



Eliminating World Poverty:

A Challenge for the 21st Century

White Paper on International Development

Presented to Parliament by the Secretary of State
for International Development
by Command of Her Majesty November 1997

“ Together you and I will begin to build the new society, a society in which each of us has the chance to grow, to achieve, to contribute, to create dignity for ourselves, and not for ourselves alone, but for others also; a society in which each of us has a stake, a share; and we will give back to our children what they deserve - a heritage of hope. ”

Tony Blair
April 1997



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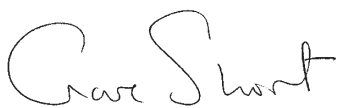
FOREWORD BY THE SECRETARY OF STATE FOR INTERNATIONAL DEVELOPMENT

This White Paper sets out the Government's policies to achieve the sustainable development of this planet. It is first, and most importantly, about the single greatest challenge which the world faces – eliminating poverty. It is about ensuring that the poorest people in the world benefit as we move towards a new global society. It is about creating partnerships with developing countries and their peoples, on the basis of specific and achievable targets, to bring that about.

We can succeed. The overall successes of development in recent decades have been remarkable – people live longer; fewer mothers die in childbirth; fewer infants die from preventable diseases. But the numbers living in poverty are continuing to grow. Too many people – 1.3 billion too many – live in extreme poverty. The major UN Conferences of recent years have drawn together an agenda that could deliver sustained progress. There are good reasons

for optimism. But to succeed we need to mobilise greater political will across the international community.

It is our duty to care about other people, in particular those less well off than ourselves. We all have a moral duty to reach out to the poor and needy. But we also owe it to our children and our grandchildren to address these issues as a matter of urgency. If we do not do so there is a real danger that, by the middle of the next century, the world will simply not be sustainable. The combination of population growth, environmental degradation and the conflict and disease to which this will lead could impose catastrophic pressures upon the planet. This White Paper outlines the ways in which we can make progress. To succeed, we need the active support of the people of Britain. In this area we could give a lead which would make us all very proud of our country and also secure a safe and decent future for all of us.



Clare Short
Secretary of State for International Development

November 1997

SUMMARY

This Command Paper announces the Government's new approach to international development. It has 12 strands.

SECTION 1

THE CHALLENGE OF DEVELOPMENT

We shall:

1. Refocus our international development efforts on the elimination of poverty and encouragement of economic growth which benefits the poor. We will do this through support for international sustainable development targets and policies which create sustainable livelihoods for poor people, promote human development and conserve the environment.
-

SECTION 2

BUILDING PARTNERSHIPS

We shall:

2. Work closely with other donors and development agencies to build partnerships with developing countries to strengthen the commitment to the elimination of poverty, and use our influence to help mobilise the political will to achieve the international development targets.
 3. Pursue these targets in partnership with poorer countries who are also committed to them.
 4. Put in place new ways of working with the UK private and voluntary sectors, and the research community, towards the international development targets including transforming the Commonwealth Development Corporation into a dynamic public/private partnership.
 5. Measure the effectiveness of our efforts, alongside others, against the targets, including the aim of halving the proportion of the world's population living in extreme poverty by 2015.
-

SECTION 3
CONSISTENCY OF POLICIES

We shall:

- | | |
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| <p>6. Ensure that the full range of Government policies affecting developing countries, including environment, trade, investment and agricultural policies, takes account of our sustainable development objective.</p> <p>7. Give particular attention to human rights, transparent and accountable government and core labour standards,</p> | <p>building on the Government's ethical approach to international relations.</p> <p>8. Use our resources proactively to promote political stability and social cohesion and to respond effectively to conflict.</p> <p>9. Encourage financial stability and the reduction of the external debt of developing countries to sustainable levels.</p> |
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SECTION 4
BUILDING SUPPORT FOR DEVELOPMENT

We shall:

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| <p>10. Increase public understanding of our mutual dependence and the need for international development.</p> <p>11. Ensure that resources made available for development are used only for the purposes intended, and consider the case for a new International Development Act.</p> | <p>12. Provide the necessary resources for the development programme: the Government will start to reverse the decline in UK spending on development assistance, and reaffirms the UK's commitment to the 0.7 per cent UN target.</p> |
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THE CHALLENGE OF DEVELOPMENT

We shall

- **Refocus our international development efforts on the elimination of poverty and encouragement of economic growth which benefits the poor. We will do this through support for international sustainable development targets and policies which create sustainable livelihoods for poor people, promote human development and conserve the environment.**

1.1 The quest for international development has been one of the great themes of the last 50 years. Efforts to create a framework to deal with political and economic relationships within the international community were launched in earnest at the end of the Second World War with the creation of the United Nations and the Bretton Woods Institutions. A key challenge was to manage the transition from colonial empires to a world characterised by independent states. In Britain the creation, by Harold Wilson and Barbara Castle, of the Ministry of Overseas Development in 1964 marked the establishment of a significant aid programme at a moment of great change, as many countries – particularly in Africa – gained their independence. Its work was described in a White Paper (Command Paper 2736) published in August 1965. Its starting point was that the majority of the human race still lived in poverty and that aid was in Britain's long-term self interest.

1.2 Ten years on another White Paper (Command Paper 6270), published in October 1975 when Judith Hart was Minister of Overseas Development, took

the same starting point – the extreme poverty of a very large proportion of the world's population – but put the emphasis on addressing more directly the basic needs of the poorest people in the poorest countries. It saw integrated rural development as the route to this objective.

1.3 The aspiration in the 1960s and early 1970s to achieve international development, and the assumption that this was a prize which could be seized over a period of a decade or two, were not borne out in practice. The 1970s and 1980s produced a number of major setbacks. Internally, economic policies were often inadequate and, where growth did occur, the benefits were often restricted to a small section of the population. External factors, such as the escalating price of oil, affected countries the world over, but particularly the developing countries. Concern over environmental degradation, forcefully articulated by the Club of Rome in 1974, grew in strength.

