactively communicate with the public and with Parliament in order to explain the complicated realities and ambiguities of the development process. If they are really interested in achieving effective outcomes in developing countries, the FCO and MOD have a responsibility to promote the legitimacy both of development, and of DFID, with their own constituencies.

- Ministers and politicians must make the political and public case for policy coherence, and should have the confidence to engage with the complex realities of development.

Introduction

The aim of this report is to inform the debate about the future of the UK's development policy. We assess how far UK policies are coherent from a development perspective, and what the balance is between international development and other objectives, across a range of areas. We identify some of the barriers to more joined-up government. On the basis of this analysis we make a series of recommendations for both the Department for International Development and the workings of government more widely.

The context

Over the last 12 years there have been dramatic changes in the UK international development policy landscape. When it came to power in 1997, the Labour Government created a new Department for International Development (DFID) and a seat for development policy in the Cabinet. This was followed by the untying of aid in 2001 and an International Development Act in 2002, which gave British aid an explicit poverty reduction remit. Spending on aid steadily increased to £6.3 billion by 2008, a 140 per cent increase in real terms since 1997. It currently stands at 0.43 per cent of national income, and in 2005 the Government committed itself to the United Nations' target of giving 0.7 per cent of national income in aid by 2013, a commitment it now proposes to lock in through legislation.

In many ways, Britain's international aid effort has been an enormous success, especially in the areas it has prioritised, such as health and education. Infant and child mortality rates have fallen across the developing world, more children are in school, and real progress has been made in tackling the HIV/AIDS epidemic. While these changes have been brought about by many different actors, DFID estimates that the UK aid programme helps to lift 3 million people out of poverty each year (DFID 2009).

DFID is now an accepted part of government. Opposition parties have pledged to retain DFID's Cabinet place, and to meet the UN aid target of 0.7 per cent of national income by 2013 at the latest. In the international development system, the UK carries genuine influence. It is now the biggest single contributor to the World Bank's programme for low-income countries, and has spearheaded discussions in the OECD, alongside other European donors, on how to improve the quality of aid. DFID is recognised as a world-leading development agency, and is widely seen as an example of best practice. Although the UK aid programme is by no means perfect, significant progress has been made – the Government, and DFID, can rightly be proud of the volume, quality and poverty focus of UK aid.

However, there is also a fundamental tension at the heart of UK development policy. Ever since the creation of DFID, policymakers have wrestled with a balance between the desire to focus on addressing the manifestations of extreme poverty on the one hand, and the need to engage with its underlying causes on the other.

The first approach has been framed in terms of the Millennium Development Goals (MDGs). The MDGs have also played a central role in public campaigns to increase the aid budget in the UK, such as Make Poverty History. In both public and political debate, international development has become almost synonymous with the MDGs. In turn, aid has dominated discussions about how the MDGs could be met – the UK's efforts have focused on DFID delivering aid effectively in order to support basic services in developing countries, especially health and education.

The second approach has been less about tackling the immediate manifestations of poverty, and more about shaping policies in both recipient and donor countries across a wide range of areas, from trade and migration to governance and conflict prevention, and more recently climate policy. There has been a growing recognition that poverty is affected by a wide range of factors, and that giving aid without engaging with them is not an effective long-term strategy for reducing poverty. This analysis has been apparent in UK aid programming, and DFID has been increasingly using aid to address some of these issues, and engaging with

developing country governments to improve wider policy frameworks.

Changes in aid programming and DFID's strategy in the developing countries where it works are an important part of this broader approach to delivering poverty reduction. But beyond this, a serious attempt by the UK or any other developed country to engage with the underlying causes of poverty also requires policy changes at home beyond the traditional territory of development policy – in foreign affairs and defence, in migration and trade, in finance and environment. This agenda is usually referred to as 'policy coherence for development', and is the focus of this report. Coherence is a more ambitious agenda than 'coordination'. Coordination (for example between DFID and FCO officials working in the same country) suggests communication and division of labour, while coherence suggests a more fundamental alignment of policy objectives.

DFID has become increasingly keen to emphasise that it is a development ministry, not an aid agency. A key part of this is influencing the wider UK Government to ensure that the UK's policies help deliver (or at least do not hinder) international development objectives.

It is important to note from the outset that the two approaches to international development and poverty reduction set out above are not mutually exclusive. They should be mutually supportive and reinforcing. However, DFID has to deliver ambitious objectives with finite resources, negotiating capital and political will. Quite rightly, priorities must be set, and it is not always clear which approaches and strategies will reap the greatest rewards for people in the poorest countries.

Our argument in this report is not that the Government or DFID has got it wrong in the past, but rather that now might be a propitious time to re-examine the way DFID engages with the rest of government on the wider set of issues that are so important to development.

Why coherence matters now

The evidence presented in the following chapters demonstrates that while aid from the UK can have an important impact on the lives of some poor people in developing countries, the impacts of a range of other factors on poverty and rights are both more profound and far wider. These include: the level of insecurity and violent conflict; the opportunities for and returns from trade and international migration; the extent of corruption; and the impact of climate change. This means that the UK's commitment to, and delivery of, international poverty reduction objectives needs to be judged across a range of policies that extend far beyond what is usually thought of as development policy, and that are outside the direct control and remit of DFID.

This fact has particular importance for agencies that focus on child well-being and rights, like World Vision UK (see Foreword, above). Partly because of the greater physical and social vulnerability of children, they suffer particularly from poverty and hunger, exploitation, violence and insecurity and abuses of rights. Conversely, they also benefit the most from more secure and better livelihoods for their families, from better schooling and health services and from peace and environmental stability; in short, children have the greater stake in the future. Because many of these outcomes depend far more on the range of factors outlined above than on aid, the coherence agenda should be at the centre of thinking about children's health, education and right to protection and care, both in humanitarian crises and more widely.

The importance of policy coherence has always been understood (in the UK and elsewhere), but it has never been an easy agenda to deliver, even though it has arguably grown in importance in recent years. In the last 18 months these issues have moved to the centre of UK debates about international development and poverty reduction,[1] prompting calls to

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1. For example, in 2009 these kind of arguments featured prominently in both the Government's International Development White Paper, *Building Our Common Future,* and in the Conservatives' Policy Green Paper, *One World Conservatism: A Conservative Agenda for International Development.*

think afresh about the future direction of UK development policy. There are a number of reasons for this. The first is that the world feels increasingly inter-connected. New global issues, like climate change, have risen up the agenda, while old ones like the global impacts of banking and finance policy have returned with a vengeance, causing a severe crisis with deep impacts on many of the poorest countries. Crises can have particularly negative long-term impacts on children by interrupting their education, or by limiting their access to nutrition, health care and social support during key stages of their development. In turn, the long-term impacts of crisis on children will serve to decelerate development more broadly due to the inter-generational nature of poverty transmission.

Another reason for the increasing relevance of the coherence debate is due, paradoxically, to successful development in many countries. As poverty in these countries declines, development policy is likely to become increasingly focused on the 'bottom billion' (Collier 2008, World Bank 2007b) – those people living in countries with multiple and particularly intractable problems, where states are fragile or failing, where institutions are weak, where conflict is often rife, where changes in the international economy more often have negative impacts than positive ones, and most importantly, where traditional aid approaches do not work very well (Public Accounts Committee 2009). Development policy in these contexts has to be about much more than just delivering basic services as usually defined, and in particular means being able to understand and help resolve violent conflicts. In settings like Afghanistan, Pakistan, Somalia, Sudan, Kenya and Sierra Leone, the conceptual 'firewalls' between poverty-focused development interventions and governance, security and wider foreign policy objectives have broken down.

In principle, the ambition to achieve policy coherence has been present ever since the establishment of DFID. A series of government White Papers have all given prominence to policy coherence, although the particular policy focus has shifted over time. The 1997 White Paper that established the department has a whole chapter on policy coherence and explicitly stated that DFID should not simply be an aid agency. The 2000 White Paper focused on the importance of trade and trade policy in the context of globalisation (following the failure of the World Trade Organisation summit in Seattle). The key theme of the 2006 White Paper was improving governance, while the 2009 White Paper prioritised climate change and conflict.

At the same time, the Government has tried to use its central policy and target-setting machinery to promote coherence. In 2007 it created a number of relevant public service agreements (PSAs), used to hold departments to account to the Treasury and the Prime Minister, which apply jointly across a number of departments. Thus PSA 29, which called for quicker progress towards the MDGs, applies to DFID, the FCO, DECC and the Treasury. PSA 30, which is about reducing the impact of conflict, applies to DFID, FCO and the MOD. PSA 27 on climate change is led by DECC but also involves the FCO and DFID. In turn, these PSAs are translated into departmental objectives. For example, one of the FCO's departmental objectives is: 'Sustainable development, underpinned by democracy, good governance and human rights.'

Beyond target-setting and objectives, a plethora of cross-Whitehall mechanisms have emerged over time, reflecting attempts to achieve a more joined-up government effort on development. These include a joint DFID-BIS trade unit, the joint funding pools for conflict shared with the FCO and the MOD, and a joint unit with DECC on climate change. These bodies also often oversee spending from an aid budget that has increasingly spread out across departmental boundaries, such as the £800 million environmental fund shared between DFID and DECC, and a £260 million post-conflict fund managed jointly by DFID and the FCO.

However, there is an ongoing debate on how far policy coherence has been achieved in the UK. DFID officials argue that the department has indeed become a development ministry, not an aid agency, focusing as much on influencing policies in Whitehall (and internationally)

as on delivering high-quality development assistance. Critics (inside and outside government) argue that DFID still operates primarily as an aid agency and is too separate from the rest of government; that wider UK public policy in defence and security, environment, migration, and trade is rarely approached through a poverty reduction lens (particularly where there are genuine conflicts between UK interests and those of poor countries); and that the result is a lack of clear focus or coherence in the UK's support for, and engagement with, the poorest countries.

This debate is often expressed through a more specific discussion of DFID's place within government. Some believe that defending DFID's position as a fully independent department with a specific poverty reduction remit is the only way to prevent the encroachment of other interests into the UK's policy approach to the poorest countries. Others suggest that it is this very independence that limits coherence in UK policy, and that reduces the 'voice of development' in wider UK policy decisions, and some even argue that DFID should be reintegrated into the FCO.

ippr thinks that the benefits of a strong and independent DFID clearly outweigh the costs – there is no question in our minds that DFID's position as a separate department with a Cabinet-level secretary of state should be maintained and strengthened. However, this does not mean that DFID should stand apart from the rest of government.

In some senses this debate about DFID's position in government is a microcosm of wider debates about the most effective approach to policy coherence. In the real world of politics there are genuine trade-offs to be made – between tightly focused development policies and wider influence, between short-term poverty reduction objectives and longer-term change processes, and, in some cases, between the interests of rich and poor countries. This report does not claim to have easy answers; rather, we try to set out the nature of the trade-offs that exist, explore the (explicit or implicit) decisions that have been made by the UK in the face of these trade-offs, and draw some conclusions about areas in which the evidence suggests that different choices should be made in the future.

Development in the downturn

Cutting across the policy coherence debate are the implications of a rapidly changing fiscal and political situation in the UK and elsewhere. A massive squeeze on public expenditure and a possible change of government will define the next five years of UK development policy.

The stated position of the Conservative Party is that many of the wider parameters of the consensus established since 1997 will not change. A Conservative government would keep DFID as a separate department and would maintain or even increase aid spending. There are no proposals to amend the 2002 Act which limits DFID spending to poverty reduction (Conservative Party 2009), although the Conservatives have indicated that they want to explore the possibility (within OECD DAC rules) of using more of the aid budget for security-related spending (for example, on a new Stabilisation and Reconstruction Force) (Conservative Party 2010).

However, there are likely to be considerable political pressures on DFID's budget, independence and ways of working. These may come less from the current leadership of the Conservative Party than from existing backbenchers, peers, and the new group of MPs expected to come into Parliament at the next election.[2]

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2. For example, Douglas Hurd, formerly Foreign Secretary and now a Conservative peer, recently called for DFID to be merged back into the FCO (DODS Network 2009). A survey of 144 Conservative prospective Parliamentary candidates by the website ConservativeHome showed only 4 per cent arguing that international development should be immune from spending cuts, as compared with 39 per cent in favour of protecting defence and 34 per cent for protecting health spending (ConservativeHome.com 2009). The PoliticsHome website also finds little support for protecting the aid budget among a group of respondents that includes Conservative frontbenchers, senior advisers and 'influential commentators in the right-leaning press' (PoliticsHome.com 2009).

Even if total UK aid spending is protected by the commitment to meet the 0.7 per cent target, the likely scale of public spending cuts elsewhere means that there will be pressures to re-route spending via other departments. Indeed, this is already happening to some extent – with ODA spending outside DFID rising faster than DFID's own programme spending in the last spending review. There are also likely to be calls to allocate DFID's spending in such a way as to give greater support to objectives beyond poverty reduction, especially national security. For example, a recent policy Green Paper indicates that a Conservative government would probably increase aid spending in Afghanistan and Pakistan (Conservative Party 2009).[3]

Underlying these anticipated pressures is the view – held in certain parts of the Conservative Party and among its core voters, and also parts of the press – that the traditionally liberal, welfare-centred approach to development aid is weak, and that where we give aid to other countries, it should primarily serve the UK's national interest, supporting our security and foreign policies, and commercial interests (for a sense of the recent debate, see Maxwell 2007). This argument explicitly rejects the idea that international development policy (and in particular aid) should be deliberately isolated from the national interests of rich countries like the UK. The latter idea has arguably been a driving force in UK policy in the last decade and has, for example, led to DFID's status as an independent department, with legally-limited poverty reduction goals.

This argument is also related to the policy coherence debate, because one 'progressive' response to it reverses the policy coherence argument. That response is that reducing poverty overseas is an essential and irreplaceable prerequisite for a sustainable end to conflict and terrorism, and for a thriving world economy in which the UK can prosper (see, for example, ippr 2008). In this argument, development and poverty reduction are important for wider policies, as well as the reverse.

In practice, any defence of development policy and aid in the current economic and political landscape must recognise the interdependency of different objectives. Indeed, when considering the circumstances of the poorest countries it would seem bizarre not to. This notion of interdependency between policy objectives is not confined to progressives. For example, the idea that achieving lasting security in places like Afghanistan requires non-military action such as economic reconstruction and the establishment of law and order, reinforcing each other 'like strands of a rope' (Browne 2006), is the basis for the so-called Comprehensive Approach to intervention, embraced by the UK armed forces and NATO.

It seems likely that the UK's international development actors may need to make these interdependency arguments more strongly in the future than it has in the past, in order to protect the aid budget and DFID's independence. This adds another dimension to the debate about whether or not DFID is sufficiently joined-up with other parts of Government, and on what terms.

Report methodology and structure

As well as a wide-ranging review of evidence on different policy impacts on development, this study is based on around 40 interviews with academics, NGOs, civil servants from a number of government departments, and special advisers and politicians from all the major political parties. To encourage frankness, we allowed all interviewees to speak anonymously. Names of current government officials and advisers are not listed, but other interviewees who were happy to be named are listed in the Appendix. A draft of this report was shared with all those who were interviewed as part of the research, and the final text reflects, where appropriate, further comments and feedback from interviewees.

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3. DFID currently spends around 10 times the amount in Afghanistan as it would in a country with a comparable degree of poverty but no conflict. See comments by Michael Foster, Under Secretary of State, DFID, in evidence to the Defence Select Committee, 7 July 2009.

Sections 1 to 5 examine a number of issues in turn: conflict, trade and investment, corruption, climate change and migration. These issues do not represent a comprehensive survey of all the UK policies that are relevant for development objectives, but we hope that they provide a sense of the range of challenges and issues that the UK needs to confront. Each section reviews the current state of evidence on the impacts of the issue in question on poverty and rights, especially for children, who form the main focus of World Vision's work.

We then look at how joined-up UK policy and government departments are in these areas, from the perspective of international development. We identify areas where objectives are (or could be) aligned and those where there are conflicting agendas. The objective is to assess actual coherence in practice, as opposed to just policy statements. Although many of the issues discussed here are shaped by institutions and policies at a European and/or international level, we do not have space here to do justice to these international dimensions. We would also suggest that the first step to successful engagement with European and international partners on these issues is a coherent UK approach.

Section 6 draws out some general lessons that emerge from and are common across all the particular policy areas. A final section concludes and summarises our recommendations.

1. Conflict

If human development is regarded as a process of 'expanding choice and advancing rights', as suggested by the United Nations Development Programme (UNDP), then violent conflict must surely be considered one of the most significant obstacles to achieving it (UNDP 2005). We start this section by reviewing the economic and social costs of conflict.

The economic costs of conflict

In addition to depriving millions of citizens of their basic rights to life and security, protracted violent conflicts are also likely to cause a considerable drop in levels of productive economic activity, with some studies estimating that it can take at least a decade for countries emerging from a major civil conflict to return pre-war levels of GDP per capita (Haughton 1998). While attempts to quantify the global costs of conflict have been hindered by a lack of accurate and comprehensive data, Paul Collier and others have estimated that the typical cost of a civil war is at least US$50 billion (Collier 2004). Others suggest that civil wars, on average, cause a permanent loss in income of around 2 per cent of GDP (Knight *et al* 1996). This has serious implications for levels of poverty in countries that experience conflict and for the dynamics of poverty in post-conflict situations (Justino 2006).

During a conflict, the diversion of a country's resources from productive to destructive activities involves a double loss for development in that it takes away from spending on programmes related to economic and social growth, while simultaneously inflicting costs in terms of the key infrastructure (including telecommunications systems, railways, roads, bridges, ports and energy generation facilities) that must be rebuilt after the violence ends (Collier *et al* 2003). Conflict also has an impact on the resources available for development, since political and economic instability often prompts residents to transfer their financial assets out of the country, as well as discouraging potential external investors. Furthermore, civil war serves as a powerful stimulus for emigration, and as Collier *et al* note, 'some of these emigrants, especially those in industrial countries, then provide a post-conflict channel for further emigration' (Collier *et al* 2003: 21). Notwithstanding the boost this might give to remittance levels in the short to medium term, the forced flight of financial and social capital tends to have an adverse effect on development in countries ravaged by conflict in the longer term.

At the level of individuals, households and communities, conflict can clearly have a severe impact on sustainable livelihoods. Many of those caught up in conflict will lose important assets like property, modes of transport and livestock. One study of the 1994 civil war in Rwanda estimated that 12 per cent of all households lost their homes, while cattle stock diminished by around 50 per cent (Verpoorten 2003). Others lose jobs or access to income-generation opportunities (often due to the death or military conscription of family-member breadwinners). It has been suggested by some research that after a civil war seven years in duration, incomes are typically about 30 per cent lower than they would have been if the war had not occurred (Collier *et al* 2003). Conflict can sometimes create opportunities for the very poorest individuals, if joining an army or militia groups involves monetary or other forms of reward, but the net outcome for society is usually a significant increase in the incidence of absolute poverty and inequality.

The social costs of conflict

Beyond its impact on economic growth, conflict involves significant social costs that are not simply limited to the number of battle deaths. For example, a recent International Rescue Committee report on the Democratic Republic of Congo (DRC) estimates that nearly five and a half million excess deaths have occurred in the country as a result of more than a decade of armed conflict since the late 1990s. Just 0.4 per cent of the deaths in the IRC's survey period are thought to have been the direct consequence of violence, while most are thought

to have been caused by infectious disease, malnutrition or neo-natal and pregnancy related conditions (International Rescue Committee 2007).

Another study, on Sierra Leone, surveyed four rural districts in conflict-affected regions and found that three years after the end of a decade-long civil war, the average crude mortality rate in these areas was nearly four times higher than the Sub-Saharan baseline. Similar findings have been made in relation to civil wars in Angola, Liberia and Southern Sudan, while a wider study of 51 countries affected by armed conflict shows a strong link between conflict and the risk of death and disability for years after the violence has ended (see Médecins Sans Frontières 2006, Sapir and Gomez 2006, Becker *et al* 1993, Ghobarah *et al* 2004).

Mass population displacement is another consequence of violent conflict that has serious implications for development. In 2007, the estimated number of people internally displaced as a result of conflict and violence exceeded 26 million for the first time since the early 1990s, with 52 countries around the world having experienced significant levels of displacement (Internal Displacement Monitoring Centre and Norwegian Refugee Council 2008); note that three countries in particular – Sudan (5.8 million), Colombia (4 million), and Iraq (2.5 million) – accounted for almost half of this global total. Internally displaced persons (IDPs) often have limited or no access to the basic necessities of life such as food, water and shelter, and as a result of the breakdown of law and order that accompanies conflict, they frequently suffer violations of their human rights through arbitrary attacks, detentions or arrests. Women and girls among the IDP population are exposed to rape and exploitation while children often lose access to educational opportunities they may have had previously.

Internally displaced populations also face serious risks from infectious disease as a result of poor conditions in many IDP camps, and because of disruptions to essential health services. For example, malaria had virtually been eliminated in Afghanistan by the end of the 1970s. However, the collapse of control programmes during the 1978–1995 civil war allowed its re-emergence, and by 2002, more than 50 per cent of the population was living in malaria-endemic areas (Gayer *et al* 2007).

The displacement that usually accompanies protracted conflicts has a further 'spill-over' impact on development, in that violence in one country often affects the stability of its neighbours. The interconnected conflicts in West Africa over the past decade – in Liberia, Sierra Leone, Guinea, Côte d'Ivoire, Guinea Bissau and Senegal – are a prime example of this, while the movement of rebel groups, refugees and small arms and light weapons across the border between Uganda and the DRC has also served to perpetuate conflict and inhibit development in both countries until very recently.

Conflict and child well-being

Exposure to conflict and violence has a particularly negative impact on children and young people. As highlighted by a key report in 1996, children are rarely bystanders in wars and civil conflicts, but are often direct targets or active participants. In addition to the number of young people that are killed or injured by war, 'countless others grow up deprived of their material and emotional needs, including the structures that give meaning to social and cultural life' (Machel 1996). Violent conflict usually puts substantial limits on the state's capacity to provide essential health and education services, and there are a number of studies that draw on empirical evidence to demonstrate the adverse effects that this has on young people (see Bundervoet *et al* 2008 and Shemyakina 2006).

