

## **ActionAid's response to DFID's white paper**

### **'Eliminating world poverty: Making governance work for the poor'**

14 July 2006

ActionAid broadly welcomes the new DFID white paper, with its pragmatic approach to corruption and governance in poor countries. Some details still need to be worked out, but DFID has recognised that a one-size-fits-all approach to governance won't work and that action also needs to be taken in the UK.

Climate change and public services are urgent issues for the developing world, and it is good to see them moving up DFID's agenda, alongside the focus on governance. But there are still some significant gaps in DFID's analysis. For example, we would have liked to see more about making British companies accountable for their actions overseas.

#### **Aid reform (pages 28, 114, 119)**

ActionAid welcomes DFID's commitment to improve the effectiveness of its **technical assistance** by increasing the use of local providers and DFID's restated commitment to press the World Bank, the IMF and others to avoid **economic policy conditionality** in areas such as privatisation and trade liberalisation. ActionAid is pleased to see a re-statement of DFID's commitment to implement the Paris Declaration on aid quality as a first step towards better aid and expects action on this. DFID should push for a new post of UN aid commissioner to provide impartial oversight as to whether donors and recipients are meeting their commitments.

#### **Corruption (pages 28, 31, 36, 39)**

ActionAid are pleased with DFID's pragmatic approach to corruption and governance in poor countries. Some details still need to be worked out but DFID has recognised that a one-size-fits-all approach to governance won't work and that action needs to be taken in the UK.

#### **Corporate accountability (pages 36 and 41)**

ActionAid welcomes DFID's commitment to improving the UK Government's response to corporate misconduct by following up specific cases through the recently reformed national contact point (NCP) on the OECD Guidelines for Multinational Enterprises. This commitment now needs to be backed with greater resources dedicated to the NCP to enable full investigations of legitimate complaints, ensuring that the testimonies of affected parties are heard and field visits can be conducted where appropriate. Most importantly, the Government needs to make the whole process meaningful by taking action against companies that have been declared by the NCP to be acting in breach of the Guidelines.

ActionAid is disappointed that DFID has failed to adequately address its role in supporting the development of national and international mechanisms to stop corporate abuses in poor countries. Given its desire to promote private sector involvement in development - and its current emphasis on improving governance and accountability - DFID must use its influence to help ensure that companies' investment

and supply chain practices contribute to development objectives, rather than exacerbating poverty. ActionAid would like to see the UK government take the lead in promoting voluntary and regulatory initiatives that would improve business transparency and reporting, strengthen international human rights standards for business and enable communities adversely affected by UK corporate activity to gain access to justice in UK courts. The government should also look to prevent abuses of buyer-power dominance down corporate supply chains, for example by strengthening the supermarket code of conduct.

### **Growth and inequality (page 65)**

ActionAid welcomes the recognition given to inequality as a serious development issue but is concerned that DFID's proposals do not go far enough in tackling the problem.

### **Trade (page 69)**

ActionAid is disappointed that DFID has chosen not to re-state the government's opposition to forced liberalisation and that it has nothing to say on reform of the World Trade Organization. While we welcome DFID's stated commitment to a WTO agreement that delivers significant gains for developing countries, the reality is that the deal the UK and other rich countries are pushing for is likely to achieve the opposite and lead to increases in poverty.

### **Education (pages 75 and 78)**

ActionAid welcomes the focus on long-term education plans and co-ordinated, predictable aid from donors – so that long-term decisions can be taken such as to employ new teachers. Unfortunately DFID is not channelling enough education aid through the multilateral Fast Track Initiative (at present DFID has only promised 5% of its education aid to the FTI), which is the best vehicle for ensuring that the money gets where it is needed. Furthermore, the white paper fails to address head-on the contradictions between increasing spending on education and the present macro-economic policies of the IMF and World Bank, especially how these affect the recruitment and retention of new teachers. While ActionAid welcomes DFID's support for the abolition of user-fees these are often just one cost amongst many that exclude children from school. Finally, the new commitment to support higher and vocational education should not involve drawing on the £8.5 billion promised for basic education.

### **Health (page 81)**

ActionAid welcomes the commitment to ten year plans for health systems in order to meet the Health MDGs and the opposition to user fees, although this needs to be supported by increased money into national budgets as DFID have done with Uganda. The UK is the destination for many trained health workers who leave their countries. One reason behind this (and the failure of African countries to reach 15% of national budget spending on health) are the IMF ceilings and conditions.

The financing gap for HIV&AIDS needs to be addressed urgently if the 2010 treatment target is to be met. It is vital that donors take urgent steps to show how new aid resources coming online are being made available for HIV&AIDS treatments. While UNAIDS have a role to lead towards universal access, the UK has a leadership role that

it must not shirk - to keep the focus of the G8 on delivery of their commitments on AIDS. The Global Fund needs very strong support from the UK to challenge and counterbalance the lack of interest of the US. It is already proved itself one of the fastest, most effective ways of delivering aid and has used experience to improve its systems ever since it started.

**Climate change (pages 67 and 95)**

ActionAid welcomes DFID's commitment to working internationally to tackle climate change but the UK government must also set its own house in order. Climate change cannot be seen as a discreet problem to be tackled by one area of government alone, it is all encompassing and ActionAid wants to see joint commitment and action throughout DFID and throughout Whitehall in developing policies and programmes to tackle climate change.

The commitments made by countries in January 2005 at the World Conference on Disaster Reduction have hardly been implemented. DFID has an important role to play in advocating that governments put into practice the promises they signed up to. We applaud the recognition of the importance to address disaster risk reduction in the Paper and welcome DFID's new policy, but we have yet to see an increase in financial commitment to reducing risk to disasters.

**Reform of the international development system (page 114)**

ActionAid welcomes the commitment, first stated in the Commission for Africa report, for transparent, competitive selection processes for the heads of all international development agencies – including the World Bank, IMF and UN – to ensure that the best candidates are appointed regardless of nationality, but this is the least important necessary reform. Governance reform of the IMF must go further by ending inequality in decision-making and ensuring that developing countries have more power. ActionAid is disappointed that there is no specific mention of the WTO within DFID's reform agenda, despite the pressing need to re-cast the organisation as an inclusive and democratic body.

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