1.4 For many developing countries the 1980s represented a lost decade. Following a short-lived surge in bank lending, many

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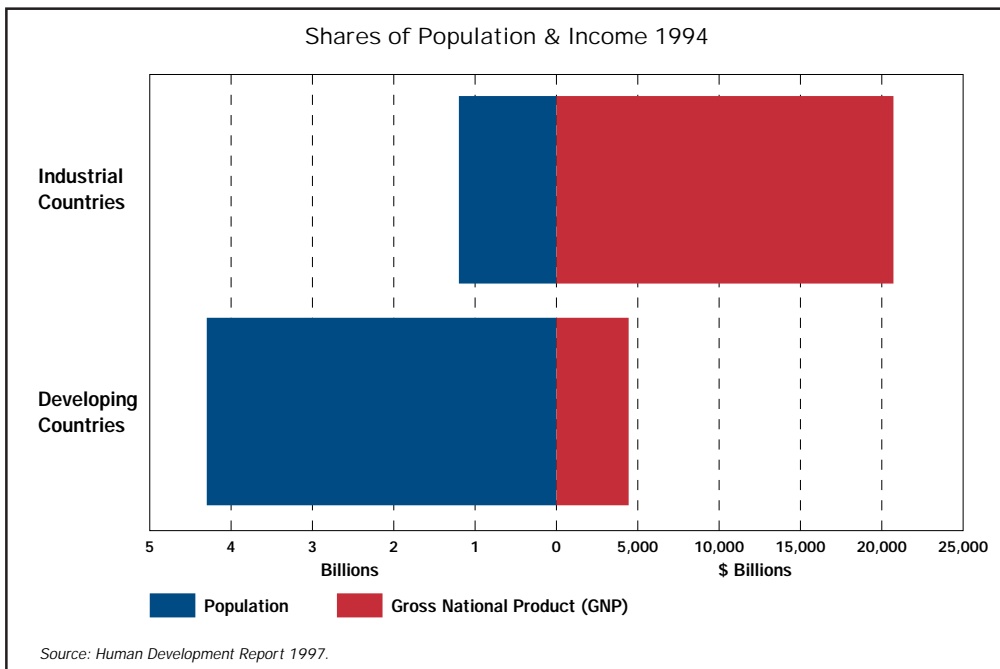
Latin American countries had to cope with huge debt burdens. In Africa, incomes per head fell in many countries as post-independence growth collapsed in a worldwide international climate that left little margin for policy errors. In contrast, in much of Asia growth was robust, reflecting long-standing investment in education and generally sound economic policies. But vast numbers of the rural poor remained untouched by progress, and many of those who migrated to the cities in search of a better future found life equally hard. The number of people in absolute poverty increased. Poor women, in particular, often failed to benefit.

Throughout the period pressure on the environment increased.

1.5 The end of the Cold War has transformed international politics. Until 1989, the ideological divide distorted development efforts. Both sides used aid to tie developing countries to their interests, leading to the diversion of effort from sustainable development. The new era provides a fresh opportunity to focus development efforts on poverty elimination.

1.6 The increasing globalisation of the world economy in terms of trade and

FIGURE 1



finance also brings new opportunities and challenges. Decisions taken in London, New York or Tokyo can have a profound effect on the lives of millions far away. We travel to distant places and trade with people of whom our grandparents knew little. We are mutually dependent. If our grandchildren are to have a safe future, we must improve opportunities for all the children of the world.

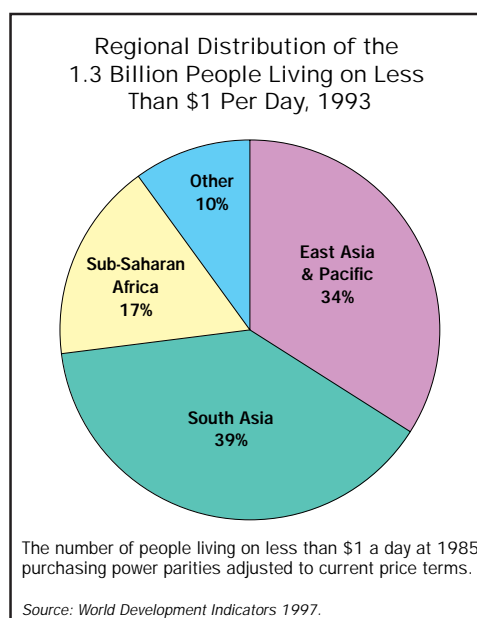
1.7 It is time to review our aspirations. All people have the same basic needs – fresh air to breathe, clean water to drink, uncontaminated food to eat, and livelihoods that allow them to earn their keep and raise healthy, educated children. We want to see a global society in which people everywhere are entitled to live in peace and security with their families and neighbours, and enjoy in full their civil and political rights. We want to see economic endeavour hand-in-hand with accountable government, the rule of law and a strong civil society.

1.8 The challenge of creating such a global society is formidable. Whilst globalisation presents great opportunities, it does not necessarily benefit everybody equally (see *Figure 1*). The poorest countries are also often the least able to take advantage of the opportunities, and globalisation can lead to an increase in inequality in these countries. Globalisation

needs therefore to be accompanied by policies to help the poor.

1.9 Some 1.3 billion people (almost 70 per cent of whom are women) – nearly a quarter of the world's population – continue to live in extreme poverty, on less than the equivalent of \$1 per day (see *Figure 2*). They lack access to opportunities and services (see *Figure 3*). They feel isolated and powerless and often feel excluded by ethnicity, caste, geography, gender or disability. They lack information and access to health and education facilities, to productive assets or to the market for their goods or labour. They believe nobody listens, and often have no way of being heard in places where the decisions which

FIGURE 2



SECTION 1

THE CHALLENGE OF DEVELOPMENT

affect their lives are made. Poor people, particularly women, are the most vulnerable to all forms of violence and abuse, including domestic violence, crime and civil conflict, because in very many cases systems of justice and government services do not fully extend to them.

1.10 Progress in addressing these issues has been uneven in some countries, too slow or too erratic to compensate for the additional burdens imposed by rapidly growing populations. In a few, especially war-torn societies, the quality of people's lives has declined sharply. For many, the prospects of a sustainable livelihood are worsening as population growth and

economic growth accelerate environmental degradation.