For example, the prevalence of malnutrition and the rate of mortality among children under the age of five in Uganda are significantly higher in areas of the country affected by conflict. School attendance is also much lower in some conflict areas, with only 43 per cent of children in the Karamoja area attending primary school, compared with 82 per cent at the national level. This recognition of the particular harm caused to children by conflict has led

to the creation of specific international legal protections for children in situations of armed conflict, including a 2005 Security Council resolution which established a UN Working Group on Children and Armed Conflict, including a monitoring and reporting mechanism.

Although the emotional consequences of growing up in an environment of conflict are harder to measure, there is a broad consensus in the literature about the harmful impacts doing so has on young people. Children that lose their parents or other relatives as a result of conflict are frequently required to take on additional responsibilities to help support the family, which may involve dropping out of school, working on the streets or engaging in sex work and other dangerous activities as a means of making money. Others may be conscripted (either by force or voluntarily) by armed groups and used as soldiers or for non-combat purposes, including the provision of sexual services (UNICEF 2009; see also UNDP 2006). After the conflict ends, these young people are often stigmatised by their societies for having committed war crimes and find it difficult to successfully reintegrate, compounding the trauma they experience as a result of taking part in conflict (Zakaria 2006).

DFID's approach to conflict and development

DFID has had a dedicated section working on conflict since the late 1990s. Initially, the department's engagement in situations of conflict was largely to provide humanitarian relief to affected civilian populations. Over time, working in conflict-affected or insecure countries has become more central to DFID's work, and it is now spending around £1.5 billion a year – almost a quarter of its total spending – in countries classified as insecure. Some of the largest increases in DFID's programmes in recent years have come in highly insecure countries, such as Afghanistan and the DRC (Public Accounts Committee 2009). DFID programmes have also branched out into conflict prevention and rehabilitation and reconstruction after conflict. The department has become increasingly involved in wider government policy on security and conflict too (such as contributing to national security strategies and assessing UK arms exports[4]).

The 2009 DFID White Paper places a special emphasis on conflict resolution (see Box 1.1), providing a deeper analysis that brings peace-building together with state-building (that is, building inclusive political settlements and strengthening institutions), and a commitment to treating security and justice as a basic service, alongside health and education (DFID 2009). It has been widely welcomed, both by external stakeholders and by other government departments.

Several of our interviewees felt that in some areas the new White Paper catches up with what DFID is already doing on the ground. But as a statement of Government purpose, it also sets out a new agenda for conflict reduction and state-building which needs to be put into practice.

There are varying views on how easily DFID can achieve such a shift in focus. Some observers, both within DFID and outside, see a tension within the department between those who work directly on conflict analysis and prevention, and 'classic aid practitioners' or 'development professionals' focused on achieving the MDGs through the delivery of basic services like health and primary education. It is argued that the latter group make up the 'core' of the department, hold the majority of senior decision-making posts, and come from a particular professional perspective of development policy which is sometimes technocratic, whereas really tackling conflict and building states requires a more political perspective. One implication of this view is that new staff, with new skills, will increasingly be needed as DFID's focus shifts over time.

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4. The arms export regime is one of several important issues which, for reasons of space, we have not been able to discuss in detail in this report.

Box 1.1: Conflict and development in the 2009 White Paper

There are three elements to the approach to conflict in the White Paper. The first is a focus on the underlying causes of conflict, and the recognition that building inclusive political settlements that are more than just bargains between elites is critical, since it is only these settlements that are sustainable. This approach will often mean addressing problems such as social and political exclusion, poor governance, and high levels of unemployment, as well as strengthening formal and informal conflict resolution mechanisms. The White Paper recognises that in fragile states the formal and informal mechanisms required to mediate conflicts peacefully are often lacking and that formal mechanisms are more often than not subverted by corruption.

That the White Paper includes such an explicitly political approach is striking, because an oft-stated criticism of DFID is that it is too technocratic (and conservative in its thinking as a result). This point is made not only by those elsewhere in government (for example the FCO) and by external commentators, but also sometimes from within DFID itself. For example, the recent evaluation of DFID's programme in Afghanistan noted that underlying political problems were recognised only belatedly (Benett *et al* 2009). It is also important because it allows for the recognition that aid itself can exacerbate conflict under certain circumstances (see House of Commons International Development Committee 2006, CRISE 2007).

The second element relates to state-building, which is about strengthening the 'survival functions' of the state, the most important of which is to provide citizens with security and the rule of law. At the same time, the White Paper is clear that it is critical that the survival functions are strengthened with accountability to populations, recognising that if, for example, security structures are strengthened without accountability, there is a risk of increasing repression.

A third element is about meeting the expectations of the population. Within this context, one interesting attempt to lock conflict reduction into the core of DFID's activity is the framing of security as a 'basic service'. One interviewee argued that this was particularly important because DFID is committed to spending 50 per cent of its budget on basic service provision. However, meeting people's expectations is not just about basic services: it is about a broad definition of accountability, including democratic inclusion, human rights, dealing with corruption and poor governance.

Others, including some senior staff in DFID, argue that the department moved away from a service delivery approach several years ago, that there are now very few pure aid administrators left there, and that most staff (at least in London), are mainly concerned with wider policy issues – as the quote from Nemat Shafik below shows, for example. They point to the fact that DFID has been carrying out analyses of what drives local capacity and institutions, such as the Drivers of Change series and more specific strategic conflict assessments, for a number of years, and note that governance was a major theme of the 2007 White Paper (DFID 2007). In the words of the Permanent Secretary: 'What we have learned over the last few years is that avoiding one conflict is equivalent to all [the] foreign assistance in the world, so if we can just maintain stability in the country for a period, that has huge economic benefits' (Nemat Shafik in evidence to the Public Accounts Committee 2009: Ev 8).

One reason for why there are such different views about the nature of DFID may be that while it has progressively invested in political analyses of weak and failing states, and indeed of open conflicts, it has struggled to put these analyses into practice (Unsworth 2008). Cases such as Nepal, where a strategic conflict assessment fundamentally changed DFID's aid programme, still appear to be relatively rare.

Moreover, because DFID is so highly decentralised on the ground, the way in which the White Paper conflict agenda can be pushed from the centre will be limited. For example, there is currently no overarching central strategy for the deployment of conflict advisers (CAs), who are often critical for developing country aid programmes that recognise and address conflicts. Whether or not an office has a CA depends on the head of the country office and the issues they are choosing to prioritise. This can lead to what appear to be anomalous situations. There is no CA in Pakistan, for example, although there are two in Nepal.[5] There is no CA in Zimbabwe but there is one in Uganda. Some work has been done within DFID to try and systematise the mainstreaming of conflict issues into aid programming in-country, but not enough.

A final but crucial point is that in most cases where DFID is trying to prevent or resolve conflicts, it is not working alone. British troops are sometimes directly involved, as in cases like Sierra Leone, or now Afghanistan; or more often, UN peacekeepers. In an increasing number of cases, conflicts in the countries where DFID is working are related to wider issues, such as terrorism or international crime, where UK national interests are at stake.

How coherent are UK policy objectives on conflict and development?

Over the last two decades, addressing violent conflict in developing countries has moved up the UK policy agenda. This is partly because of the growing recognition of its importance for development as described above, but also because the UK has been involved in a number of direct military interventions in developing countries, including Sierra Leone in 2000, Afghanistan from 2001 and Iraq from 2003. Changing policy has reflected the lessons learned from these experiences.

Based on its experience over the last 20 years, the MOD has become much more aware of the importance of the wider civil context for achieving security. One interviewee pointed out that because the British armed forces have increasingly been deployed as much for reasons of humanitarian intervention – 'as a force for good' – as for strategic national interest, 'we [the MOD] have an interest in working with DFID and others in preventing and resolving conflict'.

The recognition of the failure of a purely military approach in such contexts has given rise to what is known in military circles as the 'Comprehensive Approach', which is the need for the military to work in a joined-up way with civilian counterparts to underpin security with economic development and institutional reconstruction (MOD 2006).

The formal overarching framework for policy is now given by PSA 30, which has applied jointly to DFID, FCO and the MOD since 2007, and is aimed at reducing the impact of violent conflict.[6] Each department in turn has objectives and targets relating to PSA 30.

Meanwhile, the FCO is also governed by PSA 30, and has its own targets for conflict resolution. It currently spends over £400 million a year on conflict – its largest single programme. At the same time, the FCO also has an explicit objective to promote sustainable development internationally. The FCO also has a specific work stream on children in situations of armed conflict, and is seeking to improve coherence across government on this issue in particular.

How joined up is government in practice?

Below these high-level statements of principle, it is clear that the story of UK policy coherence is much more complex, and that joined-up government on conflict in developing countries is still very much a 'work in progress' (as described by Lord Mark Malloch-Brown,

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5. We understand that a conflict adviser is now being recruited in Pakistan.

6. Action on conflict could be broken down into several constituent parts, for example, conflict prevention, conflict resolution, providing security and peace-keeping, and post-conflict reconstruction. Thus far, the focus has tended to be on the last three areas, with conflict prevention something of an orphan issue, partly because of the lack of visibility of impact and therefore the difficulty of gaining political support for expanding it. For DFID, this may change with the approach taken in the 2009 White Paper.

Minister for Asia, Africa and the UN at the FCO, on the Comprehensive Approach to the Defence Select Committee [2009, Q 304]). A picture emerges of some basic historical and structural tensions, with significant recent efforts to overcome these.

It is easy to forget how different the machinery of the UK Government looked just two decades ago. The FCO was the main lead on all overseas issues, and the MOD was preoccupied with the Cold War. Over the last 15 years, in the words of one FCO interviewee, 'everything has become more complex, more overlapping. MOD now works in fragile states. DFID now exists. Leads are less clear.'[7]

And while new headline policies for coherence have been introduced in the last few years, the FCO, MOD and DFID all have different historical raisons d'êtres and cultures, which have not disappeared overnight. Core skill sets have not yet adjusted to the new policy landscape. The FCO and MOD are driven primarily by UK interests and security, and their humanitarian objectives have to be balanced by others, such as reducing the risk from international terrorism. By contrast, DFID has a far more internationalist, humanitarian agenda, and through the International Development Act, DFID spending cannot be tied to national interest. As Bill Rammell MP, Minster for the Armed Forces, put it to the Defence Committee:

> If I am honest, I think there are still cultural challenges between all three of our departments in that the military, aid workers and diplomats have a different mindset when they come to a problem initially but some fundamental shared interests. I think we still need to do more to ensure that we can break down those barriers. (House of Commons Defence Committee 2009: Q 303)

One of the most important ways in which the different cultures and approaches of DFID, FCO and MOD are manifested is in their timeframes. Whereas the MOD often has an immediate security focus, and the FCO is used to dealing with crises and political events occurring over weeks or months, DFID's focus on poverty reduction and sustainable development necessitates much longer timeframes, often stretching to decades. This contrast in timeframes, linked to different traditions and ways of thinking, applies even within areas of activity that all agree are important. As one interviewee put it, DFID wants to build the capacity of a country so it can build its own schools, while the British army wants to build the schools and get out. For a number of interviewees, including some at very senior levels, this difference is the nub of the policy coherence problem when it comes to conflict and failing states.

These different background agendas, departmental cultures and timeframes for action and thinking mean that, despite progress towards coherence and better joint working (see below), there are nevertheless still tensions, with some interviewees feeling that departments are not close to one another and still do not own each other's objectives. A common perception of DFID, from FCO and MOD interviewees but also more widely, including from senior political advisers at the centre of Government, was that it had not always been a 'team player', and saw itself as standing apart from other government departments.

Much of the recent debate on the relationship between DFID, FCO and MOD has been driven by cases such as Iraq, Afghanistan (see Box 1.2) and Pakistan. In these cases the UK has a military presence relating to international security, or a set of national security

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7. The full complexity of how departmental relationships can work out on the ground was brought out by one interviewee in the MOD: 'The FCO have the lead on foreign policy in-country, but if the country goes down the tubes, at some stage we might be called in as the armed force to try and stabilise, do a peace support operation or something like that… At which stage – let's say Iraq in 2003 – we end up sort of being the lead agency…while war, fighting, peace support happens. As soon as we can, we want to transition back to one of the other government departments, and we want to go, but quite often we're caught in there for a longer period of time. Ideally, if it's a country that…needs stabilisation, because it's a failed or failing state…or it has no infrastructure, DFID would be the next organisation after we've…dealt with the enemy…to do some of the development work. Once that's happened, in conjunction with the FCO, then clearly it would it would go back to the FCO.'

concerns, or both, and a great deal is at stake politically. As a result, the tensions between DFID and the other departments have come out more strongly. There is a risk that these high profile cases, which are also some of the most challenging but account for a relatively small part of DFID's work, will dominate thinking about DFID's wider role or approach.

Box 1.2: Afghanistan

Afghanistan is a difficult country to work in, with high levels of insecurity, an opium poppy-based economy and widespread corruption. The experience of joint working between DFID, MOD and FCO in Afghanistan illustrates some of the challenges and tensions that arise in delivering development in such countries.

DFID started a programme in the country in 2002, following the military intervention in 2001, and will have spent over US$1 billion by 2013. DFID's programme has evolved in distinct phases since 2002, from limited humanitarian assistance, through attempts to build the capacity of the central government in Kabul, to an additional focus on Helmand Province in the South West since 2006 (Bennett *et al* 2009).

One past problem with DFID's attempts to develop the capacity of the Afghan government has been that it has been quite technical, focusing on public administration by formal institutions. In the words of a recent evaluation, 'until recently, relatively little attention was given to developing a political economy and conflict analysis to underpin…strategic choices made' (Bennett *et al* 2009). Progressively less attention has been given to security sector reform, which has also been criticised.

Further controversy has arisen from the role of DFID in Helmand, where the UK military was deployed in 2006. The department suffered from the fact that it was some time before the UK Government had a shared strategy for security and development, and in the words of the evaluation: 'Pursuing multiple objectives in Helmand was initially problematic because approaches towards counter-insurgency, stabilisation, counter-narcotics, peace and development were not necessarily mutually reinforcing' (Bennett *et al* 2009: xiii).

Tensions between DFID and the MOD in Helmand arose in two main areas. In immediate post-conflict situations, the military were keen to pursue what are called 'Quick Impact Projects' (QIPs), giving tangible benefits to local populations, such as building schools or digging wells. QIPs have been the focus for some

discontent. The MOD tended to see them as about enhancing the legitimacy of British forces; DFID was in some cases reluctant to support this approach, because it saw enhancing the legitimacy of the local host government to be more important for long-term sustainability, and/or because the quality of some QIPs has been dubious. Additionally, according to one interviewee, it proved difficult for DFID to fund delivery partners in Afghanistan and to get things up and running as quickly as the military wanted:

> There has been a lot of criticism of DFID. But it is too simplistic to blame failures in Afghanistan on lack of risk taking and lack of willingness by DFID. The Government had unrealistic expectations of what could be achieved by DFID in these circumstances. Not a failure of DFID but a failure of the broader strategy. The relationship is a lot better now.

The other problem has been about security. In the words of one FCO interviewee:

> The military operated under unrealistic expectations of what would happen. Part of this came from Helmand where the military operated a very forward strategy and expected DFID to be there instantly in order to follow up with aid and reconstruction work. But the military was not able to deliver the security, or provide armoured cars and vehicles.

The UK strategy in Afghanistan has evolved, and lessons have been learnt. DFID reports that cross-Whitehall working has been 'transformed' by more joined-up strategy since 2007/8. In addition to a single cross-government strategy, ministers now meet more frequently, and government spending priorities are agreed across departments. On the ground, a single command structure with civilian leadership for the Helmand Provisional Reconstruction Team (PRT) has helped to resolve tensions between DFID, MOD and the FCO. The Helmand experience has also prompted efforts to coordinate a joint military and civilian capability with special training, specifically for post-conflict stabilisation and reconstruction (see below).

In cases such as Pakistan or Afghanistan (and increasingly in places such as Somalia and Yemen) the challenge for DFID is to ensure that the development perspective does not get lost in the prioritisation of military and counter-terrorist objectives. But in most of the countries in which DFID works there is a very different kind of problem, namely that the rest of the UK Government does not pay sufficient attention.

The Democratic Republic of Congo (DRC) is a good example. DFID has its fifth largest programme there and the FCO now has a significant presence too. Despite the fact that the humanitarian impact of conflict in the DRC is on a far greater scale than it is in Afghanistan or Pakistan, the security threats to the UK are much less evident and there are no strategic alliances at stake, and as a result the UK only deploys two military advisers.

How far this will change in the future, with PSA 30 and other mechanisms, is unclear. However, it will almost certainly require DFID to make a stronger and more effective case to all the relevant parts of government for engaging with the development agenda. This in turn will require DFID to be closer to other departments.

We found some evidence that this is already happening. While there was much awareness of the tensions and differences between DFID, the FCO and the MOD, it was striking that officials from all three departments emphasised the progress made in mutual understanding and forging shared objectives. In the words of one FCO interviewee: 'My impression, based on being in and around Whitehall for 20 years is, actually, we're far more joined up now than we've ever been.' [8]

Similarly, a DFID interviewee emphasised that the importance of state-building is increasingly recognised by the MOD, while an MOD interviewee argued that DFID has come a long way over the past few years and there is a much better understanding that security, stabilisation and development all go hand in hand. Within DFID, the view was put that the department is 'belatedly' willing to engage with objectives of other government departments, and getting better at making its case.

Our interviewees emphasised a growing recognition and use of skills in one department by another, with examples of DFID drawing on the analysis and intelligence of military attachés in Central Africa, and the MOD coming to recognise the value of a development perspective in Afghanistan in the last two years. Perhaps most crucially, there seems to have been a recognition and acceptance of the different timeframes that different departments are working to.

Departments have also gained valuable experience of each other through cross-government mechanisms, especially the Conflict Pools and the Stabilisation Unit (see Box 1.3).

The view that there have been significant changes in the way that the three departments regard each other and work together is echoed in recent civil service capability reviews undertaken by the Cabinet Office. The review of DFID concludes that: 'DFID's relations with other government departments have significantly improved' (Cabinet Office 2009a: 9). The FCO review notes that: 'At senior level, the working relationships with the DFID and the MOD have improved noticeably. This is as a result of concerted efforts by the Permanent Secretaries in particular, who, for example, now undertake joint trips to key posts to gather evidence of progress on the ground' (Cabinet Office 2009b: 10). The MOD is praised for: 'continuing to support improved ways of working between the military and the Foreign and Commonwealth Office and the Department for International Development on operations' (Cabinet Office 2009c: 10).

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8. Discussing the Comprehensive Approach, Michael Foster, Under-Secretary of State at DFID, put it thus: 'When I worked in industry I was a believer in continuous improvement, and I think that is what we have seen from the early experiences of joint working, for example in Bosnia in the 1990s compared with where we are now. There has been a real improvement in the relationships and how the three departments and different personnel work on the ground.' (House of Commons Defence Committee 2009: Q304)

Box 1.3: Cross-government mechanisms on conflict and development

Closer working between departments on conflict and security has been both facilitated and further encouraged by the development of some post-1997 cross-Whitehall mechanisms. The most important are the Conflict Prevention Pools (CPPs) and the Stabilisation Unit (SU).

Conflict Prevention Pools (CPPs)

CPPs were originally set up in 1999 by then Secretary of State for International Development, Clare Short, as a way to fund the training of troops in Africa, which in the words of one interviewee, 'wasn't on MOD's radar at the time'. The idea came out of the experience of Sierra Leone, which showed both the need for and the difficulties involved in organising funding for conflict prevention interventions that involved both DFID and the MOD. The Africa CPP was soon followed by a Global CPP. The work of the Pools has widened over time, and now includes key activities relating to children's well-being and rights, including trying to ensure effective implementation of UN Security Council resolutions relating to women and children in conflict, and to the demobilisation and reintegration of child soldiers.

DFID, the MOD and the FCO all put resources into the CPP (although DFID contributes the lion's share and also financially manages and 'owns' the pooled funds), but only some of the expenditure counts as ODA. The mechanism has a steering board with tri-departmental representation.

The CPP was viewed by all our interviewees as a good idea in theory, and a tool that some other countries (particularly the US) look at with envy. There was a view that the CPP does encourage joined-up thinking, and that the cultural changes it has brought to all three departments have been as valuable, if less tangible, than programme outcomes. However, there was also a general consensus that the implementation of projects was patchy, depending on the individuals leading them, and that the budgets involved were too small for its work to have lasting impact.

Stabilisation Unit (SU)

The SU was set up much more recently, out of the recognition that the early approach in Afghanistan suffered from a lack of common understanding and strategy across departments, and insufficient skills. The SU tries to meet these gaps, working to the three parent departments of DFID, the FCO and the MOD. Its key responsibilities include organising the training and deployment of civilians who can work in insecure environments, and learning and disseminating lessons from past experience. This has recently been brought together in the form of the 1000-strong UK Civilian Stabilisation Capacity (CSC), which is made up of civilian experts from a range of fields, including civil servants from a number of government departments.

The Unit was described by one interviewee as an 'enabler' – it can bring people together so they can get a better understanding of each other's culture, but it can only achieve what the parent departments are willing to put in and allow.

There is also a view that a momentum now exists. Sufficient effort has been put into investing in relationships and approaches on conflict that this attitude is now 'in the bloodstream' of all of the three main departments, in the words of one interviewee. With failed and failing states very likely to be high on the agenda over the next decade, the MOD, FCO and DFID are likely to be working together closely in a number of countries for the foreseeable future.

The situation in-country

Outside of Whitehall, on the ground in developing countries themselves, there appears to be considerable variation in how joined-up UK Government thinking, strategy and action on conflict and security is, both across developing countries, and within any one country over time.

As discussed above, DFID is quite devolved, so the head of the country office has a large say in how programme resources are deployed, such as the decision about whether or not to have conflict advisers. The main inter-departmental relationship is with the FCO, and depends quite considerably on the individual head of office and High Commissioner or Ambassador involved.