1.11 The fact that people survive at all under these conditions is a remarkable testament to the human spirit. Poor men and women apply enormous creativity, strength and dynamism on a daily basis to solve problems that those who live comfortably can hardly begin to understand. Poor people have assets – in their own skills, in their social institutions, in their values and cultures and in their detailed and sophisticated knowledge of their own environment. In rural communities there is a dense fabric of relationships, rights and obligations which

FIGURE 3

Human Poverty in Developing Countries

Region	Millions					Maternal mortality rate (per 100,000 live births)
	Illiterate adults	People lacking access to health services	People lacking access to safe water	Malnourished children under 5	People not expected to survive to age 40	
All Developing Countries of which:	842	766	1213	158	507	471
Arab States	59	29	54	5	26	380
East Asia	167	144	398	17	81	95
Latin America and the Caribbean	42	55	109	5	36	190
South Asia	407	264	230	82	184	554
South-East Asia and the Pacific	38	69	162	20	52	447
Sub-Saharan Africa	122	205	249	28	124	971

Source: Most recent estimates available from Human Development Report 1997

allows people to collaborate in sustaining livelihoods under the most difficult circumstances. Those who have worked with the urban poor can bear witness to the way that households piece together a living from any number of diverse sources.

1.12 Given the necessary support, the poor can be the means as well as the beneficiaries of sustainable development. Where poor people have rights and choices, they are able to make good use of them – including where the community collectively is involved in the management of “common pool” resources, such as village forests, grazing land or water sources.

1.13 Despite the setbacks, on average people live longer and in better health. Since 1960, child death rates in developing countries have been cut by more than half. *Per capita* food production and consumption have risen by 20 per cent. And malnutrition rates have declined by almost one third. The percentage of the population with access to clean water has doubled to 70 per cent. Adult literacy has risen from less than half to about two thirds (*see Figures 4 and 5*). In the last 50 years more people have escaped from poverty than in the previous 500 years of human existence. Great progress has been made and more is possible if we build on this experience.

1.14 Only governments can create the right political and economic framework

within which the march out of poverty can gather momentum. In recent years, major lessons have been learned about the best balance between the State and market forces in order to generate economic growth which benefits the poor and is sustainable.

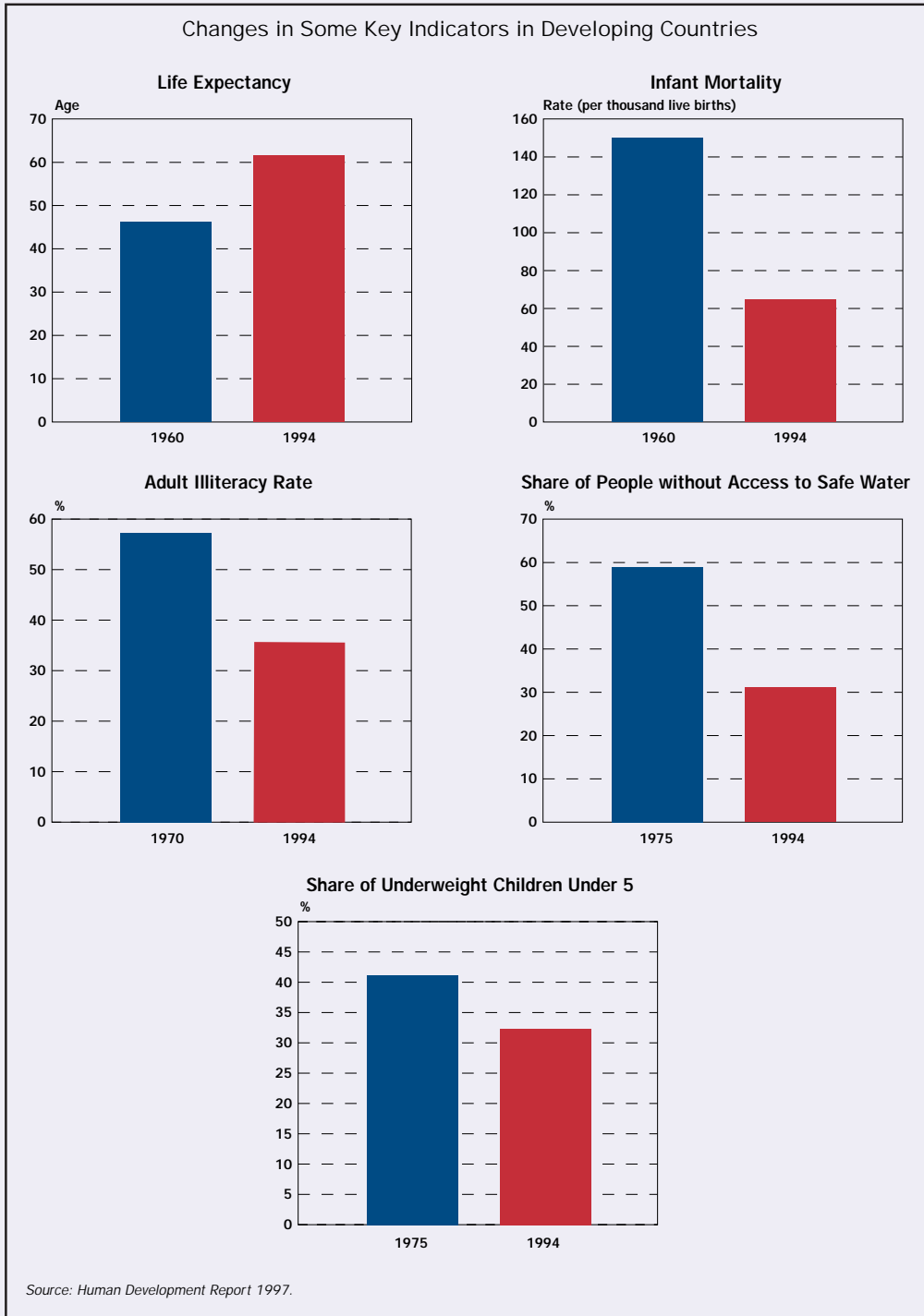
1.15 There have been two flaws in models of development over the past half-century. The first was characterised by a belief that the State should extend its control over production and trading activities, and over the allocation of resources and prices, in a way which created distortions and led to inefficiency and corruption. The second was a belief in a minimalist State and unregulated market forces which failed to secure economic growth and led to increases in inequality across the world.

1.16 There is now an opportunity to create a new synthesis which builds on the role of the State in facilitating economic growth and benefiting the poor. Both States and markets make good servants and bad masters. We have learned that the virtuous State has a key role to play in supporting economic arrangements which encourage human development, stimulate enterprise and saving and create the environment necessary to mobilise domestic resources and to attract foreign investment.

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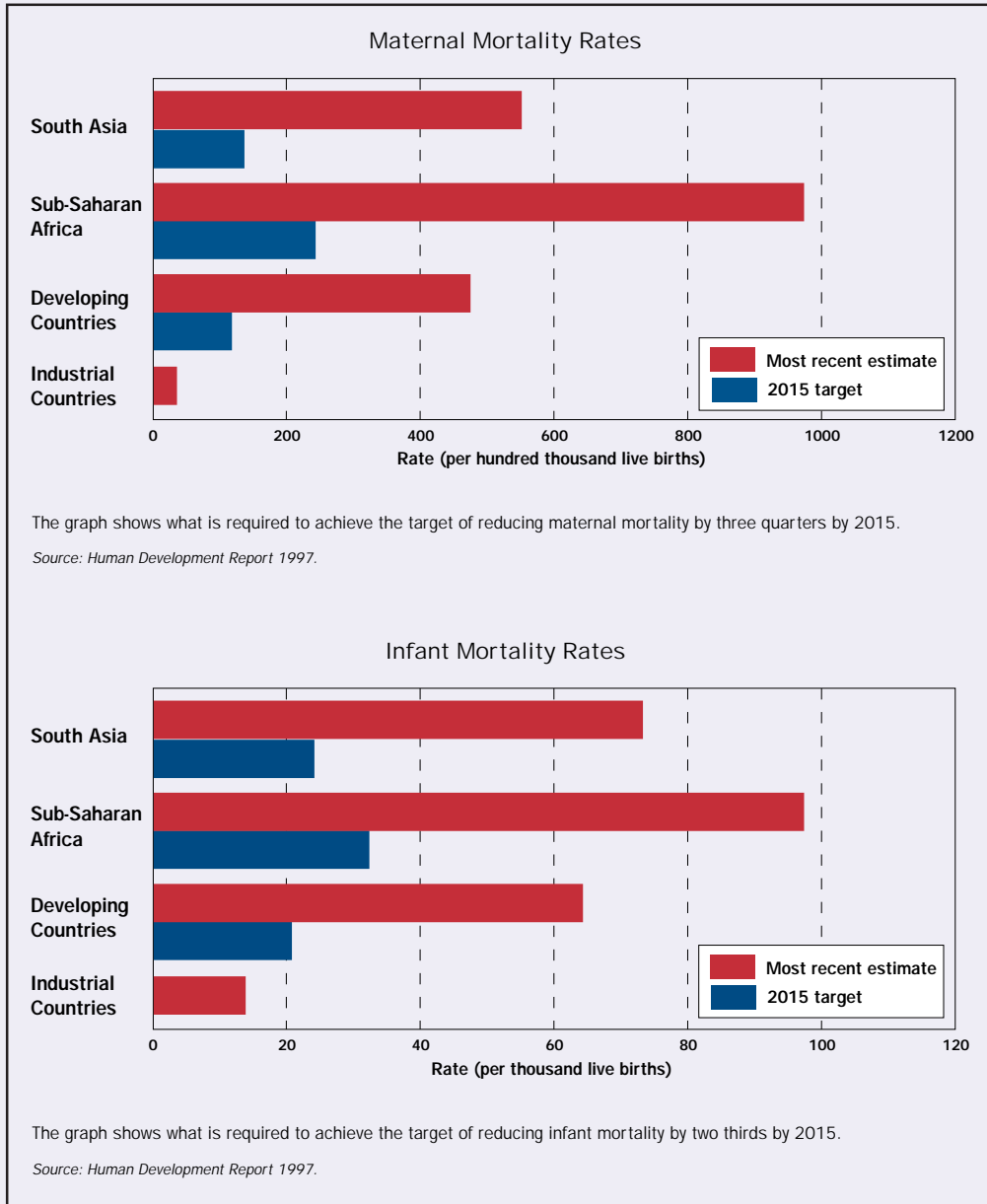
FIGURE 4



SECTION 1

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FIGURE 5



SECTION 1

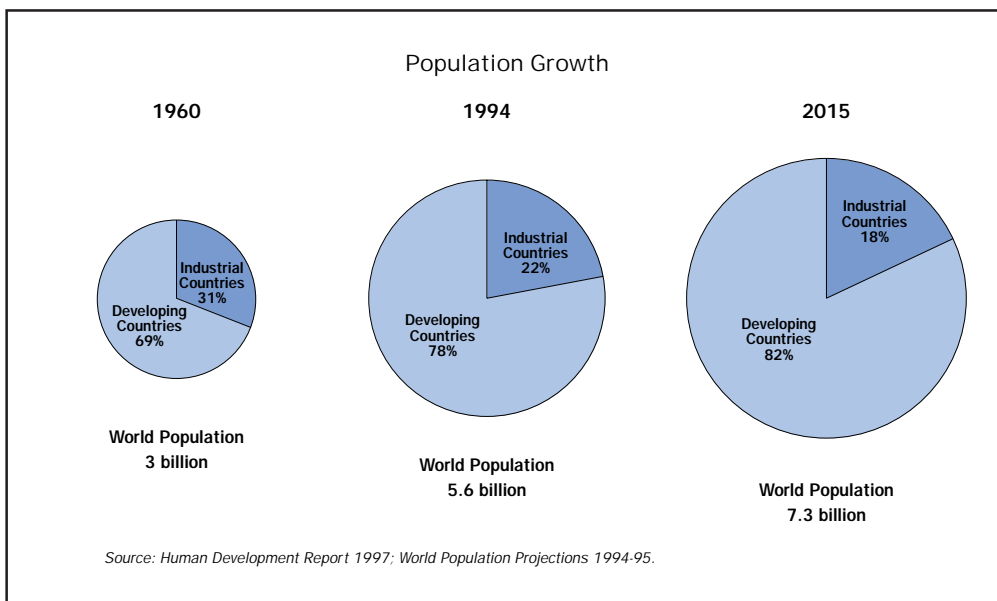
THE CHALLENGE OF DEVELOPMENT

1.17 Sustainable development to eliminate poverty rests above all on the achievement of economic growth that is not only stable and vigorous, but which embraces poor people and allows them to share in the fruits of development. Such growth must outstrip population growth for a sustained period of time to have any real effect (see Figure 6), and recognise that environmental protection is an integral part of the development process. In order to benefit and promote the participation of the poor, economic growth must incorporate a sound and open macro-economic framework in which resources are used productively and which facilitates the development of income- and employment-generating activities that specifically include poor people,