In some cases – DRC and India have been cited as current examples – where country-specific objectives are agreed and where joint units looking at a specific problem are set up, the relationship is close. In other cases, especially where there is no agreed tri-departmental strategy, and where the DFID office is not located in the High Commission or Embassy, it may not be. The different timeframes of the different departments discussed above are often as much of a problem in-country as they are in Whitehall.

There are an increasing number of countries in conflict for which the UK Government does have agreed cross-Whitehall strategies (see below), and in some cases, even joint departmental country units in London. Such arrangements should help joined-up approaches to conflict in-country. However, this will only work when there is also coherence between the approach in-country and in Whitehall (see Box 1.4 on Sudan).

At the same time, it is clear that new tools are needed for immediate post-conflict situations where the UK has itself been actively involved in military action, partly because domestic political expectations are understandably different in such situations. A joint military-civilian

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Box 1.4: Sudan

Sudan provides an example of how difficult it can be to achieve this coherence, and also how having a cross-government mechanism in place, such as a country unit, is not sufficient by itself. In principle, the FCO and DFID have joined up objectives on Sudan: achieving a Comprehensive Peace Agreement and reducing poverty. There is a Sudan Unit in London, located in the FCO, as well as a Special Envoy, who works to both the Foreign Secretary and the International Development Secretary.

In the constantly shifting and complex environment of Khartoum, DFID and the FCO have had a good relationship, and over time have developed considerable capacity to analyse the Sudanese government's role and motivations in relation to the Darfur conflict, which is the dominant problem in the country. This relationship is particularly important for DFID, as the FCO has generally had better access to the Sudanese government – which has been more interested in foreign policy incentives, such as the normalisation of relations with the US or opening up the issue of the indictment of the Sudanese President at the International Criminal Court in the Hague, than in developmental ones, like debt relief.

The Sudan conflict is a highly political issue at the international level – for example it is a high profile issue in the US – and ministers, wary of negative headlines about support for the regime, have favoured a low risk focus on humanitarian aid and basic services. The challenge for the arguably better-informed DFID and FCO offices in Khartoum has been to persuade ministers to take risks in a difficult environment, by taking on more complex institutional issues, such as security sector reform, or indeed the larger political trade-offs.

The Sudan case – where a central unit in London has more power than better informed in-country offices – may be an unusual one, but it shows the need to think about relationships between London and posts, as well as between departments.

capacity is urgently needed, into which both DFID and the MOD can input. Progress has been made through the Stabilisation Unit and the Army (and now through the new Civilian Stabilisation Capacity) to provide this capacity. However, if these existing arrangements are not effective in bridging the gap between short-term military engagement and long-term development engagement, then a separate joint stabilisation and reconstruction force should be developed, as recommended by ippr's Commission on National Security (ippr 2009).

Despite recent improvements, joined-up government in countries like Afghanistan will remain challenging. It is also worth noting that the debate about DFID's role in Afghanistan can be quite inward-focused, while both the military intervention and the development assistance effort are international. There is thus an additional value to having a coherent strategy across the UK Government, based on shared analysis, since this can avoid problems arising from the challenges of maintaining key international relationships.

Conflict: conclusions

Despite some of the sharpest difference in cultures and objectives, and some of the greatest political pressures (or perhaps because of them), conflict is one of the areas in which DFID has changed the most in recent years, and has worked hardest to achieve greater coherence. Crucially, this is taking DFID in the direction of greater awareness and analysis of politics.

A series of experiences, not all of them successful, in Sierra Leone, the Balkans, Iraq and Afghanistan has been an important shaper of closer working between the MOD and DFID, with the realisation that they need each other in order to deliver conflict prevention, stabilisation and reconstruction. However, this process is far from complete. The emphasis on conflict prevention and resolution in the 2009 White Paper is still a statement of intent, and DFID will have to change the way it works in order to deliver the vision. At the same time, the development agenda is not taken as seriously as it should be in the FCO and MOD. There remain tensions over resources in areas like the training of militaries. A key issue is therefore how the process of greater coherence between the three departments can be maintained and accelerated through a period of likely political change.

It is also important that improved coherence is effectively communicated – past tensions between DFID and the MOD in Afghanistan and elsewhere have left a lasting impression of un-joined-up government in some quarters (and especially among those who work on security and conflict issues). Such perceptions could be damaging to DFID's position in the medium to long term.

2. Trade and investment

Over the past few decades, it has become clear that trade and investment are central to the development debate. The most basic, but perhaps most important lesson that has been learned is that the economic resources available to poor countries through trade are much larger than those coming from aid. In 2008, total aid from OECD countries was around US$120 billion, with the least developed countries (LDCs) receiving around one-third of this, at just over US $40 billion. By contrast, total exports from developing countries in 2007 were worth US$5.2 trillion, over 40 times the size of aid flows. The contrast for LDCs is much less – exports in 2007 were worth about US$126 billion, but this is still roughly three times the amount of aid they received.

Trade and development outcomes

Historically, exporting has usually been an essential part of the process by which very poor countries have escaped poverty. In the regions that have seen the most dramatic falls in poverty – East and South East Asia – the growth of exports has played a central role in economic growth and poverty reduction (World Bank 1993). This remains true today, with examples such as Vietnam and Bangladesh showing the importance of exports for increasing incomes. In China, around 200 million people have escaped from extreme poverty since 1980, largely through working in the export sector. Very few countries have eliminated poverty without trade playing a major role.

However, the developmental benefits of trade depend on a number of factors. These include: the type of products traded, how far the gains from trade are passed through to workers and farmers, and how far trade resources captured by governments are used efficiently and accountably for public services (UNCTAD 2004).

Many of the world's poorest countries, especially those in Africa, are actually quite export-oriented. But their exports are often heavily concentrated in low-value agricultural commodities (UNCTAD 2002). These economies will benefit when there is a surge in commodity prices (as was the case in the few years leading up to mid-2008). However, the international financial crisis has underscored the fragility of Africa's recent expansion, and export values are expected to fall by 40 per cent as a result (Committee of African Finance Ministers and Central Bank Governors 2009). After a few years of sustained strong growth and high levels of optimism, economic growth rates were expected to fall to 1.5 per cent in 2009 (IMF 2009).

Moreover, in the long term, the value of commodities relative to manufactures is in decline. It is only by moving up the 'value chain', and by diversifying into progressively more valuable manufactured products, that countries have historically used trade as an escape route from poverty.[9]

The extent to which poor people benefit from trade also depends on how gains are distributed, and what kinds of activity are displaced by production for world markets. In agriculture, much depends on marketing arrangements. Historically, farmers have often suffered because of state marketing boards that captured most of the revenue from traded crops (Rodrik 1998), and then, following liberalisation, from monopoly private marketing agents. Over the years, there have also been many concerns about the impact of export crop production on food crops and food security, and in particular about the fact that women and children may lose out as a shift towards export crop production means greater control over

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9. Some countries will find it harder than others to diversify out of agricultural or other natural resource exports, because of their relative availability of land, labour and capital, known as 'factor endowments'. Wood (2002) argues that Africa will always have a greater ratio of primary processing to manufacturing production than East Asia as Africa is relatively land-abundant and labour-scarce while others, including Rodrik (2004) and Collier and Venables (2007), argue that comparative advantage is, to a degree, acquired and they attribute far greater importance to effective trade and industrial policies.

cash incomes by men. In fact, research suggests a complex picture in many different settings, with outcomes depending on the details of the kinds of food and export crops involved, as well as the gender divisions of land and labour (Maxwell and Fernando 1989, Whitehead 2008).

In manufacturing, producing for export typically means that higher prices can be obtained for goods than are available in the local economy. However, the impact on poverty depends on how much of these gains are passed on to workers in wages. In most cases, wages for workers in the factories producing for export will be higher than incomes that can be earned in farming or in local services, although they will of course be much lower than incomes in developed countries. This contrast often prompts concern about exploitation, and has driven the fair trade and trade justice movements.

Rising real wages were a key part of the story of poverty reduction through trade in countries like South Korea and Taiwan. But two developments in recent years have raised concerns that new limits to wages in developing countries have started to emerge. The first is the entry of China into the world economy as a major manufacturer. There is some evidence that the vast reserve army of labour in that country is slowing wage growth globally (see Kaplinsky 2005). The second is the progressive liberalisation of capital since the 1970s. As investment becomes more mobile, investors have been more able to move on from countries as real wages rise, and seek out new locations for low wage production. This can be seen in industries like garments, where investors have moved from the original newly industrialising countries (NICs) to China, Bangladesh, Vietnam and Cambodia.

The other aspect of trade is the role of imports. This role is complex. On the one hand, imports make products available to people, including the poor, at lower prices than the domestically-produced alternatives. This is good for poor consumers, but has often meant that workers or farmers lose their livelihoods. In the longer term, and if the private sector has the capacity, imports can actually help domestic producers, by giving them information on what companies in other countries are producing, and to what standard. Both producers in the early NICs, and more recently Chinese companies, have successfully used imported goods (and ideas) as the basis for their own enterprises.

Trade and child well-being

The general impacts of trade outlined above all affect the well-being of children. But trade affects different groups in different ways, and this means that trade has specific consequences for children. Among the poor, men and women have often been affected differently by the growth of manufacturing exports in developing countries. Male workers predominate, but some sectors, such as the garment industry, tend to generate a large number of employment opportunities for women. Women are often better off when employed in these export sectors than in alternative employment (or unemployment) in the domestic economy. Moreover, increasing earning opportunities for women raises household well-being to a greater extent than does expanding earning opportunities for men (Kabeer 2003). The extent to which this translates into improved child well-being depends largely on complementary policies, including availability of childcare (Barrientos *et al* 2004).

Trade can have more direct impacts on child well-being when it affects the livelihoods of communities and families, with consequences for children's work and education. A key issue in the spread of low-cost manufacturing for export in developing countries has been the use of children as workers. Although the abuse of children is frequently even worse in factories and workshops producing only for the home market, child labour in global markets is clearly deeply problematic, and formed an early focus for the corporate social responsibility (CSR) movement. NGOs campaigning on the issue have developed a sophisticated understanding of how to approach the problem, including the need to avoid driving children into even more dangerous or undesirable situations, such as sex work. Trade and foreign investment have different impacts on child labour in different circumstances, depending on the impact on

wages for unskilled workers – in some countries evidence suggest that child labour has increased as a result of trade, while in other countries it has reduced (in part because trade has helped to increase returns to education) (ILO 2006).

DFID's approach to trade policy and development

In the run-up to the 1997 election, officials recognised that the incoming government not only intended to set up a new department for international development, but also wanted to take a new approach to trade policy. This new approach would move away from a mercantilist defence of UK companies to a position that UK interests were best served by wider prosperity; it was considered that a liberalising approach to trade was the way to achieve this. According to an interviewee involved in this process, staff in what was then the Overseas Development Administration in the FCO made plans for the creation of four new teams to work on trade issues, recognising that developing policy capacity was the way to seize the agenda.

This investment in trade policy analysis was reflected in the 1997 White Paper, where it was stated that 'the full range of Government policies affecting developing countries, including environment, trade, investment and agriculture, take account of our sustainable development objective' (DFID 1997: 7).

Trade policy debates – liberalisation versus 'policy space'

To understand DFID's approach, it is necessary to briefly explore the main debates in trade policy. Since the 1980s, a particular view on trade and development has come to predominate in many development institutions, including the World Bank. This view, which is held by most economists, draws attention to strong empirical relationships between the expansion of trade, economic growth and poverty reduction, and concludes that all countries – in both the North and the South – should be removing barriers to trade and investment, in the form of tariffs, subsidies or other policies (see for example Dollar and Kraay 2002, Dollar 2005). The pursuit of trade and investment liberalisation has also been the driving force behind the World Trade Organisation (WTO). A good example of the debate over the potential gains to the poor in developing countries from trade liberalisation is in agriculture (see Box 2.1).

Among other things, the debate on trade policy and agriculture shows the importance not only of whether developed country markets are open to imports from developing countries, but also the capacity of developing countries to export into those markets. This applies even more strongly to manufactured products, in which developed country markets are already more open.[10]

Many trade policy analysts have recognised these limits, and have placed increasing emphasis on complementary policies within developing countries to strengthen their abilities to take advantage of increased market access opportunities. Reforms to produce an 'enabling environment' for exporters include reducing regulation, increasing transparency of government, clarifying and enforcing property rights and providing incentives such as tax-breaks to investors.

However, in recent years, some economists have questioned the orthodoxy that liberalisation and a harmonised enabling environment is the best way for developing countries to make the most of trade. Rodrik (2007), for example, observes that some countries that have done

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10. Lockwood (2006) points out that poor market access cannot account for differences in export performance between African countries now and East Asian countries in the 1960s as the latter faced much more challenging market access conditions during their initial export drive. Others note that while the headline figures cited by proponents of trade liberalisation sound impressive, they translate into very small per capita gains. For instance, total liberalisation of world merchandise trade would result in estimated gains of US$84 billion per year. Equally distributed, this translates into a mere $0.04 per person per day, hardly sufficient to make a dent in $1 a day poverty levels (Ackerman and Gallagher 2008).

> **Box 2.1: Agriculture and trade policy**
>
> Three-quarters of the world's poor live in rural areas, and most depend on agriculture for a living (IFAD 2007). Agriculture is also the most distorted sector in the global economy. It is the only sector where both quantitative restrictions and export subsidies are permitted under current WTO laws, and agricultural tariffs in high-income countries are far higher than those for manufactured goods (Elliott 2007). As a result, agricultural trade barriers and subsidies, particularly in the US and EU, have been widely condemned. The current Doha Round of trade negotiations aims to eliminate these.
>
> However, recent studies show that the primary beneficiaries of lower agricultural trade barriers would not be the poorest countries, but rather emerging economies like Brazil, India and China, because they have the greatest capacity to increase their exports in response to new market opportunities (Elliott 2007). Some low-income countries could gain from liberalisation of specific tropical products but others, notably in Africa and the Caribbean, would lose from preference erosion especially in products such as sugar and bananas (Anderson and Martin 2006, Sachs *et al* 2004). Many of the countries that would suffer most from preference erosion are small and vulnerable island economies, and they face particular structural difficulties in diversifying away from commodities (Winters and Martin 2004).
>
> Similarly, agricultural subsidies in the EU and US have been the focus of NGO campaigns, and have been criticised by many others on the grounds that eliminating subsidies would end the 'dumping' that undermines the livelihoods of poor farmers, particularly in Africa. However, a review of studies analysing the impact of total subsidy elimination on the welfare of developing countries finds a negative impact (Charlton and Stiglitz 2005). This is because many low-income countries are net importers of the food crops where subsidies are highest, and many of the poorest households spend high percentages of their budgets on food.
>
> Record increases in food prices during 2007–8 led to a switch in emphasis in agricultural trade policy, away from prioritising market access into developed countries and towards increasing food security in low-income developing countries. Net food-importing low-income countries were particularly vulnerable to food price spikes, and within them, poor, landless, female-headed households were worst hit. Families cut back on the quality and quantity of food consumed and other expenditures including health and education. Children, pregnant women and breastfeeding mothers were most vulnerable (Food and Agriculture Organisation 2008).[11]

well from trade, such as Vietnam, have actually followed unorthodox policies, while some other countries that have liberalised have done very badly, such as Haiti. Paul Krugman, another leading trade economist, has also observed that the theoretical predictions that liberalising economies would see higher growth and poverty reduction have not been borne out in cases like Mexico (Krugman 2008).

The alternative view is that countries that have gained the most from trade – such as the East Asian NICs – have used selective industrial and trade policies that actively intervened in markets (see Wade 1990, Amsden 1989, Lall 1996, Chang 2002, Rodrik 2004, Stiglitiz 2005). In addition to promoting horizontal policies that created a broadly 'enabling environment', successful governments in East Asian countries and indeed in the industrialised countries before them, not only picked winners, but created them (see Newfarmer and Nowak 2006).

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11. The food crisis also prompted calls for investment in smallholder agriculture and food crop production for local and regional markets to improve food security. As women in female-headed households are far more dependent on growing food crops than any other segment of the population, this focus is particularly beneficial for reducing child poverty (Whitehead 2008).

From this perspective it is crucial that the international trade policy regime 'enables poor countries to experiment with institutional arrangements and leaves room for them to devise their own, possibly divergent solutions to the development bottlenecks they face' (Rodrik 2007: 10). This idea has become known as 'policy space'. Exponents of the importance of policy space are concerned that multilateral and bilateral trade agreements are undermining it,[12] along with related trade policy conditionality that donors attach to aid.[13] Policy autonomy is particularly circumscribed in Africa, where, as Soludo and Ogbu (2004) among others note, the World Bank and the IMF have consistently attempted to control economic policies and institutions. Coupled with the policy constraints inherent in international trade agreements, policymakers in Africa sometimes have little room to choose their own trade and industrial policies.

Within this debate, the position of the UK Government has tended towards liberalisation rather than policy space. DFID advocates trade openness, preferably through multilateral trade liberalisation, which is understood to be mutually beneficial as trade drives growth ('Sharing the benefits of trade: aid for trade strategy 2008-2013', 2009). The core of DFID's agenda has continued to be ensuring market access for the poorest countries into markets in the EU and the rest of the developed world, along with other developing countries, and especially in agriculture. Most notably it has championed the elimination of developed country subsidies and promoted preferences such as the Everything But Arms (EBA) preferential EU market access scheme for least developed countries.

How coherent are UK policy objectives on trade and development?

Since 1997 the UK Government has placed international trade at the centre of its vision for development, and has established itself as a champion of trade and development among other developed countries. (Most recently, the UK succeeded in achieving strong language on trade finance at the G20.) Pascal Lamy, Director of the WTO, notes that the UK 'stands out as a global leader in advocating and actively promoting trade as an engine for growth and development'.[14]

Interviewees within government speak of the high degree of emphasis placed on trade and development since 1997, reflected in the fact that the central organs of government, and particularly the Cabinet Office, have taken a keen interest in trade negotiations, especially the Doha Development Round. In an attempt to promote coherence, DFID and the then Department for Trade and Industry were given a joint PSA target in 2001 which aimed to align UK business and development interests.[15] Interviewees had mixed opinions on the joint PSA targets. Some argued that they have not had much impact. Trade negotiations do not lend themselves to targets as they are unpredictable, and outcomes are largely outside of the influence of the UK, particularly given that most negotiations are conducted via the EU (for instance, the breakdown in WTO talks meant that the 2001 target became irrelevant). In

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12. Under the WTO, there are some constraints on policy space, but there are still a considerable number of policy instruments that developing countries can use (Page 2007). However, many are explicitly prohibited in North–South free trade agreements, particularly those of the US (Gallagher and Thrasher 2008). Intellectual property is particularly contentious as both WTO and bilateral trade agreements impede the adoption and adaptation of new technologies, making practices such as reverse engineering and copying much harder (Rodrik 2004).

13. As Page (2007) notes, if a developing country negotiator knows that his or her country is heavily dependent on the trading partner for aid, this inevitably influences the bargaining process. In the Economic Partnership Agreement negotiations between the EU and African, Caribbean and Pacific (ACP) countries, the role of the EU as a donor is constantly emphasised as part of the same negotiation. The ACP countries therefore found themselves asking for aid and negotiating with the EU on trade access at the same time, which severely constrained their bargaining power and resulted in them being far less active negotiators than in the WTO context. These power asymmetries are compounded in instances where donors directly pay for negotiating capacity, or provide support in trade disputes.

14. Quoted in UK Government promotional material during International Trade Week.

15. The original PSA target was to 'ensure the EU secures significant reductions in EU and world trade barriers by 2008 leading to improved opportunities for developing countries and a more competitive Europe' (DFID's Work on International Trade and Development 2005–7, 2005)

addition, while managers pay attention to them, technical officials are not guided by them in their day-to-day activities.

Nearly all interviewees attribute the high profile accorded to trade and development policy coherence to the personal interest of senior politicians, notably Clare Short, the former Secretary of State for Development, and Gordon Brown as Chancellor and Prime Minister. Some of our interviewees voiced concerns that as the trade and development agenda has been driven by a few political figures, it could lose dynamism and profile with a change in political leadership. However, others suggested that the need for coherence is now agreed upon across the political spectrum, so commitment to coherence is unlikely to weaken with any political changes (although the Conservatives' different approach to the EU may have implications for trade and development coherence in practice).

Within the government, responsibility for trade policy falls jointly to DFID and the Department for Business, Innovation and Skills (BIS, formerly BERR, and before that DTI). Government officials report few substantive disagreements on policy between or within departments. In the words of one government interviewee: 'Overall, the UK is very strong and very clear on trade and development policy. This reflects an underlying belief in liberalisation, institutional development and aid for trade.'

However, officials do note differences in emphasis. Broadly speaking, BIS has a trade economist perspective, and strongly supports trade liberalisation and openness in a multilateral system. While officials recognise that developing countries need transition times and support for adjustment, their focus is on establishing an open multilateral trading system with harmonised rules. Conversely, DFID officials agree on the potential gains from trade, but are more likely to focus on the asymmetries generated by international rules, and to advocate a degree of differentiation to 'give space' for development.[16] They are also more focused on the micro-level impact of trade within developing countries. There are notable differences within DFID between economists and social development advisers, with the latter focusing more on equity aspects, such as the gender impacts of liberalisation and the fairness of the trade negotiating process.

When differences arise between officials, these tend to be resolved at the technical level and interviewees could not think of examples that required a ministerial decision. The most cited example of tension between officials was the language used to communicate trade policy to the public. While DFID, mindful of its NGO constituents, is concerned to emphasise the poverty angle and the need for flexibility and policy space for developing countries, BIS has to reassure the business community that there are gains for the UK that will result from its approach.

How joined up is government in practice?

Trade policy is perhaps the most commonly given example of where DFID has been successful in influencing wider UK Government policy. There is also, broadly speaking, an alignment between the BIS view of what trade policies are good for UK interests and the DFID view of what trade policies are in the long-term interests of developing countries.