particularly the women who comprise the bulk of the poor.

1.18 The experience of recent years in the most successful developing countries has clearly demonstrated the value of maintaining a sound fiscal balance and low inflation. Equally, it has shown the value of promoting more open and less regulated domestic and foreign trade. This increases the scope for higher savings which can help to finance investment. Such a framework will encourage the private sector, which provides the main impetus for economic growth. In some countries, foreign investors have also played an important role. The transformation of the economic environment in this manner has greatly invigorated a wide range of productive

FIGURE 6



activities, most importantly providing opportunities for poor people to establish sustainable livelihoods. Establishing the conditions that allow economic growth to accelerate in the poorer developing countries is, therefore, a critical pre-requisite for sustainable poverty elimination.

1.19 The State must also provide a framework of law and regulation within which people can exercise their rights. It is the poor everywhere who pay the price where these conditions are not in place. Sustainable development, as the 1995 World Summit for Social Development in Copenhagen agreed, is not possible unless human rights are protected for all, including the poorest and the most disadvantaged. States have a responsibility to ensure that these rights are respected. They are summarised at *Panel 1*.

1.20 The present British Government was elected on 1 May 1997 on a renewed commitment to the principles of social justice – security for all, access to health and education services, strong social institutions, greater equality and the provision of opportunity. What we want for our children, we want for all children. These principles form the basis of our international as well as our national policies. The Government has already

made clear its commitment to human rights and a more ethical foreign policy.

1.21 There are two reasons, above all, why we should embrace the objectives of international development. First, because it is right to do so. Every generation has had a moral duty to reach out to the poor and needy and to try to create a more just world. Second, because we have a common interest in doing so. Global warming, land degradation, deforestation, loss of biodiversity, polluted and over-fished oceans, shortage of fresh water, population pressures and insufficient land on which to grow food will otherwise endanger the lives of everyone – rich and poor, developed and developing. As a country which depends more than most on international trade and investment, jobs and prosperity here in the UK depend on growth in the global economy to which developing countries could contribute so much in the future.

1.22 The purpose of this White Paper is to set out clear principles on which our common interest in sustainable development should be based. We also hope to develop a stronger public understanding of our mutual dependence. This is not just a White Paper about aid. It is a White Paper about sustainable development and a secure future for our

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PANEL 1

HUMAN RIGHTS AND DEVELOPMENT

The term “human rights” is used in connection with those rights that have been recognised by the global community and protected by international legal instruments. Human rights include all those rights essential for human survival, physical security, liberty and development in dignity. They stem from the recognition of the inherent equality and dignity of all human beings. Every man, woman and child is entitled to enjoy their human rights, merely on the basis of their humanity and regardless of any distinguishing characteristics – such as race, gender, creed, opinion and class. All States have committed themselves to respect, protect and realise human rights, both in a number of international treaties, and through a series of recent UN Conferences.

Human rights necessary for survival and dignified living include:

- the rights to life and liberty
- the right to a standard of living adequate for health and well-being of the individual and his/her family, including food, water and housing, and the right to continuous improvements of living conditions
- the right to social protection in times of need
- the right to the highest attainable standard of physical and mental health
- the right to work and to just and favourable conditions of work
- the rights to privacy and family life

Human rights also cover those rights and freedoms necessary for human dignity, creativity and intellectual and spiritual development, eg:

- the right to education and to access to information
- freedoms of religion, opinion, speech and expression
- freedom of association
- the right to participate in the political process
- the right to participate in cultural life.

These also include those rights necessary for liberty and physical security, eg:

- freedom from slavery and servitude
- the rights to be free from arbitrary arrest or imprisonment, and to a fair trial
- freedom from torture and from cruel, inhuman or degrading treatment or punishment

Cross-cutting are the twin principles of equal rights of women and men, and the prohibition of discrimination of any kind on the grounds of race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth or other status.

PANEL 2

**SUSTAINABLE DEVELOPMENT
MEETING THE NEEDS OF TODAY AND FUTURE GENERATIONS**

Most international institutions agree that sustainable development has interdependent economic, social and environmental dimensions.

Sustainable development was the central theme of the Rio Declaration, signed by 178 countries at the UN Conference on Environment and Development in 1992. The Declaration recognises a number of key points which include:

- *eradicating poverty [is] an indispensable* requirement for sustainable development (Principle 5)
- in order to achieve sustainable development, *environmental protection* shall constitute *an integral part of the development process* and cannot be considered in isolation from it (Principle 4)
- Women have a vital role in environmental management and development. Their full participation is therefore essential to achieve sustainable development (Principle 20)

Sustainable development requires the management and maintenance of different sorts of “capital” which support human well-being:

- *created capital*: including physical infrastructure, buildings, machinery and equipment
- *natural capital*: the environment and natural resources
- *human capital*: human skills and capacity
- *social capital*: strong social relationships and institutions

Development trends to date have tended to overlook how far the build-up of created capital has been at the expense of natural capital.

Sustainable development aims to achieve economic and social changes and underlying policies that can be sustained through the long term. Agenda 21, the Programme of Action from the UN Conference, therefore calls for countries to have national strategies for sustainable development.

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PANEL 3

STATEMENT OF PURPOSE

DFID's aim is the elimination of poverty in poorer countries.

OBJECTIVES

We shall pursue this through the promotion of sustainable development and in particular by:

- building development partnerships with poorer countries
- working more closely with the private and voluntary sectors, and the research community
- working with and influencing multilateral development organisations
- working with other Government Departments to promote consistent policies affecting poorer countries
- using our knowledge and resources effectively and efficiently

Our specific objectives are:

1. Policies and actions which promote sustainable livelihoods

In particular we shall contribute to:

- sound policies and pro-poor economic growth
- the development of efficient and well-regulated markets
- access of poor people to land, resources and markets
- good governance and the realisation of human rights
- the prevention and resolution of conflicts
- the removal of gender discrimination

2. Better education, health and opportunities for poor people

In particular we shall contribute to:

- lower child and maternal mortality
- basic health care for all, including reproductive services
- effective universal primary education
- literacy, access to information and life skills
- safe drinking water and food security
- emergency and humanitarian needs

3. Protection and better management of the natural and physical environment

In particular we shall contribute to:

- sustainable management of physical and natural resources
- efficient use of productive capacity
- protection of the global environment

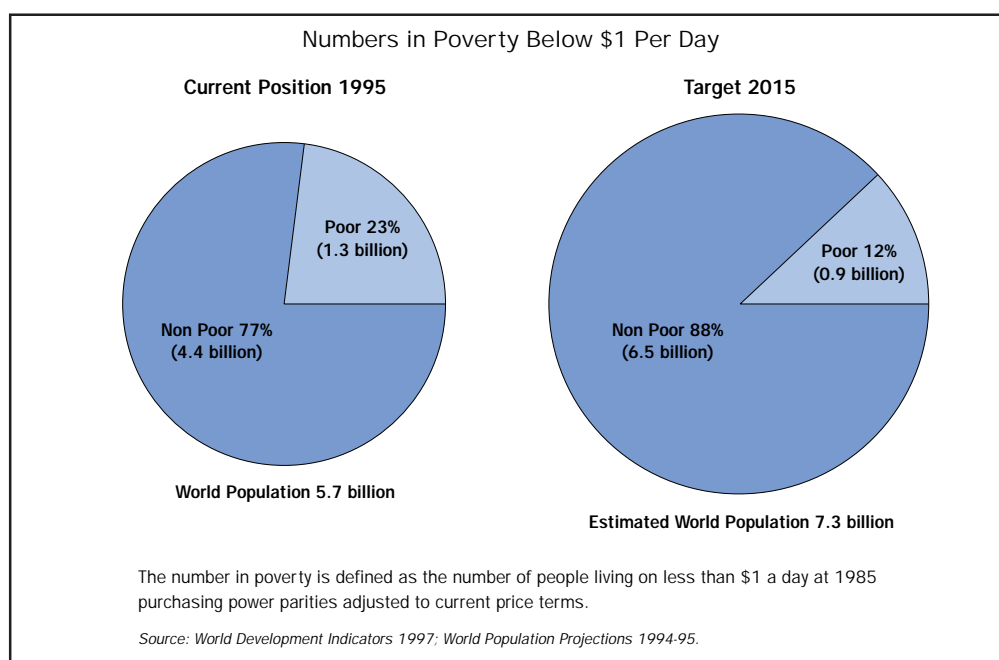
planet and its people (see Panel 2). The new Department for International Development (DFID) has the aim – reflecting the theme of this White Paper – of contributing to the elimination of poverty in poorer countries, not just through its bilateral and multilateral development programmes, but through working collaboratively with other government departments to promote consistency and coherence in policies affecting their development (see Panel 3).

1.23 This is a White Paper which reflects Britain's unique place in the world and our opportunity to adopt a new international role. No other country combines membership of the Group of

Seven industrialised countries, membership of the European Union, a permanent seat on the Security Council of the United Nations (UN) and membership of the Commonwealth. Our particular history places us on the fulcrum of global influence. We should not over-estimate what we can do by ourselves. We should not under-estimate what we can do with others. In no area is this more true than in development. Helping to lead the world in a commitment to poverty elimination and sustainable development is an international role in which all the people of Britain could take pride.

1.24 There are two key elements which need to be in place if the fight to eliminate

FIGURE 7



PANEL 4

INTERNATIONAL DEVELOPMENT TARGETS

The international development targets are designed to provide milestones against which progress towards the goal of poverty elimination can be measured.

Economic Well-being

- a reduction by one-half in the proportion of people living in extreme poverty by 2015.

Human Development

- universal primary education in all countries by 2015
- demonstrated progress towards gender equality and the empowerment of women by eliminating gender disparity in primary and secondary education by 2005
- a reduction by two-thirds in the mortality rates for infants and children under age 5 and a reduction by three-fourths in maternal mortality, all by 2015
- access through the primary health-care system to reproductive health services for all individuals of appropriate ages as soon as possible and no later than the year 2015

Environmental Sustainability and Regeneration

- the implementation of national strategies for sustainable development in all countries by 2005, so as to ensure that current trends in the loss of environmental resources are effectively reversed at both global and national levels by 2015

While not amenable to quantification, there is a range of qualitative elements of development that are essential to the attainment of the quantitative targets. These include democratic accountability, the protection of human rights and the rule of law.

poverty is to succeed. The first is a clear set of internationally agreed policies and principles which promote sustainable development and encourage environmental conservation. These exist, in the form of international targets for sustainable development based on UN Conventions and Resolutions. The key target is a reduction by half in the proportion of people living in extreme poverty by 2015 (see Figure 7). The targets are set out in full at Panel 4. We welcome and will promote them. They are achievable. In 2015, we will need to set further targets.

1.25 The second element is that the problems of international development can only be resolved if there is the political will to address them in both poorer and richer countries. This Government has that political will, and will seek to mobilise it elsewhere. We will translate it into action by refocusing our development efforts on poor people in a common endeavour to meet the internationally agreed targets so as to make our full contribution to the great task which lies ahead – the elimination of extreme poverty from the world in the lifetime of the present generation.