However, tensions do appear when the agenda of developing countries comes into potential conflict with British business interests. For example, developing countries' industries are in many cases unable to compete successfully with multinational firms in developed countries, and emerging nations in particular have pushed for a degree of protection in WTO negotiations. In negotiations on market access for manufactured goods, BIS officials feel that

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16. Intellectual property (IP) provides an example of this. WTO negotiations have expanded rapidly since the mid-1990s to include areas such as services, investment, government procurement, and IP, and in 1994 an agreement on trade-related IP rights was reached (the TRIPS Agreement). Because of concerns about the potential anti-developmental impacts of excessive IP protection, DFID established an independent IP Commission in 2001 that examined the links with development. Since then the UK has had a strong policy line against the expansion of international rules beyond those in the TRIPS Agreement.

some developing countries are going too far in insisting on minimal tariff cuts in their home markets.

In reflecting on whose interests would prevail in the event of a conflict between UK and development country interests over a specific issue, several of our interviewees suggested that UK interests would ultimately win out. However, several interviewees also noted that as the UK has had few specific business interests in the Doha Round, there have been minimal tensions in recent years.

The real test will come with the Free Trade Agreements (FTAs) with emerging markets, where there are both clear UK business interests and obvious poverty dimensions. The UK's broad policy stance is that liberalisation commitments in FTAs should be as deep as possible, to minimise trade distortions, but at the same time DFID has advocated substantial flexibility and asymmetry in the negotiation of Economic Partnership Agreements (EPAs) – effectively FTAs – between the EU and various developing countries. It is not yet clear how the Government will balance these competing approaches.

The treatment of investment in such agreements is likely to be one area of potential tension. Over the past year, the UK has placed greater emphasis on British trade and investment promotion in developing countries as a tool for promoting development. Although this is seen as important, several interviewees (inside and outside government) feel that the UK has a tendency to be uncritical in its approach and is failing to engage in the important question of under what conditions UK investment is beneficial for developing countries. In the case of one EPA, for instance, the visit of a UK business delegation after the signing of the agreement was in danger of creating the impression that the UK's interest was, in the words of an external interviewee, 'reforming the Caribbean regulatory environment to the needs of British businesses'. In a related vein, it was suggested that the UK could do more to reform its Bilateral Investment Treaties where there are concerns that aspects of the treaties conflict with development objectives.

Finally, there are also cases where UK trade policy may clash with UK politics. Several external experts and ex-government interviewees noted that the UK tends to place emphasis on championing development-friendly reforms in trade policy in areas where there are few costs to the UK, and where there are synergies with the UK's own interests. In particular, the emphasis on EU liberalisation is relatively easy to push for as the UK is already relatively open and it has clear interests in multilateral trade liberalisation and reform of the Common Agricultural Policy. In contrast, the UK does little in some areas where developing countries stand to gain hugely but that are politically sensitive for the UK. One example of this is Mode 4 of the General Agreement on Trade in Services (GATS): the UK has faced calls in both the Doha and EPA processes to liberalise the movement of skilled workers to provide services under Mode 4, but has, if anything tightened restrictions (see Chapter 5).

Cross-government mechanisms

For the past decade, the UK has developed a series of cross-Whitehall committees to agree on trade policy. In 2007, with the change in Prime Minister, further moves were made to institutionalise trade and development coherence. The Secretary of State for International Development was made chair of the Cabinet sub-committee on trade, and a new Joint DFID/BIS Minister was appointed and tasked with delivering on trade and development.

In addition, a Joint DFID/BIS Trade Policy Unit was established at the technical level. The joint Trade Policy Unit generates very mixed reactions. Officials from BIS tend to hold the position that it greatly strengthens collaboration between DFID and BIS. More regular informal interaction in the unit with staff coming from DFID has exposed staff from BIS to development aspects of trade to a greater extent. Trade Policy Unit officials from BIS welcome the opportunity to expand their trade work to consider development in greater detail and the Unit is attracting officials who are genuinely interested in development. Some

also argue that DFID officials have traditionally been overly academic in their approach to trade policy, unrealistic as to what it is feasible to achieve in negotiations, and weak at influencing. Bringing DFID staff into more regular contact with BIS staff through the Unit has led to greater pragmatism and realism in their approach to trade, and hence they are more likely to achieve change.

In DFID, on the other hand, there is some concern that the development dimension of work on trade is being watered down. The Joint Unit is headed by an official from BIS, where the majority of staff also come from, and they lead on most trade negotiations, including the WTO and FTAs. Although all Trade Policy Unit staff are tasked with incorporating a development perspective, few staff from BIS have formal training in trade and development or experience of working on trade in a developing country. When trade was in different departments, DFID played an important challenge function across Whitehall, and DFID senior management championed trade to a greater extent. With the Joint Unit in place, there is a tendency to assume that the Unit is incorporating development concerns, and there is less pressure on DFID to focus on trade, arguably resulting in the overall marginalisation of development perspectives within UK trade policy (these concerns were also expressed by external observers).

These problems are exacerbated by a long-term challenge of attracting and retaining high-calibre staff to work on trade in DFID. One unintended consequence of successful joint units such as the Trade Policy Unit is that they can become rather cut off from mainstream departmental career structures. The profile of trade policy in DFID has declined since the slowdown in WTO negotiations and in NGO campaigning. As a result, although development is accorded prominence within trade, trade is losing prominence in the wider development agenda. While the BIS side of the Joint Unit tends to have specialised trade experts, the DFID side has a high turnover and an increasing number of staff do not have a technical trade background. According to both officials and external interviewees, even in areas where DFID officials are formally tasked with leading (such as on EPA negotiations), in practice BIS officials tend to have a higher level of expertise, so their positions often hold sway.

The Joint Unit has also had problems with perceptions by external stakeholders. According to both government and external interviewees, the Confederation of British Industry (CBI) was initially sceptical that the Unit would prioritise business concerns, and insisted on a Director from BIS. Although the business community has since been won over, the development community is now increasingly sceptical. Developing countries are questioning whether the UK is shifting towards greater emphasis on promoting UK business interests in its trade policy. Since many of the more experienced DFID staff have left, there are also concerns among other international institutions that the UK may lose its reputation for expertise on trade and development, and with it the ability to influence internationally.

Finally, DFID offices have tended to focus on country-level trade policy environments rather than UK trade policy, and few have played an active role in feeding developing country perspectives back to the Joint Trade Policy Unit. As a result, the Trade Policy Unit does not receive sustained input on the views of developing countries. DFID is in the process of appointing additional regional trade advisers in several African regions, which should strengthen this link. According to our interviewees, there is also little communication between trade attachés who focus on promoting UK trade and investment, and DFID officials who focus on economic development.

The relationship with the EU

As the UK's multilateral trade policy is delegated to the European Commission, the ability of the UK to deliver on its commitment to policy coherence depends in part on the degree to which the EU already aligns trade and development policy, and the UK's ability to influence EU policy. Among member states, the UK has better institutional coordination than many others and – along with Denmark, Netherlands and Ireland – is perceived (within the EU) to be at the forefront of the coherence agenda.

Several of our interviewees characterised trade and development coherence at the level of the European Commission as being very weak. Trade is led by DG (Directorate General) Trade, while DG Development leads on development for ACP countries, and DG Relex (external relations) leads on development for other developing countries. At present DG Development and DG Relex are almost exclusively concerned with aid, and have no expertise in trade. Although DG Trade has a development unit tasked with ensuring coherence, in practice this team lacks expertise and has little influence.

Informal forums are key to the UK's efforts to influence the EU position on trade and development.[17] Coalitions are a particularly important mechanism and there are regular meetings on trade and development between like-minded member states, particularly the UK, Sweden, Denmark, Netherlands and Ireland. On the whole this like-minded lobby group has focused on the need for the European market to be opened to developing countries, as this is the area of greatest consensus among members.

However, the UK's ability to influence significant changes to international trade rules is ultimately determined by its willingness and ability to influence in Europe at a higher political level. According to one independent trade policy expert we interviewed: 'The UK says that it is championing development in trade, but the reality is that trade is not high on the agenda for influencing in Brussels… other issues like employment law and financial and banking regulation matter much more. The UK invests very little political capital in trade.'

Trade and investment: conclusions

Trade was DFID's great policy-influencing success story, moving UK trade policy from mercantilism to openness. Trade has also been a fairly coherent policy area for the UK Government, with Number 10 and the departments all sharing a liberalising approach, although perhaps with varying views on pace and scale. This shared approach has facilitated successful joint working across government, based on an understanding that the UK's interests are largely aligned with those of developing countries. However, in areas where UK interests are less clearly aligned with those of developing countries (such as GATS Mode 4), the UK has been less proactive – mechanisms for policy coherence in this area have not been well suited to resolving tensions. Also, the consensus on shared interests between the UK and developing countries may be increasingly challenged by research showing that successful use of trade for development is not simply a matter of liberalising. This may introduce new tensions between perceived UK interests and those of developing countries in years to come, and present arrangements may not be adequate to generate policy coherence for development in this area.

Good communication between DFID and the business department over the years was formalised in the establishment of a Joint Unit in 2007, showing how important the trade agenda was for development and vice versa.

But despite (or perhaps because of) this success, DFID has arguably not sustained its efforts to keep development at the forefront of UK trade policy, and in particular is less inclined to challenge BIS in areas where there may be tensions between UK and developing country objectives. The department has become increasingly disengaged, and 'DFID posts' in the Joint Unit are often staffed by trade policy analysts from BIS. This is partly because there has been less activity on trade policy in recent years – the Doha Round of negotiations in the

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17. In the last few years the UK Government has had relatively high-level informal access to the European Trade Commissioners as they have been UK appointees. Some interviewees suggest that this has enabled the UK to have a higher level of influence over trade policy. In the EPA negotiations for instance, the UK has successfully pushed for relaxation in rules of origin, a regional integration focus and inclusion of a monitoring mechanism. In contrast, others suggested that as the former European Trade Commissioner was such a strong character, in practice the UK had little influence. One interviewee cited an instance when a DFID Minister had made a strong stance on development and had been 'rapped on the knuckles' by the European Trade Commissioner, resulting in the UK being relatively quiet and 'just playing the game'.

WTO have ground to a halt, and the framework for the Economic Partnership Agreements between the EU and developing countries was largely negotiated before the creation of the joint unit. However, it is clearly also related to incentives inside DFID. Trade policy is no longer seen as the 'cutting edge', and there are few incentives for good staff to work on the issue – the existence of the Joint Unit makes trade career structures within DFID less clear.

In some ways, the UK trade policy experience demonstrates the perils of policy coherence – development has been 'mainstreamed' into trade policy, but this has come at the expense of DFID's ability and willingness to challenge other government departments on policy. There is broad consensus between DFID and other departments about policy, but this has led to the creation of cross-government structures and policy frameworks that are not well suited to managing and resolving tensions between UK interests and the interests of developing countries when they do emerge, and may make it harder for UK policy to respond to new evidence.

3. Corruption

Development outcomes are profoundly affected by governance, which we define broadly as the capability (of states) to deliver services and get things done; responsiveness to citizens' wants and rights in terms of policies and institutions; accountability of state institutions and processes to citizens and civil society, and rule of law and justice (DFID 2006).

Governance and corruption

States that are weak – in the sense of being unable to meet their citizens' needs – and unaccountable are widespread in the developing world. For example, van de Walle (2001: 131) describes African civil services as characterised by: 'pervasive absenteeism, endemic corruption, politicisation, declining legitimacy and low morale'. Anderson *et al* (2003) draw on evidence from surveys in 20 countries in Latin America and Central Asia to show the extent of the misuse of public resources, the politicisation and personalisation of staffing and budget decisions, and the fact that ordinary citizens often are fearful of making complaints about corruption, for example in Colombia and Honduras. Abed and Gupta (2002) provide evidence of the impact of poor governance and corruption on the economies of developing countries. The African Union has estimated that corruption costs Africa in the region of US$150 billion a year, raising the costs of goods by 20 per cent and deterring investment.

However, the roots of these problems do not lie with public officials, who are often forced to use their offices to extract bribes as a way to make a living because civil service wages are so low.[18] Rather, weak state capacity and endemic petty corruption in developing countries is typically the result of a situation in which an elite interested more in self-enrichment than in development uses a mix of corruption, patronage and repression to maintain power (see Lockwood 2005, van de Walle 2001, Collier 2007). The result has been a deep hollowing out of formal state structures and capacity, including the capacity to develop the economy.

The worst cases of such 'anti-developmental' regimes (Sindzingre 2004) involve violent repression, widespread corruption and looting of public resources, lack of accountability and rule of law and poor or absent public services. In such states the economy often lurches from crisis to crisis and basic human and civil rights are routinely flouted. Contemporary examples, the majority from Africa, include Haiti, DRC, Sudan, Guinea, Somalia and Zimbabwe.

It is also clear that the availability of natural resources – such as oil, diamonds, gold and other minerals and timber – is often associated with cases of very poor governance, sometimes breaking down into civil war. Examples include Zaire (diamonds and minerals), Sierra Leone (diamonds), Guinea (gold and timber), Nigeria (oil) and Angola (oil). Countries with such resources often tend to be poorer than those without (UNCTAD 2002), leading to the notion of the 'resource curse' (Sachs and Warner 1995, Ross 1999, Collier 2008). The roots of the resource curse lie in the fact that revenues from the sale of natural resources are typically very large and can be controlled by elites, often in deals with foreign companies, with very little accountability. This combination not only allows looting of public revenues and capital flight, but also heightens tensions and conflict, as groups within countries that are excluded from such natural resource 'rents' have powerful incentives to try to seize power by any means necessary.

Donor countries have become increasingly engaged with these issues of governance and corruption through their aid programming in recent years. Aid instruments have been reformed to promote (or at least not hinder) good governance, aid has sometimes been made conditional on governance reforms and specific governance programming has become an increasingly important feature of the aid 'landscape' in many countries.

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18. For example, civil service salaries in Anglophone Africa lost roughly 80 per cent of their value in the 1970s and 80s (Lienert and Modi 1997).

However, corruption is not a problem that is unique to poor countries, so aid programming is not, and should not be, the only way in which donor countries like the UK engage with the issue. Funds obtained through corruption are often banked and invested in rich countries, so access to financial and other services in countries like the UK arguably facilitates grand corruption in poor countries. Globalised systems of trade and banking provide opportunities for anti-developmental elites to capture and manage rents, and thereby better maintain their political positions (Moore 2009). Capital flight from Sub-Saharan Africa (money deposited by Africans outside of Africa) was estimated at US$285 billion in 2000 (Boyce and Ndikumana 2000). Bribes are often paid by companies or individuals based in rich countries. In order to achieve policy coherence, it is essential that the UK Government does all that it can to ensure that corruption is not promoted or facilitated by UK institutions, companies or individuals.

Corruption and child well-being

It is clear that it is the poor who suffer the worst effects of bad governance, especially through its effect on basic services, infrastructure provision and justice:

> *Corruption … biases government spending away from socially valuable goods, such as education. It diverts public resources from infrastructure investments that could benefit poor people, such as health clinics, and tends to increase public spending on capital-intensive investments that offer more opportunities for kickbacks, such as defense contracts. It lowers the quality of infrastructure, since kickbacks are more lucrative on equipment purchases.* (World Bank 2001: 201)

One indicator of state failure in service provision developed in the 1990s was the public expenditure tracking surveys (PETS). These assessed how much of the money earmarked for a particular purpose in the central government budget actually reached the intended beneficiaries. One of the earliest PETS, in Uganda in 1996, found that 87 per cent of money intended for schools was diverted for other purposes. In Peru, a study of a milk programme for poor children found that only one third of each dollar transferred from central government reached them (World Bank 2004: 185). There have been similar results from PETS in a large number of countries including Chad, Ghana, Honduras, Mozambique, Papua New Guinea, Rwanda, Senegal, Tanzania and Zambia.

The diversion of resources and exclusion of those who cannot pay bribes has an impact on outcomes, especially for poor children. Gupta *et al* (2000) and Rajkumar and Swaroop (2002) provide evidence that corruption is associated with higher infant and child mortality rates, low birth weight and higher primary school drop-out rates.

There is also a large body of evidence, from a number of 'participatory poverty assessments' undertaken in 23 countries by the World Bank and DFID in the 1990s, that suggests the poor themselves regard poor governance and corruption as among the worst aspects of poverty (Brocklesby and Holand 1998, Robb 2002). These surveys show that poor people see lack of access to justice and police corruption as some of the worst aspects of bad governance, emphasising the lack of accountability of the state to its citizens.

DFID's approach to governance, corruption and development

DFID has long given considerable attention and priority to governance problems in its aid programming, and governance was the main focus of its 2006 White Paper. The department was one of the early champions of 'sector-wide approaches', or SWAPs (Andersen 2000). These programmes recognised that individual projects in areas like health and education were often not effective because the entire ministry lacked capacity and resources, and intended to build up that capacity at both central and local levels. This approach subsequently broadened out into wider cross-government civil service reform and anti-corruption programmes, often carried out through multilateral institutions like the World Bank. DFID has also focused, and continues to focus, much of its attention in country programmes on trying to improve the management and accountability of public finance.

However, the record of such governance reforms is not particularly good (Poldiano 2001, Goetz 2005). In the words of Daniel Kaufmann, who led the World Bank's policies on governance and anti-corruption: 'The last ten years have been deeply disappointing. Much was done, but not much was accomplished. What we are doing is not working' (quoted in Naim 2005).

Such reforms tend to work only where there is high-level political commitment, whether they are SWAPs (Foster *et al* 1999), trade-related capacity building programmes (North South Institute 2004), wider civil service reforms (Kjaer 2004) or anti-corruption programmes (Operations Evaluation Department 2004).

The limits to governance reform relate to a criticism often made of DFID by external observers and those in other parts of government alike – that it has come to take too technocratic a view of development, at the expense of ignoring politics and political economy.[19] Partly in response to such criticism, the department started to commission more serious analyses of the underlying politics in a number of countries, called the 'Drivers of Change' studies. These have certainly increased awareness and understanding of political dynamics, but it is not clear that DFID has managed to absorb the lessons of these studies into its programming (Unsworth 2008). DFID has also established a system of Country Governance Analysis (CGA), a mandatory tool in the preparation of country assistance plans and strategies that is intended to 'provide a short, sharp and robust overview of the key governance and conflict issues, the scenarios and the implication for DFID/HMG [Her Majesty's Government]' (DFID 2008: 3).

Another approach that DFID has taken to improving governance is to support civil society efforts to increase accountability across a wide range of areas. These have included civil society inputs to and monitoring of country Poverty Reduction Strategies, attempts to strengthen the oversight of parliaments and support for grassroots campaigns for rights. However, this is still a relatively minor strand of DFID's work. For example, the Civil Society Challenge Fund, aimed primarily at supporting the role of civil society organisations in enhancing the capacity of poor and excluded people through rights-based activities, has an annual budget of only around £14 million.

Beyond aid programming, DFID has also engaged with the role of international companies in supporting corruption in poor countries. In particular, DFID has championed the Extractive Industries Transparency Initiative (EITI), designed to tackle the extreme problems of lack of accountability in many developing countries that export natural resources. The EITI was set up in 2003, partly in response to an NGO initiative in 2002 called Publish What You Pay (PWYP). Whereas PWYP called for all natural resource companies to disclose their payments to all governments around the world (with the aim of getting stock markets to delist them if they did not comply), EITI is a voluntary initiative that tries to draw in both companies and governments.

EITI has grown considerably in scope since its early days. There are now 42 oil, gas and mining companies that are signed up and committed to disclosing their payments. 28 countries have signed up to be 'candidate' countries, a process that places them on track to become fully part of the Initiative, and start full disclosure. However, only two countries – Liberia and Azerbaijan – have completed the process to date.

The EITI has been welcomed broadly, including by organisations that were behind the PWYP coalition, such as Global Witness. The organisation has been floated free of DFID and relocated to Norway. The EITI focuses on putting payments made by companies to

19. One example is the criticism that DFID should have supported the position of the British High Commissioner to Kenya, Sir Edward Clay, at the time of his public attack on corruption in the country under Mwai Kibaki in 2004, by cutting off aid. It should be noted that while the underlying point about DFID's lack of engagement with politics may be true, the criticism itself shows a lack of awareness about the limits to political conditionality of this sort – it is almost always ineffective (Devarajan *et al* 2001).

governments into the public domain. The World Bank now wants to extend the focus on the management and use of natural resource revenues in-country through a new initiative called EITI++.

How coherent are UK policy objectives on governance and development?

Corruption is not an issue that DFID can deal with alone – the policies and actions of other government departments and agencies are important, especially those relating to bribery by UK companies or nationals, and money laundering or capital flight through the UK or UK territories (particularly by so-called 'politically exposed persons'[20]). Clearly, in both these areas, UK action on its own will not solve the problem, as corrupt elites can seek bribes from companies from other countries, and choose to bank elsewhere. However, in both areas, there are international frameworks for action, and action is also being taken by other countries. It is also the case that the City of London remains the world's most important financial centre, and an important destination for flight capital.

In principle, the UK is taking action in these areas – the Secretary of State for Justice has been designated the UK Anti-Corruption Champion (supported by a secretariat in BIS), and cross-departmental bodies in the form of the Foreign Bribery Strategy Board (chaired by the office of the Attorney General) and the Politically Exposed Persons Strategic Group (chaired by the Serious Organised Crime Agency).

DFID is involved in these initiatives in various ways – for example by funding police units to investigate bribery and money laundering and providing the secretariat for the Politically Exposed Persons Strategic Group. The 2009 White Paper also commits DFID to further action in this area, including through more financial support for asset recovery through the UK criminal justice system.

Earlier this year the Government introduced a Bribery Bill, to be brought into the next Parliamentary session, which will make UK law compliant with the OECD Anti-Bribery Convention and make bribery by UK companies abroad a criminal offence.

The Government has also introduced a series of money laundering regulations, the most recent of which was brought in 2007 as part of EU law, and which requires banks to tighten checks on politically exposed persons and report suspicions to the authorities.

The Public Service Agreement on reducing international poverty (PSA 29) has a section on effective states, and includes extending the EITI approach to construction and pharmaceutical industries, as well as supporting UK investigations of allegations of bribery overseas, money laundering of corruption assets and helping poor countries recover stolen assets. However, the main delivery departments are the FCO and DFID, and the latter was given responsibility for leading the action plan on international corruption in 2006. There is no mention of BIS, the Home Office, the Treasury or the Financial Services Authority. Equally, PSA 6, which relates to corporate governance, is led by BIS but makes no particular mention of corruption overseas.