BUILDING PARTNERSHIPS

We shall

- **Work closely with other donors and development agencies to build partnerships with developing countries to strengthen the commitment to the elimination of poverty, and use our influence to help mobilise the political will to achieve the international development targets.**
- **Pursue these targets in partnership with poorer countries who are also committed to them.**
- **Put in place new ways of working with the UK private and voluntary sectors, and the research community, towards the international development targets, including transforming the Commonwealth Development Corporation into a dynamic public/private partnership.**
- **Measure the effectiveness of our efforts, alongside others, against the targets, including the aim of halving the proportion of the world's population living in extreme poverty by 2015.**

The Complexities of Development

2.1 Development is complex, and the challenge faced by the governments of the world's poorest countries is formidable. For poverty elimination to be achieved, and for development to be sustainable – that is, secured without sacrificing future resources – there must be a dynamic balance between policies and actions which promote sustainable livelihoods, human development and the better management of the natural and physical environment. That means establishing a pattern of economic growth that benefits all sections of society; targeting scarce resources so that poor people have the education, health care and opportunities they need and ensuring that women and men enjoy equal benefits. It also requires proper stewardship of natural resources so that the

needs of both present and future generations can be met.

2.2 This challenge is daunting for any society, but particularly for those with limited resources. Some countries will make more rapid progress towards the international development targets than others. Those most likely to succeed will have effective government, enlightened legislation, prudent budgeting and an efficient administration that responds to the needs of poor people. Governments of most poor countries seek help to carry through their development programmes. Effective support for their efforts will require action both through development programmes – the subject of this Section – and through wider policies – the subject of Section 3.

2.3 A wide range of interventions through development assistance programmes will often be needed to support economic growth which makes significant progress towards the elimination of poverty. These interventions include support for the provision of the basic necessities of life, water and food, investment in education, health and family planning services; investment in necessary infrastructure measures to create employment opportunities through the encouragement of small-scale enterprise; support for good governance and the rule of law and firm action against corruption; and action to promote greater equality for women and to end the exploitation of children. *Panels 5-13* illustrate some of the fundamental issues in these areas and practical ways in which we can support national development plans and programmes. We will encourage participatory approaches which take into account the views and needs of the poor, and which tackle disparities between women and men throughout society.

2.4 The Prime Minister made a specific commitment at the Denver Summit in mid-1997 to raise by 50 per cent our bilateral support for basic health care, basic education and clean water in Africa. In fulfilling this pledge, we shall look throughout at the wider picture so as to reflect the dynamic balance described

above. For example, death rates among children and pregnant women – both of which remain high in poorer countries – are unlikely to fall just as a result of the construction of a range of health centres. For women to enjoy better maternal health, they need access to good quality obstetric units, to be able to travel to them quickly, and to be in a position to choose to use them without the approval or authority of others to do so. If they cannot, poor women will continue to be at least a hundred times more likely to die in childbirth than women in the UK or US.

2.5 Equally, the building of schools is not enough: the education provided must ensure that those attending school acquire appropriate knowledge and skills to improve their lives and contribute to the well-being of their communities. The quality of education is a crucial factor in encouraging parents to enrol their children (particularly girls) and in ensuring they attend school throughout the year (*see Figure 8*). Meeting the agreed international targets will therefore require action to address teaching quality and learning attainment, as well as primary enrolment figures, in order to retain children in school throughout the primary level and beyond. It also requires policies and means to address gender inequalities in primary and secondary education.

PANEL 5

WATER AND FOOD**The Challenge**

Poverty elimination and the well-being and livelihoods of poor people, whether they live in towns or rural areas, are critically dependent on their access at all times to sufficient, safe food and water.

Fresh water is a finite and vulnerable resource essential to sustain life, development and the environment. Over 1.3 billion people do not have access to safe water. Eight hundred million people are hungry or malnourished.

Our Response**Water**

We are supporting international efforts through the United Nations, other agencies and bilaterally to implement Key Principles for Sustainable Integrated Water Management as set out in Agenda 21 and reiterated at the Special Session of the UN General Assembly in June 1997.

We will:

- treat water as both a social and economic good
- increase our support for programmes that bring clean, safe water to poor people
- encourage all those who have an interest in its allocation and use – particularly women – to be involved in decision making and management of water resources
- adopt a comprehensive framework that takes account of impacts of water use on all aspects of social and economic development

Food

The World Food Summit in 1996 set the target of reducing the number of undernourished people in the world by half by 2015. The primary responsibility for achieving food security rests with individual governments but the international community must play an important role. We will continue to advocate coordinated action within the European Community and the United Nations system. We will carry out a review of food aid.

We will promote policies and programmes that:

- increase access by poor people to a fair share of productive assets such as land
- improve the services and access to knowledge that people need to make the best use of those assets
- promote management of the natural environment in ways that will produce more safe and nutritious food, generate employment and income, and improve living standards without degrading the environment
- recognise women's role in food production and their need for equal access to productive resources including land

PANEL 6

EDUCATION**The Challenge**

Education is an essential foundation for the process of enabling individuals and countries to realise their potential and make the most of their resources.

But an estimated 150 million primary age children do not go to school, many get an inadequate education, and over 900 million adults, two-thirds of whom are women, are illiterate. The overall proportion of illiterate adults has been falling but the uneducated children of today will be the illiterate adults of tomorrow. Our priority is to assist partner countries to achieve the full participation of all children and adults in quality education at all levels.

Our Response

The Government embraces the vision of the Jomtien World Conference on Education for All in 1990 – universal access and equity, a focus on learning, broadening basic education to include literacy for adults and strengthening partnerships. The international development targets to which we are committed include Universal Primary Education by 2015 and eliminating gender inequalities in primary and secondary education by 2005.

We will adopt a new approach, working together with governments and international donors to develop education sector policy and financial frameworks. The focus of our support will be on the fundamental elements of an effective education system: access, quality, retention and equity:

- Access – for girls as well as boys, rich or poor, rural or urban, and those in socially or ethnically disadvantaged communities
- Quality – to prepare children for the life ahead
- Retention – to enable pupils to benefit from the full cycle of education
- Equity – to remove all barriers to opportunity and achievement

We also intend to strengthen and extend partnerships to support a range of innovative strategies. These will include:

- development of policies and practices to improve schools, educational opportunities and achievement within education systems
- involvement of local communities in developing and managing schools to increase local participation and accountability
- creation of new opportunities for the poor to participate in education at all levels
- reconstruction of education systems in poor countries emerging from acute social upheaval
- promotion of scholarship and research to improve our knowledge and understanding of how education can contribute to the elimination of poverty

We shall elaborate these principles in an education policy document.