How joined up is Government in practice?

In practice, the UK Government has not taken an international lead on bribery overseas, prevention of money laundering of corruption assets or the recovery of stolen assets.

The OECD Anti-Bribery Convention was ratified in 1999, so it has taken 10 years for the Government to even introduce appropriate legislation to Parliament. Over that period the OECD has been highly critical of the UK's enforcement record. The most recent report of the OECD monitoring group states that:

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20. The definition of politically exposed persons includes: 'heads of State or of Government, senior politicians, senior government, judicial or military officials, senior executives of state-owned corporations, important party officials and close family members or close associates of all of these.' FATF (2007: 41)

> *The Working Group is disappointed and seriously concerned with the unsatisfactory implementation of the Convention by the UK. The continued failure of the UK to address deficiencies in its laws on bribery of foreign public officials and on corporate liability for foreign bribery has hindered investigations.* (OECD Working Group on Bribery 2009: 143)

In a recent Transparency International report on enforcement of the OECD Convention, the UK ranks fifteenth, behind Korea, Italy and Japan (Heimann and Dell 2009). In stark contrast with countries like the US, there had also been no prosecution of a UK company for overseas bribery (despite many allegations) until September 2009 (when construction company Mabey and Johnson was convicted of bribery in Jamaica, Ghana, Bangladesh, Madagascar, Mozambique and Angola). Famously, a case against BAE Systems for bribery in Saudi Arabia was also dropped on grounds of national security in 2006 (although the Serious Fraud Office is seeking a prosecution of BAE in relation to other countries, including Tanzania and South Africa).

One of the problems has been the lack of resources allocated for pursuing cases. In 2006, DFID gave £6 million over three years to fund investigations by the City of London police, who deal with more minor corruption cases. However, the major cases have been the responsibility of the Serious Fraud Office, who until very recently did not make this issue a priority.

Other parts of government have also had a fairly relaxed approach to enforcement of laws against bribery. The Export Credit Guarantee Department, which insures companies undertaking contracts and investments in developing countries against political risk, had procedures in place to prevent bribery, but had never sanctioned any company. In 2004 it proposed weakening these procedures after discussion with some of its clients, but this was challenged in judicial review by campaigners, and the decision was subsequently reversed.

The record on money laundering has also been weak in the past. The UK is a low-tax jurisdiction and London a major financial centre, making it an attractive destination for elites seeking to place funds outside their own countries. In a case that became a major embarrassment for the Government, the deeply corrupt Nigerian military dictator Sani Abacha (who is estimated to have stolen some US$4 billion from public funds), moved over US$1.3 billion through the City of London during a period in the 1990s when there were EU sanctions on him and his family. Of this money, only a tiny proportion was ever returned to Nigeria. This episode demonstrated the wholly inadequate arrangements in place, and led to the introduction of new regulations on money laundering in 2003 and a new Proceeds of Crime Act in 2002. Nevertheless, as late as 2006 an FSA survey found that banks were still not implementing regulations on politically exposed persons in the proper way (FSA 2006).

Corruption: conclusions

In relation to broader government action on corruption and bribery, the pressure for change has often come more from external actors, such as the OECD, the EU and anti-corruption campaigners, than from DFID, which has had relatively little purchase. As one external observer noted, even the EITI, DFID's biggest success in shaping the external environment to reduce opportunities for grand corruption, has happened in isolation from other parts of government. In fact, the EITI should arguably have had strong links with, or even been located in, the department for Business, Innovation and Skills.

DFID's limited role and success in driving this agenda across government is the result of several factors. One is the tendency to have an institutional rather than political analysis of weak and failing states. This does appear to be changing, albeit slowly. Another is a scarcity of staff with strong backgrounds and expertise in the private sector and banking, who could build the case for action more strongly. However, a third is that, like migration, this is an inherently difficult agenda, with some powerful UK commercial interests at stake, and action

is also hindered by a reluctance (at least before the financial crisis) to regulate the UK's financial sector; DFID does not currently have sufficient political or institutional strength to counter these strong interests.[21]

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21. It is worth remembering that, on the occasion that Clare Short as Secretary of State for International Development clashed with the Prime Minister on a case of suspected corruption – a BAE deal to supply a radar system in Tanzania in 2001 – she lost.

4. Climate change

Climate change is now widely recognised as the greatest long-term challenge facing humanity. The 2007 Human Development Report argues that failure to deal with climate change 'will consign the poorest 40 per cent of the world's population – some 2.6 billion people – to a future of diminished opportunity' (UNDP 2007: 2).

Climate change and development outcomes

Climate change can directly affect development outcomes through a number of different routes (IPCC 2007):

- Agricultural production and food security

- Water stress and water insecurity

- Rising sea levels and exposure to climate disasters

- Ecosystems and biodiversity

- Human health.

Below we present evidence on broad assessments. Comprehensive assessments of the likely impacts of climate change on particular least developed countries, along with action plans for adaptation, have been developed in National Adaptation Programmes of Action (for further information see UNFCC 2010).

The major impacts of unmitigated climate change on agriculture, from hotter drier conditions, floods and coastal erosion, are expected to come in the developing world, with decreases in productivity of more than 25 per cent possible in South Asia, much of Africa and Latin America by 2080 (Cline 2007). Crop yields in arid and tropical regions could be reduced with even a relatively modest global average temperature increase of 1–2°C.

Africa, already the world's poorest continent, is the region most at risk, with some countries facing potential falls in yields of 50 per cent. With almost 60 per cent of the population working in agriculture, and agriculture also playing a key role in GDP and exports, there are massive implications for food security and poverty. Up to 600 million people will be at additional risk of hunger worldwide by 2080.

Some early effects are arguably already beginning to be felt, with droughts now a regular occurrence in Southern Africa and the Horn of Africa in particular. One recent survey of the adaptive needs of pastoralists in dry lands in the Horn of Africa used localised meteorological data from Kenya and Tanzania showing increasing temperatures and higher rainfall in the rainy season (Humanitarian Policy Group 2009) – although the 2007 IPCC report points out that the literature on agriculture has not yet established a firm trend at a wider level. Outside of Africa, drought-prone areas of India could also be badly affected (UNDP 2007).

Less rainfall in some areas (along with decreased river flows because of glacier retreat) will also mean increased numbers of people with insufficient availability of water – up to 1.8 billion by 2080 (UNDP 2007). There are already signs of collapsing river systems in China and falling groundwater levels in South Asia and in the Middle East. Water availability is of course also related to human disease.

The warming of the climatic system will directly produce more frequent and more powerful tropical storms, hurricanes and cyclones, bringing with them flooding and landslides. In addition, sea levels will rise in the long run, although there is much uncertainty about how much by. There is already a clear pattern of increases in climate-related natural disasters in the last 25 years, especially flooding (UNICEF UK 2008). The number of people affected by climate-related disasters is now running at over 250 million per year (UNDP 2007, Oxfam 2009). Poorer people are overwhelmingly more at risk from climate-related events. In OECD

countries, it is estimated that one in 1,500 people is affected by climate disaster. The comparable figure for developing countries is one in 19 – a risk differential of 79 (UNDP 2007).

Some of the most widespread but also most complex impacts of climate change on development will be on human health, working via the availability of clean water for drinking, and for sanitation, but also via changes in the conditions for vectors for major diseases, especially malaria. An estimated additional 220–400 million people could be exposed to malaria, and again, such impacts are already visible, for example in East Africa in 2007 (UNDP 2007).

These impacts of climate change can be seen as 'shocks' – or external new events or trends that have an impact on society and economy. The degree to which a country can deal with these shocks depends on its capacity to deal with shocks in general, whether economic (like a sudden rise in the price of oil) or some other shock (the rise of HIV/AIDS in Africa can be seen in this way). The stronger the society and economy at the time of the shock, the better placed it will be to deal with the change it brings.

This perspective is important because it means that we should be particularly concerned about the potential follow-on implications of climate impacts in countries that are already fragile. It is in these countries that changes in rainfall patterns might lead to movements of populations and conflicts over land and other resources. Eighteen countries defined by DFID as 'fragile states' are also classed as the most vulnerable to climate change (Agulhas 2007). International Alert has identified 46 countries at risk of climate-related conflict (2007).

The relationship between greenhouse gas emissions (especially carbon dioxide), climate change and its overall impacts is complex, uncertain and non-linear (Stern 2007, Jamet and Corfee-Morlot 2009). We are already experiencing the impacts of some climate change, and irrevocably committed to more, given the persistence of today's emissions in the atmosphere. However, it is clear that mitigating further climate change as far as possible is central to the policy agenda needed to protect developmental outcomes, and children's well-being and rights in particular.

Of course, this is not an easy agenda, requiring stringent emissions reductions not only in developed countries, but also in emerging industrial powers (Anderson and Bows 2008, Baer *et al* 2008). Since achieving these reductions involves large-scale and economically and politically costly changes on both sides, the current prognosis for international agreement is not good (Lockwood and Pendleton 2009, Helm 2009).

At the same time, those countries facing the worst impacts of climate change include many of the world's poorest, so there is both a moral and an historical responsibility on richer (and less affected) countries to help with adaptation. However, this also involves some challenges, such as the mobilisation of large sums of money – perhaps US$100–150 billion a year – at a time of worldwide financial crisis and recession.

This, then, is the policy challenge that DFID and the UK Government faces. Climate change represents an enormous threat to people in developing countries. The impacts of unmitigated climate change are likely to be severe and multi-faceted, working through many different channels. At the same time, achieving effective mitigation of and adaptation to climate change will be very difficult, requiring international agreement and large costs (see UNDP 2007, Birdsall *et al* 2005, Collier *et al* 2008).

Climate change and child well-being

The impacts of climate change on the well-being and rights of children have been explored in detail by UNICEF (UNICEF UK 2008, UNICEF IRC 2008; see also SC-UK 2008). These impacts are likely to be particularly severe, both because children are more vulnerable to some risks (such as illness), but also because they find it harder to realise their rights (for instance, they often come last in line for food).

In the most direct effects, children's lives and health will be at risk from climate-related disasters, while children's rights will frequently be denied through the disaster relief response (see Plan International and World Vision International 2009). Child death and illness can also be expected to increase from communicable diseases, especially malaria, water-borne diseases and diarrhoea. Children are likely to suffer especially from an increase in food insecurity, with breast-feeding infants suffering via a decline in their mother's breast-milk. Children's education will be more often interrupted by climate-related crises, which can have long-term impacts on educational attainment (Bangay and Blum 2009). More widely, the loss of income that comes from a decline in agricultural incomes and forced migration from flooding will mean greater poverty, more children out of school and children at a greater risk of harm from conflict.

These outcomes are not just theoretical predictions. UNICEF UK (2008) reviewed some of the impacts of hazardous weather events on children in 2007, which include: 4.2 million Bangladeshi children affected by extreme monsoon rains, which also damaged or destroyed 3,000 primary schools; 10,000 children made homeless in Jamaica by Hurricane Dean and 200 schools in Sudan destroyed by floods, disrupting the education of some 45,000 children (UNICEF UK 2008).

DFID's approach to climate change and development

Climate change first appeared as a major theme for DFID in its 2006 White Paper. Prior to that, DFID had hardly devoted any resources to the issue, with only a few people working on climate change. This quickly scaled up, and with climate change one of the priorities for a new Secretary of State from 2007, five new teams have been created, with over 40 people now involved in policy, international negotiations and assistance to aid programming. The level of attention given to climate change has increased again with the new White Paper, which states that: 'Climate change is so critical to the prospects of development that it will take centre stage in the UK's international development efforts' (DFID 2009: 54).

One focus for this is getting DFID country aid programmes to build the capacity to analyse the impacts of climate change, identify vulnerable sectors and people and plan investments to build resilience. DFID is running a number of Pilot Programmes for Climate Resilience (PPCR) in countries including Nepal, Bolivia and Zambia.

Over the last few years this has not been a straightforward process. Some DFID programmes (for example in Bangladesh), have paid a lot of attention to climate change, but for others climate change can be perceived as yet another issue to add to an already overcrowded list of priorities. At the same time, some of the countries that will be most affected by the impacts of climate change are weak or even failing states (see above) with little interest in building capacity for planning of this kind. Overall, one senior DFID official saw mainstreaming an awareness of climate change as the single most important challenge in implementing the new White Paper.

However, there is also recognition that because of the global nature of climate change and the need for international collective action, just changing DFID country programmes to support adaptation is not going to be a sufficient response. For mitigating even more dangerous climate change and, crucially, for securing the funding needed for adaptation, DFID has to get involved in UK Government negotiations at an international level.

This imperative means working with other departments, especially the FCO and DECC. It raises the question of how those relationships work, and whether DFID has been effective in keeping a developmental perspective in overall government policy and strategy.

How coherent are UK policy objectives on climate change and development?

As in some other areas, such as conflict or trade, UK policy on climate change appears quite coherent. As the 2009 DFID White Paper notes: 'Our development and climate aspirations for Copenhagen overlap significantly – a comprehensive, fair and equitable deal at

Copenhagen that tackles climate change effectively also has the potential to be the most important development agreement of the decade' (DFID 2009: 50).

The overall mitigation goal of UK policy is to limit global temperature rise to no more than 2°C. As spelt out in the DFID White Paper – and as written into the climate change PSA 27, which tasks DECC, FCO and DFID with joint delivery – the UK's objective in the international climate negotiations is to achieve a global deal on mitigation and adaptation that includes: a 50 per cent reduction in global emissions by 2050 from 1990 levels; a 'fair and equitable division of effort' between developed and developing countries; a reform of carbon markets to include the forestry sector; and support for low-carbon technologies and support for adaptation – the current negotiating position, laid out by the Prime Minister in June 2009, is an international fund of some US$100 billion a year by 2020, largely additional to current aid commitments. However, according to most climate models, even a 50 per cent reduction in greenhouse gas emissions still leaves a significant risk of temperature rises of more than 2°C. Anderson and Bows (2009) argue that a 4°C rise is more likely, while Hansen *et al* (2008) say 6°C is a distinct possibility.

In 2007 the Government announced the creation of an £800 million fund (the international Environmental Transformation Fund) to support climate change adaptation and mitigation in developing countries. This fund has now been used as the basis for a new Strategic Climate Fund at the World Bank. The significance of this for this report is that the fund is jointly run by DFID and DECC. Although DFID has in some senses taken a clear lead, the direct involvement of DECC in what is in effect UK aid programming is a significant departure, as is the stated objective of the fund to provide models of financing that can inform the international climate negotiations.

The Government has also created a number of cross-Whitehall groups on climate to try to coordinate strategy. The climate negotiations are handled by the Europe and Global Issues Secretariat in the Cabinet Office, with the Prime Minister's ad hoc Cabinet Committee in International Climate Change brought in at key moments. Further down the hierarchy, there is a director-level group between the three departments, as well as cross-departmental policy teams on issues like finance and forestry.

How joined up is government in practice?

When it comes to the international level, the UK looks more joined-up in practice on climate change than on almost any other issue. This may be in part because climate change is a new issue, without long-standing arrangements in Whitehall, so DFID has engaged from the beginning of the process and coordination has not been limited by entrenched departmental objectives or structures.

One example that almost all interviewees pointed to was the policy on finance for adaptation and mitigation in developing countries, announced by the Prime Minister in June 2009. This was notable in proposing a serious level of funding (although less than development and environment NGOs wanted), and in making a commitment to the principle that new money, additional to ODA, is needed. DFID has also worked hard to try to ensure that the lessons of the limits to aid conditionality and the importance of country ownership have been learned in new climate funds. This is seen as a decision of major importance for DFID. Without it, in the words of one senior interviewee, 'we would have gone into Copenhagen behind the pack and not in front of it, and with our aid budget under threat of being eroded'.

To some extent, the UK position on finance is a result of structural features of the climate issue. The UK Government wants a global deal, but no deal is possible without the major developing countries, all of whom want significant additional finance for adaptation and mitigation. At the same time, however, the policy is an outcome of political and analytical effort by DFID, not least because any decision involving additional money is always hard won.

While all the Ministers involved had a similar broad approach to the climate talks, strong leadership from the International Development Secretary was essential. In the words of one official: 'We would not have got the decision as it was on additionality without a strong political voice…this was not just going to a meeting and reading from a brief, this was very much direct personal engagement by the minister, and it needed a powerful minister to do that.'

At the same time, DFID (and DECC) officials worked hard to prepare the ground and anticipate objections, especially from the Treasury. According to one source, it took over two years to get to the Prime Minister's speech, but this analytical work was worth the effort: 'There's so much at stake for DFID in the climate debate, we couldn't leave it to chance.'

Over the last two to three years, this process of engagement with other departments – especially DECC (and previously DEFRA) – has raised the reputation of DFID as being capable of providing serious analysis on the costs of climate impacts and how to set up delivery and governance mechanisms for climate finance. It also means that DFID is increasingly involved in the key discussions. According to one interviewee: 'Some departments need to learn still that we should be invited to meetings, but it's getting better. For instance, anything on international energy, we're now involved. Similarly anything finance and climate, we're involved to give the development perspective.'

This process has also made DFID more confident about what other departments are doing. For example, the FCO has recently created a new cadre of 'climate attachés' to identify and influence key actors shaping thinking on climate policy in other countries, both inside and outside of government. Initial concern in DFID about this initiative turned into a realisation that it could help DFID's own objectives. In the words of one official: 'If anything, now I see [the climate attachés] as a resource that we can use to our advantage….If we come up with the ideas and the material to harness that energy then that's great, and it doesn't really matter which bit of government they're working for.'

Climate change emerges as a clear example of where having a development perspective makes wider efforts to achieve overall government objectives more effective, and the added value of what one interviewee described as a 'really strong new-style DFID with a big policy capacity'. More and more UK policy objectives have global dimensions, and at the same time the international actors are changing. As one DFID interviewee argued, 50 years ago the UK's counterparts were developed countries, but now – as very much with the climate negotiations – they are increasingly also developing countries. This shift means that it is essential that the UK Government becomes aware of different concerns and perspectives, and this is where DFID's value lies. An FCO official told us: 'In the ideal world, DFID are part of the conversations [with other departments], hammering out what we think is a fair deal …and so by the time you're in New Delhi…you're hopefully representing something that both sides feel comfortable with.'

Against this very positive picture of international policy coherence, the one important area of climate policy where DFID has had much less influence is in the UK's domestic emissions reductions efforts. Domestic performance should matter to DFID. Significantly and rapidly reducing emissions at home through effective climate policies, and demonstrating how other countries can do this at reasonable cost, should be a key part of the UK's international policy on climate (and an important indicator of its credibility). But the UK's record on domestic climate policy and performance is mixed. Greenhouse gas emissions from the UK itself have fallen overall since 1990 and the UK will meet its Kyoto target. However, this is in large part due to the 'dash for gas' in electricity generation in the 1990s following privatisation, for reasons unrelated to climate policy. In recent years carbon emissions have risen. In the past, specific issues or policies may also have created difficulty for DFID (and FCO), such as the possibility of new investments in coal-fired power generation or a 60 per cent emissions reduction target for 2050.

Domestic climate policy has strengthened in the last two years, and both of the above positions have been reversed. However, despite its claim to international leadership on climate, the UK has yet to achieve a significant sustained fall in emissions through climate policy. If this continues to be the case over the next five to ten years, the developmental implications of the UK's domestic policies, and the message the country is sending to the rest of the world, will become much more concerning.

Climate change: conclusions

Climate change is a coherence success story, as far as UK Government policy and practice go. From a relatively low profile just a few years ago, climate change has emerged as a big issue for DFID, just as the pace of both domestic policy and international negotiations have picked up. The creation of DECC and the taking up of climate change by the FCO have also helped enormously. DFID has increasingly been seen by other departments as adding value, through good analysis of the impacts of climate change for developing countries.

This is partly a structural outcome, in the sense that global agreement on climate depends crucially on developing countries, especially the large emitters. This has brought high-level commitment to the issue from both DFID and the FCO. It may also be precisely because climate change is a new problem, meaning that no one department feels defensive about the interest of others. At the same time, it appears that once different departments realise the value of joined-up analysis and strategy in terms of policy outcomes, this in itself creates the incentive for staff in one department to continue to work with those in others. Perhaps unsurprisingly, DFID has been less able (and less willing) to engage on the issue of the UK's own emissions, where there is a sharper conflict between the UK's own interests and those of developing countries.

5. International migration

Some of the issues examined in this report, such as climate change or conflict, have clearly negative impacts on development outcomes. The impact of migration, like trade, is more complex, especially in terms of its implications for child well-being and rights.

International migration and development outcomes

Migration can have both positive and negative development impacts, partly dependent on the different types of migration involved and the different contexts in which it takes place.[22]

Economists often consider migration to be analogous to trade in goods and services, and economic modelling suggests that increased international migration has the potential to increase global output, growth and well-being (Winter *et al* 2003). In the simplest terms, many developing countries have a shortage of capital relative to labour, while rich countries face shortages of labour. In these circumstances, migration from poor to rich countries can benefit both sending and receiving countries. As with trade, however, the impact of migration on individual developing countries, operating in a context far from the free market of economic theory, is hard to predict.

The bulk of migration in the developing world happens within countries, mostly from rural to urban areas. For the majority of the poorest people in developing countries, it is internal migration that has the most direct impact on their lives. However, our focus here is on areas of policy where the UK Government has a major impact, which means that we focus on international migration, and on *voluntary* migration, which is usually driven by economic factors, rather than on forced migration, asylum or trafficking. Although these migration flows have significant impacts on the individuals concerned, the UK's *migration* policies usually have relatively little impact on the sending countries in question – flows are driven by conflict and political crises which are best addressed with other policies (see Chapters 2 and 3).

Migrants who move from poor to rich countries are likely to reap significant economic benefits as a result. This can lift people out of poverty, and may allow them to transfer resources to friends and family at home, creating direct development benefits (Institute for Public Policy Research and Global Development Network 2010). However, the impacts of international migration on development also work through broader social networks, and local and national economies, to have much wider impacts. This is particularly important because in most cases (although not all), migrants moving from poor countries to richer ones are not the very poorest. Exceptions to this include, for example, the bulk of migrants from Mexico to the US, who are unskilled and from the poorest parts of the country. Many Bangladeshi migrants to the UK come from the very poor Sylheti region.

The literature on the relationship between international migration and development tends to focus on three key issues:

- The importance of migrants' remittances for development

- The potentially negative impacts of 'brain drain'

- The relationship between diaspora communities abroad and development in their countries of origin.

22. There are a growing number of multilateral forums and initiatives devoted to migration and development, including the High Level Dialogue on International Migration and Development that was organised by the UN General Assembly in 2006, and the now-annual meetings of the Global Forum on Migration and Development, which was launched in Brussels in July 2007.

Remittances

Globally, remittances from international migration have been steadily increasing in volume over the past two decades. Although it is difficult to get a fully accurate picture of the scale of international remittance flows – since they are frequently sent through informal channels – it is clear that they constitute a significant and relatively stable source of foreign income for developing countries. The World Bank estimates that developing countries received US$167 billion in remittances in 2005 (World Bank 2007a), second only to foreign direct investment as a source of external finance (IMF 2005). Remittances are often considerably higher than aid, particularly for some countries. For example, the amount remitted to Bangladesh in 2005 by overseas workers was estimated at US$2.2 billion, significantly more than the US$1.4 billion that was received in international ODA (DFID 2007). In some of the poorest economies, remittances represent a large share of GDP and export earnings (DFID 2007).

Research suggests that remittances can have a number of beneficial impacts in terms of poverty reduction and development, both for individual migrants and their families and for the communities they live within. They offer a predictable source of income and savings for poor families (and tend to be less affected by adverse economic conditions than other income sources). Because they flow proportionately more to poorer families than other forms of finance, remittances can also sometimes help to reduce levels of inequality in highly divided societies (for example, World Bank 2006b). In many cases remittances are invested in education, health and consumer goods and services (UNDP 2009), which will likely be beneficial for development, and especially for child health, well-being and rights. Remittance income is often invested in local services and industries, and is sometimes used as capital to create new businesses.

Because remittances flow directly to families in poor countries, they also avoid the problems of corruption and ineffectiveness associated with finance that flows via weak states. However, conversely, they are essentially private flows of money and cannot be directly accessed by government and directed into public goods and infrastructure (OECD 2005). There is also a concern that remittance flows might encourage some individuals or families in developing countries to withdraw from the labour market and come to rely on remittances as their primary source of income (Abbott and Pollard 2004). Further, the overall value of remittances can be diluted by the high costs of sending money abroad and by weak financial systems infrastructure in countries of origin.

'Brain drain'

The emigration of skilled professionals from developing countries can represent a considerable loss of human capital, which is a very limited resource for many sending countries. These negative impacts of migration are most often discussed in relation to education and health systems in developing countries, which have been significantly affected by the departure of trained doctors, nurses and teachers. More widely, 'brain drain' can limit economic growth, and can also limit the returns on government investment in education (which may reduce government's inclination to invest in it).

Brain drain is a particularly significant problem in Sub-Saharan Africa, where low wages, limited employment opportunities and weak infrastructure have driven large numbers of professionals to migrate abroad in search of better opportunities (DFID 2007). One study claims that 'the departure of health professionals has eroded the ability of medical and social services in several Sub-Saharan countries to deliver even basic health and social needs', with 38 of the 47 countries in the region unable to meet the minimum World Health Organization (WHO) standard of 20 physicians per 100,000 people (Tebeje 2005).

However, brain drain may be best understood as a symptom rather than a cause of development problems – skilled workers often emigrate due to a lack of opportunities at home. This means that it is not necessarily the case that preventing brain drain will lead to

development benefits; unless opportunities exist at home, international brain drain may be replaced by internal brain drain as skilled workers are forced into low-skilled work. Brain drain therefore cannot be addressed by migration policy alone.

In fact, while the loss of human capital can clearly cause problems for development, what looks like a 'brain drain' may in fact be a 'brain gain'. It is important to remember that individuals who migrate from poor countries often gain significantly from doing so. But skilled emigration can also bring benefits to sending countries, such as the knowledge, skills, technology and capital that migrants remit or bring with them when they return home, as well as the business and trade networks that are often established by absent migrants and diaspora communities (Dustmann and Kirchkamp 2001). Migration can also stimulate more intangible gains, for example by providing incentives for individuals or families to invest more money in higher education if they believe that this will enhance their migration prospects (World Bank 2006). Some level of skilled emigration is therefore good for development.

Diasporas

In recent years, the literature on migration and development has recognised that highly-skilled and well-educated diaspora groups can improve access to capital, information and contacts for people and communities in their countries of origin, provide a source of foreign exchange earnings and act as conduits for trade relationships (World Bank 2006). For example, there are currently more than 600 Mexican 'Home Town Associations' in over 30 US cities, which have helped to develop their localities of origin by, for example, investing in the construction of public infrastructure, donating vital equipment and by promoting education (GCIM 2005). Diaspora groups can also stimulate economic development in their countries of origin more directly; the example of overseas Chinese is often cited, who are estimated to have contributed 70 per cent of China's foreign direct investment between 1985 and 2000 (Kuznetsov and Sabel 2006). And diasporas are often the driving force behind the coordination of donor assistance in the aftermath of wars or natural disasters. In the decade following a devastating earthquake in Armenia in 1988, diaspora groups provided huge amounts of humanitarian aid: approximately US$630 million according to one estimate (Gevorkyan and Grigorian 2003).

The relationship between diasporas and conflict is also starting to receive attention in the literature. Many analysts see these groups as a regressive force, perpetuating conflicts and insecurity through the provision of economic and political support to violent movements in their countries of origin. This phenomenon has been identified in relation to protracted conflicts in Ethiopia, Kashmir, Sri Lanka, Israel, Palestine, Kosovo and Kurdish groups in Iraq and Turkey (Collier and Hoeffler 2001, Kaldor 2001, Vertovec 2005, Østergaard-Nielsen 2006, Pirkkalainen and Abdile 2009). However, this is only one side of the story. Although less research has been done on this issue, there is now some recognition of the potentially positive role that diasporas might play in peace-building efforts. For example, many commentators believe that the moderating influence of the Irish diaspora in the US was instrumental in convincing the IRA to accept the Good Friday Agreement in 1998 (Newland and Patrick 2004).

Beyond remittances, brain drain/gain and diasporas, it is clear that there are a wider range of developmental impacts that flow from the rapid movement of people around the world, especially the transfer of new knowledge, skills, attitudes and technologies through people movement (DFID 2007). For example, the 'feminisation' of migration from some countries has altered traditional gender roles, with an increasing number of women now moving abroad in response to a demand for female labour. One study estimates that women now account for nearly 65 per cent of Sri Lanka's recorded migrant population (Jolly and Reeves 2005). Migration by men can also enhance the opportunities available to women and can improve their status, particularly if they assume responsibility for managing the household's finances and expenditure following the departure of a male head of household (van Doorn

2003). Meanwhile, living abroad can expose migrants to new ideas about equality and gender balance which they might spread more widely when they return home. However, if migrants (both men and women) are not given adequate support by sending and receiving countries, they may become vulnerable to abuse and trafficking (see Eldis 2010).

Migration and child well-being

The limited amount of research that has been done on the impact of migration on children presents a mixed picture (Whitehead and Hashim 2005). Some research has indicated that children who live in homes where adults have migrated may have better educational and health outcomes, possibly as a result of remittances being spent on these two goods and also because of the knowledge being exchanged through migration networks (Bryant 2005). But the social and emotional dislocation caused by one or more absent parent may offset these gains if a strongly supportive extended family network is not in place (Whitehead and Hashim 2005). There are a number of comparative studies suggesting that the children of migrant parents tend to perform worse in school and to be less socially adjusted than children with both parents at home (UNICEF 2007).

An increasing number of children are themselves migrants, not just as part of families, but also independently. As Whitehead and Hashim (2005) note, migration can have a profound effect on children, and the focus of much concern is on the extreme violation of the rights of trafficked children, especially for purposes of sexual exploitation. However, the vulnerability of trafficked children can be used as a smokescreen for policies that restrict the rights of a wider range of potential child migrants, including asylum-seekers, while actually failing to protect the rights of children who do move (e.g. O'Connell Davidson and Farrow 2007). In fact, migration may provide an opportunity for some children to escape situations of extreme poverty (Migration DRC 2008).

DFID's approach to international migration and development

Migration from poor to rich countries has clear impacts on development outcomes. This raises a number of questions for countries like the UK, which seek to promote global development:

- How can immigration policy in rich countries maximise opportunities for people from poor countries to benefit themselves, their families, communities, and countries?

- How can immigration policy in rich countries minimise the potential negative impacts of migration (particularly of highly-skilled people) on development?

- How can migrant-receiving countries create a policy environment (for example, with respect to economic integration, remittances) that maximises the positive development impacts of migration from poor countries?

- How can aid policies and other interventions in developing countries take account of international migration patterns?

In comparison with other issues such as trade, DFID has not made migration a major focus for policy, and it plays only a minor role in the vision set out in the 2009 White Paper. According to Black and Sward (2009) an indication of this low profile is given by the fact that the FCO team working on promoting return of irregular migrants and failed asylum seekers is currently five times larger than the team focused on migration and development in DFID.

DFID's current approach is laid out in a 2007 policy paper (DFID 2007). There is a clear recognition of the potential development benefits of migration, but also the potential costs, and policy is framed in terms of maximising the former while minimising the latter.

On international migration, the policy paper lays out three key agendas – the importance of providing legal opportunities to migrate, addressing brain drain through training programmes

and incentives for skilled workers in developing countries and protecting migrants' rights (including through the regulation of recruitment agencies). This broad approach responds, at least to some extent, to all four of the questions set out above.

How coherent are UK policy objectives on international migration and development?

Over a long period, the UK has been an important destination for developing country migrants, and particularly those with historical links through the Commonwealth. The first major wave of post-war migrants came from the Caribbean, especially Jamaica, starting in the late 1940s, and peaking at more than 66,000 people a year in the early 1960s. By 1970, there were almost 300,000 people from the Caribbean living in the UK (Dorling 2009). A second wave of major immigration, from South Asia (including via East Africa), came in the 1970s and 1980s, numbering hundreds of thousands a year at its peak, and this continues today in large part through 'family reunion' immigration routes. More recently, the UK has also seen significant numbers of people migrating from various African countries, especially Nigeria and Zimbabwe, as well as large number of (mostly short-term) migrants from the new, poorer countries of the EU.

Some of the early waves of migration were actively organised by the Government to fill labour shortages in key sectors and services. The National Health Service has long relied on recruitment, both temporary and permanent, from abroad. In 2002, half of the doctors fully registered with the General Medical Council had been trained in other countries, mostly from outside the EU (Bach 2003). This proportion subsequently rose as the Department of Health ran a global recruitment plan for doctors in the early 2000s to cover the shortfall in domestic supply. Similarly, about one in ten of those registering with the Nursing and Midwifery Council in 2008 came from outside the EU, with India, the Philippines, Nigeria and Nepal being major sending countries in the developing world (Nursing and Midwifery Council 2008).

The period of sustained economic growth and tight labour markets from the mid-1990s onwards saw an increase in immigration, both from within the EU (especially after the accession of new countries to the EU in 2004) and from the rest of the world. The UK developed of a number of temporary visa schemes for migrants outside the EU, some aimed at specific sectors (Barber *et al* 2005), as well as longer-term migration schemes targeted at highly-skilled workers. Since 2008, the Government has consolidated these schemes into a single 'points based system' or PBS (see UKBA 2009). That system allows skilled migrants from outside the EU to come to the UK to work, if they have enough points, based on qualifications and experience. Tier 3 of the scheme, for unskilled workers, is currently not open to migrants from outside the EU.

Alongside these developments in the legal framework for immigration to the UK, there has been a significant rise in the population of irregular migrants in the UK. This is in part because the immigration regime has not created many legal migration routes for low-skilled workers. Demand for these workers in the economy has not been matched by opportunities for legal migration, which has created work opportunities for illegal entrants and for visa over-stayers. The failure of the system for processing asylum claims to cope with a rapid increase in applications during the 1990s also created a backlog of claims, and a public concern about lack of control in the immigration system. The challenge of controlling the immigration system, alongside public concern about the total level of immigration, has made immigration a difficult political issue for government.

Government has been faced with a clear economic need for immigration, but a hostile public and political climate, and resolving this tension has (understandably) been the primary focus of successive ministers in the Home Office. This pressure has meant that there has been little room for international development objectives to be integrated into migration policy. As DFID's own policy paper notes:

> *Until recently migration and development have been treated as very separate policy areas. The priorities for migration authorities have been to control the movement of people and integrate regular migrants into national labour markets and wider society.* (DFID 2007: 33)

In fact, migration is an area where the UK's international development objectives are not easy to reconcile with domestic policy and political imperatives. The Government does have a migration PSA that recognises the links between migration and development. There is a strong focus on development (or lack of it) as a driver of migration, but the scope for migration to support development is also acknowledged.

The international poverty reduction PSA Delivery Agreement also mentions migration (but only once, with respect to the EU, whereas it references trade more than 30 times). However, several of our interviewees acknowledged that this is an issue where, despite some complementarities, there are major tensions in policy objectives.

A truly development-friendly immigration policy would have a number of features which might include:

- a more open immigration policy, allowing for greater numbers of unskilled workers from the developing world to work in the UK

- encouraging circular migration, so that migrants can take new skills and capital back to their home country, mitigating 'brain drain' and maximising 'brain gain'

- ensuring migrants in the UK have opportunities to develop their skills, maximise their earnings, and remit earnings securely, easily and cheaply

- support for migrants to maintain links with home, for example flexibility in the arrangements by which migrants can visit their families.

  (See House of Commons International Development Committee 2004: 70, Newland 2004 and Chappell and Mulley 2010)

Policy initiatives have been developed in several of these areas. For example, the UK has developed 'remittance partnerships' with a number of countries (for example Bangladesh), which explicitly promote the development of and access to the financial system so that remittances can be used more productively. However, two key policy tensions remain. Political pressures militate against any changes to open up the immigration system to more migrants for developing countries, particularly low-skilled migrants. At the same time, the UK's need for highly-skilled workers, and the need to support the long-term integration of migrants in the UK, conflict with the need to encourage highly-skilled migrants from developing countries to return home.

How joined-up is government in practice?

The potential tensions between the UK's domestic policy objectives on immigration and international policy objectives on development are reflected in the way government works in practice on this issue. DFID's strategy paper asserts that:

> *DFID will work with colleagues in the Home Office, FCO and the Treasury to ensure that the Government approach to managed migration takes account of poverty-reduction and development outcomes.* (DFID 2007: 35)

However, the picture given by our interviewees was that DFID has not so far focused its migration work on changing the UK immigration system. DFID's main migration priorities have been to work with DFID programmes in a number of key developing countries (India, for example) to maximise the benefits of migration, to build a better evidence base on the interactions between migration and development and to influence debates on migration and development in global and EU forums. This work is important, and may well be effective in

increasing the development benefits of migration, but it has not gone to the heart of the potential tensions within UK policy.

There have been some recent efforts to make the UK's immigration policies more development-friendly. Interestingly, the initiative for this seems to have come from the Home Office Immigration Minister rather than from DFID. This agenda is starting to tackle the second of the two tensions between the UK's immigration and development objectives, as outlined above – changes to policy seem likely to focus on the need to promote circular migration and return by skilled migrants from developing countries. In the current political climate, it seems unlikely that the UK will give more unskilled workers from developing countries access to the UK labour market, even though this could bring significant development benefits. Any reforms to the PBS will likely focus on the parts of the agenda where there is some commonality of interest (such as brain drain and return) and avoid the areas where there are more conflicting interests (like low-skilled migration through Tier 3).[23]

DFID has been more successful in 'defending' its poverty reduction objectives and aid programmes from attempts by the Home Office and FCO to pursue other UK migration policy interests through aid resources by applying what one senior official described as 'continual pressure'. In particular, DFID has consistently resisted pressures to make any aid conditional on recipient countries' willingness to cooperate with the Government on the return of failed asylum seekers and irregular migrants from the UK. However, DFID is working with the FCO and the Home Office on a specific 'Return and Reintegration Fund' which funds specific joint work on migration in developing countries (for example prison refurbishment, in part to allow the repatriation of foreign prisoners from the UK). The fund is administered by the FCO, but is jointly staffed by DFID.

The structures for joint working on migration and development do seem to be largely in place. A migration and development committee bringing together ministers from DFID, UKBA, the FCO and the Ministry of Justice in the Home Office meets quarterly, and officials from the different departments meet regularly and communicate effectively. But perhaps because DFID has focused its migration work outside Whitehall (working with other governments, and DFID programmes in countries), and because DFID has been keen to defend its policies and programming in developing countries from UK immigration concerns, it appears that UKBA and the FCO have formed a strong bilateral relationship (for example, undertaking joint business planning on migration issues), which, while effective, has inevitably lacked some of the development perspective.

But as one interviewee put it, 'changing the structures won't necessarily help anything', since the nature of the relationships is based on the underlying politics, and the underlying politics of migration are problematic, to say the least.

International migration – conclusions

In 2004, the House of Commons International Development Committee produced a report on migration and development. On UK policy coherence, the Committee argued that DFID's interests and objectives were unlikely to be the same as those of the Home Office or of other departments with an interest in migration – given that DFID's focus is on poverty reduction, while the Home Office's concerns lie with immigration and asylum. However, it urged more joined-up working across 'the Government as a whole', with 'open, informed, evidence-based discussions rather than … institutional inertia'. It continued:

> *It is only through such discussions that Departments can explore whether and how their policies can be made more coherent. If development objectives are to get a fair hearing, then it is important that DFID has a seat at the table.* (HoC IDC 2004: 81)

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23. The UK scores badly on the migration measure of the Centre for Global Development's Commitment to Development Index, in large part because of the lack of low-skilled migration routes to the UK for people from developing countries.

The Committee went on to call for DFID to be fully involved in the formulation of policies on migration. However, it is clear that some five years on, this has not taken place.

There appear to be two reasons for this. One is that there is a genuine conflict of policy objectives, especially in how open the UK is to unskilled migrants from developing countries. The Government should tackle this conflict head on: having UK domestic migration policy objectives is perfectly legitimate, but the development impacts of policy could be more systematically evaluated and considered in decision-making, so that development benefits can be maximised. The trade-offs between the UK's domestic and international development objectives also need to be explained transparently to the public.

A second factor is that – like corruption by UK companies in developing countries – migration is a politically difficult issue for DFID, and one on which it receives little support from No. 10, in contrast with the developmental aspects of other issues like climate change. It is perhaps unsurprising that senior ministers are wary of engaging with an issue as contentious as immigration, but without political engagement from the top the synergies between migration and development will not be realised. UK civil society should also be more confident in demanding that the Government tackles this issue, and be willing to give political credit and support as and when progress is made.

6. Towards greater coherence

A strong picture of the evolution of UK development policy and of DFID emerges from our research and this chapter begins by mapping the changes.

A picture of change

In 1997 DFID was a new department, and its first Secretary of State, Clare Short, was determined to give it an independent identity and a strong remit that marked a break from the past. In the early years, DFID established its own ways of working, skill base and culture, and was often located in-country, separately from the FCO. It also developed a close relationship with the external international development community, especially the large development NGOs, which have been an important lobby for the expansion of the aid budget since 1997.

The 1997 White Paper and the 2002 International Development Act gave development policy a clear poverty reduction focus (and a set of targets in the Millennium Development Goals), backed up politically by personal commitment and interest (especially in Africa) from two successive Prime Ministers. The task of meeting the MDGs was interpreted and presented publicly and politically by ministers largely, although not exclusively, in terms of increasing aid flows and delivery of basic services (including improving the capacities of developing country governments). Only latterly have some parts of DFID started to prioritise thinking about their approach in developing countries in a way more informed by political and political economy analysis.[24]

Within this context, policy coherence, and the interaction between DFID and other government departments, has evolved in a rather uneven way, often outside the political spotlight.

Trade policy was targeted from the very start of DFID's existence: an early decision was taken to invest in expertise within DFID, and to engage with the then Department of Trade and Industry (DTI) to make the argument that once trade policy moved away from mercantilism, development became the main issue. This argument was broadly accepted, within a general frame of trade liberalisation.

There was also an evolution in DFID's approach to conflict quite early on, with humanitarian military intervention in the Balkans and Sierra Leone forcing the department to think about how it worked alongside the Ministry of Defence (MOD), and about the relationships between stabilisation, reconstruction and long-term development. A somewhat different set of issues has arisen in the more recent cases of Iraq and Afghanistan, where the basis for intervention was different, and the security problems more intractable. While work in these countries accounts for a relatively small part of DFID's programming, it has attracted a large amount of political debate. It is important that DFID finds ways of working that are effective in situations like Afghanistan, but equally, it would be a mistake to reconfigure DFID's entire approach on the basis of the demands of these particular cases.

In the last few years, there has also been major engagement with No. 10 and DECC on the international aspects of climate change. DFID has also pressed successfully for action by other departments on quite specific issues, such as the banning of cluster munitions by the UK and the promotion of an international agreement on the same issue.

On a range of other issues (including migration), DFID has either not made much effort to shape policy in other parts of government, or has lacked the resources, arguments or political

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24. Such as the Drivers of Change exercises, Strategic Conflict Analyses, and the Country Governance Analyses. Most of these date from the mid-2000s or later.

weight to do so. These tend to be in areas that are politically more difficult, where UK interests are not clearly aligned with those of poor countries, or where DFID staff have little experience.

At the same time, other departments have also changed, gradually realising the value of a longer-term developmental perspective for their own objectives, and partly driven by the efforts of the centre to drive coherence through joint PSAs.

There are also key distinctions to be made between areas where the UK could in principle deliver policy coherence (at least to some extent) unilaterally (for example, on migration or corruption) and areas where policy is set, or outcomes determined, at the European or international level (such as around conflict, trade and climate change).

It is beyond the scope of this report to explore the European and international dimensions of policy coherence, but it is worth making two key points here. First, the UK's ability to deliver policy coherence in European/international areas of policy will only be as good as its ability to influence multilateral institutions and international partners. This is and should be a major priority for DFID in the coming years – just as it needs to become more effective in influencing others in Whitehall, it needs to become more effective in influencing internationally. But DFID cannot do this alone – particularly in Europe, and in areas such as conflict and climate change, its ability to influence multilateral institutions and international partners is dependent on the UK Government's wider efforts and strategic positioning.

Second, the policy coherence agenda will, under the Lisbon Treaty, increasingly be shaped by the EU. The UK is well positioned to take a lead here, but, as with many EU policy agendas, progress seems likely to be slow, so the UK needs to adopt a position of leading by example and moving ahead with its own policy coherence agenda, regardless of progress at the EU level.

Because of the unevenness described above, we found a wide range of interpretations as to how far DFID is engaged with the rest of government, and how far the development agenda is bedded down across Whitehall. Some, especially those outside government, see the glass as half empty, and argue that DFID is still technocratic in its approach, driven by a narrow interpretation of the MDGs, and separatist in its culture. Others, especially those within government and within DFID, see the glass as half full, and argue that DFID has changed substantially in the last five years, that the UK approach to development policy is much more coherent than it was in 1997, that DFID is a lot closer to other government departments than it used to be, and more influential in Whitehall. Although some perceptions of DFID as technocratic and cut off from the rest of government may stem from practices that have now been changed, or on the experience in one particular area of policy, these perceptions should themselves be a concern for DFID if it wants to maintain its influence and reach.

There are also different views on the question of 'where next?' for DFID, and for UK development policy more widely. Some argue that, faced with increasing fiscal and political pressures in the coming years, DFID should defend its 'separateness' and independence even more; others that the changing nature of poverty requires a more joined-up approach across government.

The need for a more proactive approach to policy coherence

We think that it is important both for UK development policy and for DFID as a department that the coherence of government policy and practice deepens and becomes more systematic. As noted in the Introduction, this is not to say that the Government or DFID has got it wrong in the past, but instead that now might be a propitious time to re-examine the balance between different areas of policy.

There are at least two reasons that coherence should be a priority. One is simply that the trends driving policy coherence, as an essential response to development problems, have not

gone away. The evidence presented in this report shows that development outcomes depend crucially on factors beyond aid, and that UK Government policies across a range of areas (not limited to those discussed in this report) matter for poverty reduction and basic rights. On the other side, UK interests are increasingly bound up with successfully responding to a range of international issues (such as climate change). A narrow view of the UK's national interest is looking increasingly outdated.

The other reason is that, although DFID's existence and the principle of a UK international development policy not tied to a narrowly-defined national interest are now well established and not seriously in doubt, there are likely to be pressures in the coming fiscal and political environment. It may be suggested that an increasing part of the aid budget should be routed through other departments, and that DFID's own budget should be allocated in ways that reflect foreign policy priorities. There may also be pressures to align operational decisions in particular countries with foreign and security policy priorities (Conservative Party 2009).

In these circumstances, DFID must be on the front foot, making a strong case for its global poverty reduction objectives; for the need for other departments to engage with those objectives in practice as well as policy; for the benefits that a longer-term development perspective can offer for a range of UK objectives, and for the skills, experience and analysis that DFID has.

This means DFID continuing to build closer relationships with other departments, which does bring risks. However, DFID cannot afford to continue being seen as 'the NGO down the road', as it has been caricatured within other parts of government – politically and pragmatically, perceptions matter as much as reality. Instead, in the words of one interviewee, the department must become more of a 'Whitehall warrior'. DFID officials are typically highly professional in the way they use data to make their case on a range of issues, but as one FCO interviewee argued, networks are what get things done in Whitehall, and DFID is late to the game, having spent the best part of decade establishing independence from other departments.[25]

It is clear that DFID, and indeed government more widely, is much happier operating under conditions of real or constructed consensus than it is in dealing with genuine policy tensions between different government objectives. The key problem is how government can manage those tensions in a productive way, and how it can be ensured that the development perspective is represented properly. The real test of policy coherence is in responding appropriately to situations where there are genuine conflicts or trade-offs between policy objectives.

A common response to the challenges of policy coherence is to reform existing cross-Whitehall bodies or propose new bodies. For example, the Conservatives propose raising the Stabilisation Unit above its current parent departments, as well as creating a new National Security Council, to replace the existing National Security, International Relations and Development (NSID) Committee. On the basis of the evidence collected for this report, we believe that changing the architecture of government is not sufficient to drive change, and may not be necessary in many areas of development policy.

In order to deliver more coherent policies for development, the priority should rather be to change the incentives that operate within the architecture that currently exists, and to develop more effective joint strategies backed up by a renewed political commitment to coherence for development, while working to increase public understanding of the issues.

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25. This relationship building also means being willing to listen, and to be influenced as well as seeking to influence others. The 2006 OECD DAC peer review of DFID was generally full of praise for the Department, but did observe that DFID could be 'long on strategy, short on tactics' (OECD DAC 2006: 24) when working with other donors, and some of our interviewees suggested the same is true in its relationships across Whitehall.

Making Whitehall work better for development: architecture, strategies, incentives and skills

Notwithstanding the limits of achieving change through altering the architecture of government, it is important to note that the way in which the UK Government is organised produces a structural tendency for departments to work as separate silos. Despite the common complaint about the centralisation of power in recent decades, it is Secretaries of State who hold the legislative levers and operational budgets, so enforcing coherence across the whole of government is difficult. The Prime Minister and the Cabinet Office can intervene on occasion, but not all the time. At this very basic level, the structure and incentives make unjoined-up government the default position. It is partly this structural problem that explains why action can be slow even when it is urgently needed – as in the case of Afghanistan where it took 13 months to set up a cross-departmental strategy team.

Cross-government mechanisms

One response to this problem is to create cross-departmental mechanisms, such as joint committees or funds. One of the striking findings from our interviews is the extent to which these cross-Whitehall mechanisms already exist in all the areas we looked at, and at every level, from Cabinet committees like NSID down to joint units like the DFID-BIS trade policy teams and specialist funds like the Stabilisation Fund and the Conflict Prevention Pool.

A key question under these circumstances is whether recommending the creation of further cross-departmental mechanisms is useful. Some of our interviewees, both inside and outside government, did suggest that a new high-level overview body is needed. There were effectively two versions of this proposal – one framed in terms of national security, and the other in terms of fragile states. Some, including the Conservative Party (2009), propose creating a new, Cabinet-level National Security Council or Committee, which would coordinate UK Government responses in cases like Pakistan and Afghanistan, where development objectives are involved alongside other strategic concerns. Another proposal is to have a Cabinet-level committee specifically concerned with whole-of-government approaches to fragile states more broadly, an approach that the Dutch government has experimented with. We also heard some proposals for a Minister for Fragile States with more than one departmental affiliation, in the same way that the Africa Minister is co-located in the FCO and DFID.

A more common view among those we interviewed was that the cross-departmental architecture was already too crowded and fragmented[26] and it would therefore be unwise to create another structure. The problem is not so much in whether opportunities to coordinate and communicate are there, as in how much they are actually used in practice – something that is in part about the incentives facing officials, and in part about political leadership and strategy from ministers.

In the words of one interviewee: 'The [cross-departmental] structures are in place – the question is what positions departments take in those structures and what determines those positions, and what messages the PM sends out.' This view is echoed in comments made by Bill Rammell, Minister for the Armed Forces, in 2009 in evidence to the Select Defence Committee. Talking about the tri-partite Cabinet-level committee responsible for overseeing Whitehall arrangements for the Comprehensive Approach, he said:

> *Ultimately, this is about political will. It is about the relevant Secretaries of State coming together and pushing and persuading their Whitehall departments to break down the barriers, to cut through the bureaucracy, to challenge the cultures and say 'you have got to work this way'. No amount of structural re-orientation is a substitute for that.* (HoC Defence Committee 2009: Q340)

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26. For example, there is a Cabinet-level ad hoc committee on national security that meets only very occasionally, the Cabinet Office NSID Committee which meets more often but which in turn has a number of different sub-Committees.

External commentators make the same point. One senior and highly experienced interviewee argued, citing the example of the Horn of Africa, that what is lacking is whole-of-government (or at least DFID-FCO) strategies for key regions and countries: 'The UK has the instruments – CPP, SU, Stabilisation Fund – but no visible, publicly joined-up strategy'.

Joint country strategies

Interviewees from all the government departments we talked to argued for the importance of joint country strategies, for several reasons. Given that one of the key differences between DFID and other departments (especially the FCO and MOD) is that DFID tends to takes a long-term and broad development perspective while others sometimes have a more specific or short-term view, the core value of joint country strategies is that they bring both perspectives to the table, and clarify and force agreement on the tensions and trade-offs between them in an explicit way. In the words of one FCO interviewee, the process of developing joint country strategies 'is all about getting a common understanding of what the problem is. The political heat gets taken out of it. That gets you 70 per cent of the way there.'

By helping to resolve tensions at the planning stages, joint strategies reduce the risk of frictions arising at an operational level. They establish a 'framework under which different levers can be employed by different departments, but in pursuit of common objectives'. In addition, such strategies would help allow joint country budgets that work more flexibly between departments. From the DFID perspective, joint country strategies in conflict-affected and fragile states would also help to ensure that development concerns figures more highly on the agendas of both the FCO and the MOD.

Currently some countries have joint strategies and some don't. If the UK has a substantial military deployment somewhere, then a joint strategy is more likely, although even in such cases it can be slow to be formed. For countries further down the NSID priority list, joint country strategies are rarer.

The 2009 DFID White Paper pledges that the Government will produce whole-of-government strategies for all fragile states where the UK has a substantial aid programme by June 2010, a commitment that is to be welcomed and indeed was supported by all our interviewees. We would suggest that the process of joint strategies should also be extended to all countries where the UK has both a substantial aid programme and significant strategic, commercial or security interests.

Cross-government thematic strategies

Some interviewees also feared that joint country strategies will be ad hoc and inconsistent without higher-level thematic joint strategies that all relevant departments can buy into, and, crucially, that can be connected to the allocation of resources. It is clear that at this level, of broader, cross-Government strategies, the Cabinet Office has a key convening role, and that Number 10 must also exert strong political leadership.

In the specific area of conflict and development, a Cabinet Office-led process of producing a Conflict Strategy was ongoing at the time of writing and due to finish by the end of 2009, but it is unclear, so far, how this will be connected to joint country strategies for countries in or at risk of conflict, or indeed to country budgets. Some interviewees also argued for a National Security Strategy that is wider than the MOD's Defence Strategy, and that is joined up with the thinking set out in the Development White Paper.

Some of our interviewees suggested that a thematic whole-of-government International Development Strategy would be a way of ensuring that all relevant departments took a development perspective on board, and that DFID engaged with the expertise and objectives of other departments more effectively. They argued the need to bring together more effectively the UK development debate and the broader strategic debate about the UK's wider role in the world – at both official and political levels. The 2009 White Paper is a step

in the right direction, but (in common with previous international development white papers) is widely seen as a 'DFID White Paper', which seems likely to limit its impact in other departments.

The process of developing a new whole-of-government strategy would need to involve a systematic analysis of the development impacts of UK policies (including, but not limited to, those discussed in this report), and an honest assessment of the trade-offs involved – some of which have been identified in sections 1–5 above. It would require the involvement of senior officials and ministers from a number of key departments, including DFID, the FCO, DECC, BIS, the Treasury and the MOD, and could help to develop a solid, cross-Whitehall consensus on international development. It would build on recent White Papers, but would need to have stronger ownership across government, and a stronger focus on non-DFID policy levers.

The FCO already has an international development objective reflected within its departmental objectives, as do some other departments, but an International Development Strategy would be at a much higher and more politically-visible level. This would not (and should not) guarantee that development objectives would always win out against other government objectives, but it would mean that the developmental impacts are understood and decisions are made transparently on that basis. This would provide a framework for DFID to engage more confidently on issues where the UK faces real conflicts of objectives, and in particular in areas where UK policies might harm, rather than help, development.

Whatever joint strategies are developed, without an accountability mechanism, there is a high risk that they will not be implemented in any systematic way. The key accountability in the UK system is to Parliament, especially via Select Committees. A more joined-up approach with meaning therefore needs more coherence between committees – for example, by requiring the Foreign Secretary to report on how the FCO has contributed to the Government's international development objectives. To some extent this has started to happen, but the responsibilities of various committees should be clarified. A cross-government International Development Strategy would need to include clear lines of ministerial and official accountability to Parliament.

Incentives and targets

As noted above, departmental structures can mean that Whitehall's 'default setting' is for working in silos. Civil service careers have been structured to reward excellence in core departmental activities and concerns, rather than inter-departmental activities. Often, working in a cross-departmental unit has offered no clear promotion path. One unintended consequence of successful joint units (such as the Trade Policy Unit) is that they can become rather cut off from mainstream departmental career structures. As one external commentator put it, up-and-coming civil servants do not view cross-Whitehall dialogues and mechanisms as career enhancing: 'Cross-Whitehall means "we don't bother".'

In order to overcome these barriers to joint working, proactive steps must be taken to change incentives. This can be achieved successfully, and there are examples of success to draw on, such as the departmental cooperation on social exclusion. The two most important requirements for reform are reward structures, and the examples set by senior staff, who determine the culture of the department. In a recent survey of civil servants on collaborative working across government, Emslie and Gordon (2008) found that the top factor identified as most likely to help ensure the success of collaborative working initiatives was 'seeing senior civil servants setting an example in working collaboratively'. Another important factor was 'having an objective relating to collaboration integrated into everyone's targets'. Indeed, for activities such as taking part in cross-departmental meetings and preparing joint strategies to happen systematically, they will have to be written into both promotion criteria and appraisal objectives.

There are again some signs that this may be happening. On the example set by senior staff, Bill Jeffrey, Permanent Under-Secretary at the MOD, has convened a group of Director Generals from a number of departments to get together and start talking about strategy, creating a space for discussion and thinking. And according to senior officials in DFID, working with others across Whitehall is now written into promotion criteria, as is the experience of having worked in a fragile state, requiring a more political outlook and more joint working with the FCO and MOD – although other interviewees argued that this was not, or has not consistently been, the case.

Higher-level incentives provided by departmental and cross-governmental targets are also important if policy coherence is to be achieved. As noted in the Introduction, some efforts to make PSA targets (including PSA 29 on progress towards the MDGs) cross-governmental have been made. In practice, however, very few of our interviewees outside DFID felt that PSA 29 applied to them, while in DFID, PSA 29 seemed to dominate corporate thinking at the expense of other relevant PSAs (such as those on conflict and climate change). The fact that PSA 29 is focused on progress towards the MDGs has also tended to favour policies (especially aid policies) focused on the immediate and proximate drivers of the specified development outcomes (for example in health and education), at the expense of broader or more long-term policy areas. If the UK wants to deliver policy coherence for development, the Government needs to prioritise and measure the right things.

Skills and capacity

A final point is about the kinds of skills needed, both in DFID but in other departments, if there is to be more effective coherence in policies relating to development. Several interviewees were of the view that DFID needed more staff with expertise in political (as opposed to governance) analysis. This perhaps also relates to the suggestion from some that DFID is too 'technocratic'. While many DFID staff have high-level policy expertise in different areas, they are often drawn from professional development backgrounds. The resulting focus on research, evidence and good development practice has been important in establishing DFID as a world-leading donor agency. However, it is also the case that many DFID officials lack experience of working elsewhere in Whitehall, and that DFID staff are perceived as a slightly 'different breed' by those elsewhere in government.

In addition to experienced conflict advisers, DFID also needs to be able to draw on people who have been trained to work in conflict situations, and with the military. If this cannot be delivered through current channels (specifically, the joint initiative between the Army and the Stabilisation Unit), then a separate joint civilian-military force needs to be created. DFID also needs more people with private sector experience, to ensure coherence with trade and investment policy.

However, other departments also need new skills. BIS needs economists who have training in development economics. Given that poverty reduction is now an objective of foreign policy, FCO diplomats should be given more of a background in development. The armed forces need people skilled in working with civilians.

A joined-up approach could also be better delivered through a more informed sharing of existing staff skills. One interviewee pointed out that the FCO has 50 research analysts – experts on issues and countries. Not only is this resource not systematically made available to the rest of Whitehall, but at present many departments are not even aware of it.

Finally, DFID faces particular challenges associated with a rising budget but capped or falling administrative budgets and capacity. Although there is no doubt scope for existing resources to be used more efficiently and strategically, it is also important that DFID has sufficient staff resources to engage more effectively on a wider range of issues in Whitehall and internationally. Spending on such capacity should be seen as a strategic investment in wider impact, not as an administrative drain on programme funds.

Policy into practice: Joined-up government in country posts

The accounts we heard of how the Government – mostly DFID and the FCO but also sometimes the MOD, BIS and others – functions in posts in developing countries show huge variation, involving some of the best and some of the worst practice. With considerable autonomy given to country offices (especially by DFID), a lot depends on the individuals involved and the relationships between the DFID country head and the Ambassador/High Commissioner in particular. DFID and the FCO can be joined up and working closely in a number of areas, as is the case currently in India[27] or DRC. In other cases the separate location of staff has meant little communication. Particularly in situations of acute stress, a lack of mutual understanding between parts of government can have serious consequences.

At the same time, because of its decentralised nature, DFID's own practice is highly variable. For example, some countries that clearly need a good understanding of conflict lack conflict advisers. Equally, the implications of climate change have not been taken on board for all programmes, and many DFID country offices are not much engaged with trade policy.

DFID's highly decentralised model has delivered significant benefits – the freedom afforded to country heads has allowed them to innovate, and engage flexibly with governments and other partners on the ground. However, several of our interviewees suggested that the lack of clear central policies in some areas had led to unnecessary 'wheel reinvention' at country level.

Historically, the separate organisation (and often location) of DFID in-country has been an important part of establishing its own identity and independence from the FCO. Some felt that this had been achieved, and that organisational and physical separation was now unnecessary. However, others suggested that shared analysis and strategy, explicitly negotiated, as described above, would overcome many of the problems, without the need for organisational change – this is consistent with our findings at the level of central government.

There was a strong sense that shared analysis and strategy (whether in the form of joint country strategies, or wider thematic strategies) could form the basis of clearer rule-based frameworks for country offices to work from, and for more formalised relationships between different parts of government operating at country level. Country offices should play a lead role in developing joint country strategies, and should also play an important role in forming wider thematic strategies.

Joint strategies on particular policy themes are already emerging in areas such as conflict, as the new White Paper focus on peace-building and state-building will require heads of country offices to think more about conflict, and will necessitate the development of an over-arching central strategy for the deployment of conflict advisers. Specific areas of focus such as this could provide the basis for the development of wider models of best practice to cover the range of issues where cross-governmental coordination at country level is important. Policy coherence at the centre, based on a serious engagement with country offices, could make DFID's decentralised model work better.

This debate will be particularly important in the coming years, especially if, as seems likely, a change of government prompts the relationship between DFID and the FCO to be reassessed. The Conservative Party's 2009 policy green paper on international development notes the issue of variability of in-country practice: 'Too often at the moment, effective cooperation is down to personal relationships and chemistry between leaders and staff of the departments in each country. We will look at ways to institutionalise best practice'

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27. One of our external interviewees had been head of ODA in India in the 1980s, and reported a good relationship with the High Commissioner. The current relationship between DFID and the High Commission also appears good, with joint working groups on climate change and trade. However, there is no framework in place that would have *guaranteed* close working relationships in the intervening 20 years.

(Conservative Party 2009: 45). It was clear from interviewees close to or in the Conservative Party that a Conservative government would expect an overall lead at country level to be taken by the FCO. The policy document goes on to say that: 'DFID should not encroach on the FCO's role in shaping and articulating British foreign policy. There are times when DFID appears to come perilously close to pursuing its own foreign policy agenda.' DFID will need to proactively work with the FCO and others to improve coordination at the country level to ensure that development maintains the priority it has enjoyed in recent years.

It is crucial in these country-level relationships that all policies, including foreign policy, development policy and the deployment of aid, are based on a strategy that has been devised in an inclusive way across government, based on a shared analysis, and with common buy-in. Joined-up government at the country level is particularly challenging when it implies a change in the way that funds (from DFID or other government departments) are spent. More joined-up strategies cannot ignore the question of where UK resources should be deployed for best effect: although DFID should retain operational independence, and a strong poverty-reduction focus, it is important that decisions made at country level about the allocation of aid resources reflect a wider (and shared) analysis of how best to deliver development outcomes.

The aid budget, the International Development Act and ODA

In the last few years, a number of proposals have been made for changes to DFID and the UK's aid system, including changes to the way the aid budget is allocated across government and across priorities, a rewriting of the 2002 International Development Act, and even a reabsorbing of DFID back into the FCO. There have also been ongoing controversies about the appropriate purposes of aid, particularly in the context of what 'counts' for meeting the 0.7 per cent target (see for example CONCORD 2008).

As described in Chapter 1 above, much of the controversy has focused on how DFID operates in countries where the UK is at war, and Iraq and Afghanistan in particular. These situations, while very important politically, represent only a small part of what DFID does. While we do think there are particular problems that arise in such situations, our suggestion is that they require targeted solutions, rather than systematic changes. It would be a mistake to reconfigure DFID's entire approach on the basis of the demands of these particular cases.

The division of resources between the FCO, DFID and the MOD, and the use of those resources, lies at the heart of much of the debate. Of the three departments, the FCO has the smallest budget, of just under £2 billion in 2008–9. A considerable proportion of this is spent on maintaining the UK's embassies around the world and supporting the British Council and the BBC World Service, leaving relatively little for programme funding. The MOD has the largest budget (around £37 billion in 2007–8) but in theatres of war is understandably reluctant to divert resources away from the core requirements of personnel, equipment and armaments. In recent years the armed forces have been stretched with two major conflicts in Iraq and Afghanistan, confounding expectations in the 1990s that demands on the defence budget would fall over time. This left DFID, with a budget of over £5 billion in 2007–8, facing high expectations about its spending in situations such as Afghanistan and Pakistan and beyond.

The first issue is about aid allocation and in particular how much DFID should be spending in countries like Afghanistan and Pakistan. On the one hand, the view from the foreign, defence and security policy community is that DFID should be spending more in countries that are a priority for the UK Government, where there are also pressing poverty/development concerns. There is also a concern that DFID is increasingly directing a larger part of its budget through multilateral agencies, rather than through bilateral programmes, because of a simultaneous increase in budget and a decrease in staff. From an MOD perspective, this could reduce even further DFID's ability to direct resources to conflict areas where the British armed forces are involved. A Conservative government would almost

certainly increase DFID spending in these countries. On the other hand, DFID officials point out that DFID is already spending far more in Afghanistan than it would in a comparable country on the basis of poverty indicators alone.

The second issue is about what is done with DFID's spend. One area of controversy is Quick Impact Projects (QIPs): rapid projects – often repairing or building schools, clinics, roads, mosques and so on – in areas that have been secured by the military. The MOD and DFID frequently have different ideas about how quickly these projects can and should be delivered, by whom and what level of security is required.

Beyond QIPs, there has been considerable debate about whether DFID can or should put resources into activities like military training for host country armed forces, or for counter-terrorism programmes. Again, MOD and FCO officials, and some external observers, argue that these are not only essential activities for achieving UK Government objectives in foreign and security policy, but that, through preventing further conflict, they are essentially developmental. Meanwhile, there is a clear concern from some quarters about the 'securitisation' of aid – for example in Pakistan, that resources for flagship education programmes will be diverted into counter-terrorism.

Underlying many of these debates are different analyses and views on strategy. We return to this point below. However, for several interviewees both inside and outside government a key issue is the 2002 International Development Act (which limits DFID spending to poverty reduction) and the official OECD DAC definition of ODA (which determines what 'counts' towards the 0.7 per cent target), and how far these restrict DFID spending on these kinds of activities. One MOD source, for example, argued that in the past the Act has '[played] into a particular culture within DFID … that says that there are a set of military activities that are completely proscribed … related to the OECD funding rules … such as training foreign militaries and things like that, even though that might lead to greater stabilisation'.

However, DFID officials argue that the 2002 Act was deliberately drafted to draw the definition of what could be funded in a broad way, and so in theory allows any kind of spending that reduces poverty through contributing to welfare or sustainable development, which may well include training of military personnel.[28] The issue for DFID in complying with the Act is whether a reasonable case can be made that the kinds of activity critics want to see DFID supporting really do contribute to sustainable development. This is a powerful way to ensure that the UK's international development objectives are not 'hijacked' by other interests.

At the same time, there clearly is a concern within DFID that other departments want to make use of DFID's resources and expertise to support government objectives that are not linked to development, a pressure that will only increase if legislation locking in the 0.7 per cent target by 2013 gets passed in this Parliament, protecting the aid budget at a time when other budgets will be significantly squeezed. Some in DFID see the Act as protection against this, but a more common view in DFID is that it is the OECD Development Assistance Committee definition of Official Development Assistance (ODA), rather than the Act, which restricts the kind of spending that can count as aid. The DAC definition, for example, excludes spending on military supplies or services, anti-terrorism spending, and the

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28. The use of the Act rests on the final say of the International Development Secretary. Early on, according to one interviewee, Clare Short did cite the Act as a reason for not supporting certain activities in Iraq, in a way that some saw as illegitimate, and this may have given rise to the perception that the Act restricts DFID spending. In fact, in June 2009, Clare Short revealed that in the wake of the invasion of Iraq in 2003 she instructed DFID officials not to work with FCO and MOD on reconstruction plans. This marked a low point in relationships, but was to do with Clare Short's doubts about the legality of the war in Iraq. There is no suggestion that such an approach has been taken by any subsequent Secretary of State, and we did not find the view that the Act itself was the key issue, as opposed to the ODA definition of DAC, widespread within Government. See also the evidence given by DFID's Michael Foster to the HoC Defence Committee (2009, Q307), in which he argues that the Act is not a barrier to DFID spending in conflict zones.

enforcement aspects of peacekeeping. Crucially, spending that falls outside the ODA definition cannot be counted towards meeting aid targets. This means that the DAC definition creates a political pressure on the Government (and, consequently, on DFID) since any resources spent on these activities rather than officially-defined ODA will not count towards the 0.7 per cent target. Given that the vast majority of DFID's budget is ODA, the combination of the DAC definition and the political pressure to meet the 0.7 per cent target does impose real restrictions on what DFID can spend money on, particularly in situations of conflict.

Some interviewees suggested that a carefully worded statement that elements of military training or disaster relief involving the military could fall inside the ODA definitions would be very helpful. Others are highly resistant to opening up the ODA definition, on the grounds that it could create a loophole for some countries to start counting conventional defence spending as aid.

The two dangers with this debate are firstly that it becomes quite fixated on tools and mechanisms for achieving objectives, rather than clarity about objectives themselves, and secondly, as a result, that it becomes unnecessarily polarised.

Our starting point is that, in situations of conflict and fragility as found in Afghanistan and Pakistan, there will be multiple dimensions to stabilisation efforts, and also multiple interests within the UK Government, including military operations and avoiding loss of lives, national security, trade, relationships with international partners, long-term development and so on.

In such a situation, it is critical to have clarity about the mission and objectives, and an agreed strategy for the whole of government based on shared analysis. Once there is clarity of a shared mission and objectives, then it makes sense to apply principles of flexibility and transparency in the use of resources. Government spending in such circumstances should not be about a struggle between those who want to 'raid' the aid budget and those who want to defend the aid budget at all costs. The important distinction should not be between what spending can count as ODA and which cannot, but between effective and ineffective spending.

For example, this might mean DFID recognising that security objectives are legitimate for poverty reduction as well as for wider UK interests, and agreeing to spend on non-ODA categories, but this will also mean the Government being clear that this expenditure cannot be counted as ODA.

At the same time, while we agree that changing the ODA definition would open the door to widespread blurring of what is aid and what is military spending, the UK should lobby the OECD DAC to better report non-ODA spending on a limited type of clearly-defined activities that promote development – to give it better international recognition and political credit. Transparency is the key principle here. If it is agreed as part of a jointly-owned strategy that, for example, training foreign militaries is necessary and desirable for stabilisation and development, then money should be spent on this, but it should be made clear that this is not ODA.

Such an approach will require more flexibility in the use and allocation of ODA budgets. Just as other departments are now allocated some ODA spending, DFID should have more non-ODA money in its budget to spend more flexibly, perhaps through an expansion of the Conflict Pool or other appropriate mechanisms. This would allow DFID's expertise to be used more widely, particularly in post-conflict and conflict situations, as well as enabling programmatic spending in areas where DFID is currently limited by the DAC definition of ODA.[29] If the UK wants to meet current commitments to give 0.7 per cent of GNI as ODA by 2013, and increase spending in non-ODA eligible areas, this would require additional spending (and perhaps significant additional spending).

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29. See also recommendation 88 in ippr Commission on National Security in the 21st Century (2009)

It also implies more flexibility in the interpretation of the Act with respect to the limits it places on DFID spending, with a wider range of potential types of activity being recognised as appropriate, as long as they contribute demonstrably to sustainable development.[30] The Government should broaden the scope of the Act to ensure that all ODA-eligible spending in other departments meets the same standards of poverty reduction (so that the Act applies to all UK ODA, as well as to all DFID spending). We believe that, far from being a corruption or dilution of the Act, this flexibility and extension would return the Act to the vision that its drafters originally had for it, now that DFID's role in government has been established, cross-party consensus on the importance of poverty reduction established and the important role of other departments recognised.

In the end, concerns about protecting aid spending for poverty reduction and maintaining an appropriate allocation of DFID spending between countries are best addressed through having a strong DFID voice making the developmental case at the heart of government. The importance of coherent political and ministerial strategies must also be re-emphasised. A large part of the reason that DFID's interpretation of the Act has sometimes been restrictive has been a political focus on the immediate conditions of poverty, and on basic services in particular. A more coherent and flexible use of DFID and ODA funds must rest on a more wide-ranging and coherent political analysis of poverty reduction priorities.

Relationships with British civil society and making the public case for development

Finally, achieving greater coherence across the UK Government for development outcomes also has implications for how DFID, and other parts of government, relate to different parts of civil society and to the UK public.

At present, there is a tendency for each department to have its own distinct civil society constituency. Since 1997, DFID has built up a strong relationship with international development NGOs, which themselves have grown in terms of their income and influence. The development NGOs can often be stern critics of the department, and play an important public accountability function, but they are also a powerful lobby for increasing the development budget, and have strong views on what aid should be spent on (often placing particular emphasis on basic services, for example). Meanwhile the FCO and MOD have a smaller but just as influential constituency, consisting of retired diplomats and soldiers, journalists and think tanks. For its part, BIS has a close relationship with industry associations.

The problem with these separate constituencies is that they tend to exacerbate tensions between departments (particularly over the allocation of spending) and can work against coherence. Thus some of our interviewees in other departments were of the view that DFID holds back from working more closely with the FCO and MOD because of fears of being criticised by NGOs, and DFID interviewees were similarly concerned about the pressures on other departments.

This view needs to be nuanced by the fact that many NGOs, and in particular those that work on conflict and humanitarian aid, see the importance and necessity of better inter-departmental coordination. It is also the case that NGO campaigns have helped to push development concerns to the top of the agenda on other issues (for example, on debt with the Treasury and on trade with DTI/BERR/BIS).

Nevertheless, if it is to make headway with other departments, DFID cannot afford to be seen as being held hostage by an 'aid constituency'. Getting the UK development sector to understand and better support coherence (including the real trade-offs faced by government) will be important.

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30. As before, see recommendation 88, ippr Commission on National Security in the 21st Century (2009).

To some degree the NGOs and other constituencies discussed above reflect a somewhat fragmented and sometimes simplistic understanding of development among the public. As noted above, many of the limitations on the policy coherence agenda are political, and many of the solutions must be supported by high-level political commitments. Those (inside and outside government) concerned with some of the issues explored in this report are often frustrated by a public and political debate that is focused on a 'core' of aid, basic services and the MDGs.[31] Both politicians and NGOs respond to public demands for policies that deliver clear, quick results. These results are considered key in justifying aid and DFID spending to the UK public, and to Parliament.

This means that the kind of policy coherence agenda discussed in this report poses a real challenge for government departments and for ministers. Engagement on issues that are complex, that only deliver results in the long term and that sometimes involve complicated trade-offs and policy tensions, is difficult to maintain in the court of public opinion. In particular, the more work the UK does in fragile and conflict-affected environments, the harder it will be to demonstrate any immediate results.

DFID will need to find a way to manage their constituency in this new way of working, and to proactively communicate with the public and with Parliament in order to explain the complicated realities and ambiguities of the development process. At the same time, however, this tension between short-term, attributable results and long-term structural change applies to other departments and their constituencies. If they are really interested in achieving effective outcomes in developing countries, the FCO and MOD have a responsibility to promote the legitimacy both of development and of DFID with their own constituencies.

Finally, UK civil society has a role to play in supporting government efforts to engage with the complicated and challenging issues raised by the policy coherence agenda. This means recognising the legitimate trade-offs government has to make, as well as demanding more systematic recognition of development objectives across a range of government policies.

Policy coherence and child well-being and rights

In the Introduction, we argued that greater policy coherence in a range of areas would benefit children, leading to a greater realisation of their rights and, as a consequence, increased well-being. While this is broadly true, it is clear from the analysis in this report that this relationship is complex.

Policy coherence for development is primarily about ensuring that all government policies support and create the conditions for eradicating poverty, including by ending conflict. In some examples, usually where DFID is working with other departments on programmes in developing countries, this can work in a direct way. There are some very positive examples of how such a joined-up approach can realise child rights and increase well-being, for example in the programmes for demobilisation and reintegration of child soldiers in countries like Sudan by the joint DFID-MOD-FCO Conflict Prevention Pool.

But in many cases the impact of policy coherence on children is indirect, working at the macro level. For example, DECC working to secure a deal to mitigate climate change might have an impact through limiting the risk of flooding or drought in a region. The Serious Fraud Office pursuing bribery cases and returning stolen assets will add resources that can be spent on education, health or infrastructure, and reduce the ability of anti-developmental elites to operate with impunity.

However, positive overall impacts of policy do not necessarily translate automatically into improved well-being for children. For example, we noted that while an expansion of exports

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31. The introduction in 2009 of the 'UKaid' brand for UK aid spending is a good example of this approach to public relations from DFID.

of manufactures has almost always been necessary for poverty reduction (and for sustainable gains in child well-being), this has in some countries also been associated with increases in child labour and the abuse of children's rights. Similarly, while international migration brings new opportunities, child migrants are often placed in very vulnerable situations, and children left behind when adults migrate may lose the support they need.

One implication of this picture is that attempts to increase policy coherence should always include a child well-being and rights perspective; it should not be assumed that improved child well-being is an automatic consequence of wider positive policy impacts. On some occasions this perspective may come from other departments. For example, the FCO has a child rights unit and strategy, with priority countries and issues (FCO 2007). But on most it will not, which means that DFID should be promoting this approach, thinking about the consequences of the policies of other departments not only for development in general, but also specifically for children. A recent review of the child rights climate in DFID commissioned by a number of NGOs concluded that the department does not yet adopt such an approach (Maguire 2007). This represents a challenge for civil society organisations that have a strong child rights focus, like World Vision UK. In the next few years, we have argued that there will be a particular value to (but also a particular need for) making the case for international development and poverty reduction with other parts of government. Keeping child well-being and rights in the picture will be an important part of this process.

7. Conclusion and recommendations

Over the last 12 years, the UK has built an impressive international reputation as an aid donor and as a leading innovator in development policy. DFID is a strong, independent actor both in London and in the countries in which it works. A consensus is now established across much (if not all) of the political spectrum for the department's existence, the commitment to meet the 0.7 per cent aid target, and the legitimacy of the development agenda. These achievements should be celebrated and built on.

DFID has had good reasons to hold itself slightly apart from the rest of government – the benefits of its independence are clear in the poverty focus of UK aid spending, and in DFID's enviable international reputation – but the gains made in the last decade need to be secured by advance into a wider agenda, not by a retreat into a narrowly defined aid agency role. We see no reason why DFID should not continue to be independent, and to make decisions based on a clear set of development and poverty reduction objectives (particularly about aid programming) while also engaging more effectively with the rest of government at the policy level, and on the ground.

It is clear from the evidence presented in this report that developmental outcomes – particularly for children – depend on a range of factors outside the traditional 'development' field, including armed conflict, climate change, trade, accountability and transparency of business, and international migration. Only if there is action in these areas by the international community, including the UK, will there be a sustainable exit from poverty for all. As poverty becomes increasingly concentrated in countries that are at risk of conflict, unable to tackle climate impacts, unable to take advantage of trade or migration opportunities, and that are dependent on natural resource exports, the importance of coherent action for development across all parts of government will grow.

Successful policy coherence for development must be just that – for development. This means that there need to be clear mechanisms (both political and official) to ensure that the UK Government's development objectives are systematically considered across a range of policy areas, including those discussed above. When other objectives or interests legitimately supersede development objectives, this should be transparent, and steps should still be taken to minimise harm and maximise development benefits. Similarly, policy coherence does not mean abandoning policies that seek development and poverty reduction for their own sake, but should build on them (indeed, the strong core of poverty reduction policy and programming that DFID has built should be protected in part for the foundation it provides for policy coherence). But it does mean being confident enough to engage on challenging issues, and recognising that messy compromises are part of making progress.

There is much at stake, but there is also the possibility for the UK to become a leader on the coherence agenda. As one of our interviewees, a long-standing observer of the aid relationship in Africa, put it: 'I think DFID is in a marvellous position to be a global leader [in a joined-up approach] because … bilateral agencies have a big advantage over the multilaterals, in that they've got a mandate that spans trade policy, governance, security, in a way that, say, the World Bank doesn't.'

Thus there are huge opportunities for government departments to work in a more joined-up way. However, there are also challenges and risks. Achieving coherence for development means bringing different parts of government together, each with their own objectives and perspectives. The key risk to be managed is that the development agenda gets lost or downgraded relative to other issues or interests (for example security), and that the UK's core development policies become less effective as a result.

It is also likely that the period after the next election will see new political and fiscal pressures that could exacerbate that risk. It is therefore all the more important to make clear

that the reduction of conflict and poverty, better governance and the realisation of rights in the developing world are all crucial for achieving global security and stability, and therefore for the objectives of other parts of the UK Government. We believe that the gains made in the UK in establishing a world-class development department in DFID, and in placing poverty reduction at the centre of development policy will be best secured for the long term by proactive engagement by DFID and other parts of government with a wider, more challenging, set of issues beyond the 'core' of development policy.

The research in this report, based in part on interviews with around 25 civil servants from a range of departments, as well as political advisers and external experts, suggests that the Government has made real steps towards greater coherence, especially in some areas such as trade, climate change and conflict resolution. However, there is still some way to go. DFID still appears to have a core focus on conventional aid programmes and in-country reform processes, and is criticised by some for a still largely technocratic (rather than political) approach to putting the development case in government. While other departments increasingly value DFID's input, they still have a way to go in reflecting the importance of international development objectives in their policies and practice.

A key conclusion of this study is that greater coherence is not usually being prevented by a lack of cross-government mechanisms. While particular barriers to cooperation and coordination can be identified, a more important issue is the incentives (or lack of incentives) in government to make these mechanisms work well in practice.

We argue that the key to coherence is agreed joint strategy, based on shared analysis, clear political leadership and an effective case made to the public. Most of our interviewees emphasised that joint strategies for whole-of-government actions on particular countries are desirable but often absent. If there is no such strategy, it is very difficult to avoid tensions or conflicts between departments on the ground. Broader thematic strategies, supported by clear political mandates, are also needed in order to tackle head on the potential tensions between different areas of UK policy. While it is certainly not the case that development concerns should always win out, they do need to be carefully considered and evaluated in all relevant policy discussions.

One of the key dividing lines, particularly between DFID on the one hand and the FCO and MOD on the other, appears to be about timeframes. DFID's perspective and analyses are long term, whereas the FCO is often interested in the shorter term, and the MOD often the immediate. These differences are inevitable, but achieving coherence means that all perspectives have to be respected and incorporated.

Finally, more transparency and flexibility is needed about the use of ODA funds, and the application of the 2002 International Development Act. The current division between DFID spending – which is limited both by the DAC ODA definition and by the Act, and other government spending – which is often constrained by neither, creates tensions between different parts of government.

Summary of recommendations

- Development concerns and objectives should form a key part of decision-making across the full range of UK policies that impact on developing countries. Attempts to increase policy coherence for development should always include a child well-being and rights perspective. Where tensions exist and development objectives cannot appropriately be given priority, harm should be minimised, development benefits maximised and decisions made openly and accountably.

- The Government should develop a whole-of-government international development strategy, and should carry out a systematic analysis of the development impacts of UK policies (including, but not limited to, those discussed in this report – conflict, trade and investment, corruption, climate change and migration). This should have strong ownership across government, and a strong focus on non-DFID policy levers.

- The Government should ensure that DFID, the FCO, the MOD, BIS, DECC, the UKBA and other relevant departments agree joint UK Government strategies for all important developing countries where the UK has both a substantial aid programme and significant strategic, commercial or security interests. These country strategies should be based on shared analysis contributed to by all departments.

- FCO posts and DFID country offices should play a key role in the process of forming joint country strategies and wider thematic strategies. DFID should retain operational independence at the country level, but needs to operate within cross-governmental strategic frameworks.

- All departments should create incentives – for example through appraisals and promotion criteria – for spending time and resources on inter-departmental working. These incentives should extend up to senior levels (including via PSA frameworks) to encourage senior civil servants to provide an example to more junior staff and create a culture where working with other departments is valued. Career progression structures should also reflect the importance of cross-departmental working.

- All departments should review the skills of their staff to ensure that they are appropriate for achieving greater coherence (for example, DFID should employ more political advisers).

- DFID's sole spending focus on poverty reduction under the International Development Act should be retained and even strengthened, but should be based on a broad analysis of what drives poverty reduction. The restrictions of the Act should apply to ODA spending across government, not just in DFID. The definition of ODA should not be reopened, but DFID should have access to more non-ODA funds, particularly in order to engage more effectively in situations of conflict.

- The Government should encourage the OECD DAC to provide better reporting on non-ODA spending on a limited type of clearly-defined activities that promote development, in order to grant such spending more recognition and political credit.

- All departments should engage with their civil society constituencies, and with the public, on the importance and value of the coherence agenda. DFID in particular needs to proactively communicate with the public and with Parliament in order to explain the complicated realities and ambiguities of the development process. If they are really interested in achieving effective outcomes in developing countries, the FCO and MOD have a responsibility to promote the legitimacy both of development, and of DFID, with their own constituencies.

- Ministers and politicians must make the political and public case for policy coherence, and should have the confidence to engage with the complex realities of development.

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Appendix: List of interviewees

This report is based in part on interviews with around 35 academics and independent experts, civil servants, special advisers and politicians. Interviews took place between June and September 2009. In some cases, interviewees asked to remain anonymous, and we have not listed the names of the 20-plus currently-serving civil servants and government advisers whom we interviewed. All other interviewees are listed below.

- Hugh Bayley M.P., Member, House of Commons International Development Select Committee; chair, All Party Parliamentary Group on Africa

- David Blair, Diplomatic Editor, *Daily Telegraph*

- Malcolm Bruce, M.P., Chair, House of Commons International Development Select Committee

- Paul Collier, Professor of Economics, University of Oxford and Director of the Centre for the Study of African Economies

- Denzil Davidson, adviser to William Hague

- Susan Hawley, Co-Director, Corruption Watch

- Laurie Lee, Deputy Director of External Affairs, Gates Foundation, previously No. 10

- Bronwen Maddox, Chief Foreign Commentator, the *Times*

- Richard Manning, former Chair, OECD Development Assistance Committee

- Simon Maxwell, Senior Research Associate, and former Director, Overseas Development Institute

- David Mepham, Director of Policy, Save the Children UK and special adviser to Clare Short, Secretary of State for International Development, 1999–2002

- Sheila Page, Senior Research Associate, Overseas Development Institute

- Susan Prowse, Programme Leader, Overseas Development Institute

- Sue Unsworth, Fellow, Institute of Development Studies, University of Sussex

- Phil Vernon, Director of Programmes, International Alert