PANEL 7

ESSENTIAL HEALTH CARE**The Challenge**

The poorest billion people in the world are ten times more likely to die young (under 15 years of age) than the richest billion; they are nine times more likely to die of communicable diseases (diarrhoea, malaria, pneumonia and TB) and twice as likely to die from accidents and injury. Women, who are more at risk in all cases, are also at least ten times more likely to die of causes related to pregnancy and childbirth. This massive burden of ill-health affects poor people's chances of escaping from poverty and taking advantages of opportunities to do better.

Tackling high death and disability rates among poor people poses real challenges. For example, millions of people throughout the world cannot access sufficient water for personal use. As many as half the world's population lack access to effective means for disposing of excreta. Water, sanitation, shelter, food and education, as well as essential health care, are all vital requirements if efforts to improve poor people's health are to succeed.

Recent studies have indicated that a spend of just £9 per person per year on essential health care is sufficient to make a real difference to the suffering of poor people. This would allow a basic package of immunisation and nutritional supplements and public education of family planning, prevention of AIDS and sexually transmitted diseases and substance abuse, to be provided. Currently, many developing countries spend less than £3 per person per year for all health needs, and these funds are not distributed in a way that ensures equitable service provision.

Our Response

The UK has signed up to a series of relevant international targets to be achieved by 2015 – specifically halving proportions of people in poverty, halving child mortality rates, reducing maternal mortality by three quarters and ensuring accessible reproductive health services. These call for coherent action to improve the livelihoods and well-being of poor people in poor countries.

We are committed to:

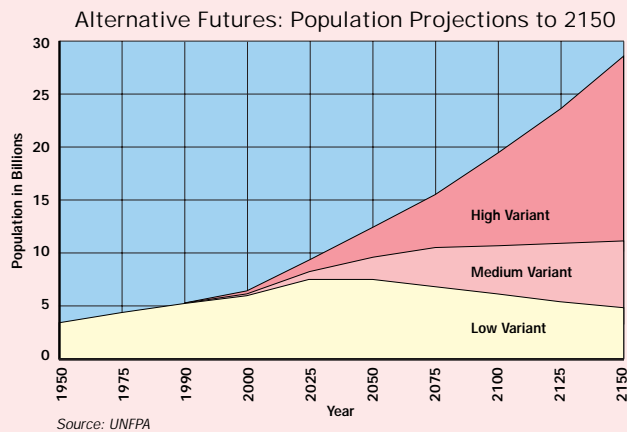
- helping ensure that all the world's people – particularly those in the poorest countries of Africa and Asia – can access and benefit from essential health services
- establishing long-term partnerships for better health with countries, international organisations and UK-based groups
- supporting local (as well as global) initiatives on specific issues – for example, to help young people improve their sexual health and reduce HIV, enable all to lessen dangers for women associated with pregnancy, to reduce poor people's suffering due to communicable disease – especially malaria, tuberculosis, diarrhoea and the like, to access clean water and sanitation, and promote health environments
- working with governments to develop sector-wide approaches to better health
- increasing our support within the United Nations system to promote international standards for human health and health care
- the better application of scientific knowledge and techniques to the health and well-being of poor people

PANEL 8

POPULATION

The Challenge

The second half of the twentieth century has seen unprecedented changes in the size, structure and setting of the world's population. In 1945, the population of the world, at 2.3 billion, was about the size of just China and India today. Since then, it has more than doubled to 5.8 billion. It could easily reach 9 billion by 2045, representing a quadrupling within 100 years. Ninety-five per cent of the current growth is in developing countries, least well-equipped to cope with the consequences. This presents immense challenges for all concerned with reducing poverty.



It is clear that more and more people want to plan their families, have fewer children and give them a better start in life. At least 150 million couples worldwide are not able to access the contraceptives they want when they want them. When they are available, couples are often unaware how to use the contraceptives safely.

The services for millions more are inadequate. If countries could respond to their people's demands for smaller families, the world's population could stabilise at 10 billion – or less.

The world is also both younger and older than ever before. Today, half the population in developing countries is under 23 years old. By 2000, an estimated 800 million people – 15 per cent of the world's population – will be teenagers, the largest generation ever. Life expectancy in 1945 was 45 years; it is now 65, the highest ever, and by 2045, it is estimated it will be 76. By 2020, two thirds of the world's elderly people will be in developing countries. A further dimension has been the increasing urbanisation of the world's population. Eighty-four per cent of urban growth since 1970 has been in the developing countries, a proportion which continues to increase.

Our Response

Britain supports countries implementing the Programme of Action agreed at the International Conference on Population and Development in Cairo in 1994. Through multilateral and bilateral action Britain will do what it can to enable more people, particularly the poor, to have choices about the number and timing of their children. We will help women to go through pregnancy and childbirth more safely, and help women and men, whether adolescent or older, avoid sexually transmitted infections and sexual violence.

This means improving the quality and accessibility of reproductive health information, services and commodities. Our goal is to contribute to meeting by 2015 internationally agreed targets of reproductive health for all and a three-quarters reduction in maternal mortality.

PANEL 9

BASIC INFRASTRUCTURE**The Challenge**

Many women and children in developing countries spend hours every day fetching water or collecting fire wood for cooking. In rural areas, development is often limited by the lack of even basic access to enable children to attend school; for people to visit health centres; for farmers to be able to market their produce; or for the unemployed to seek work. Schools and health centres are often totally inadequate for needs.

In urban areas, many poor people live in temporary shelter on marginal land on unserviced plots. Safe water supplies are often not readily available and poor (or non-existent) sanitation and waste-disposal systems give rise to health problems. Inadequate power supplies restrict the development of small enterprises to offer employment nearer home and can force people to use alternative, more expensive forms of energy (e.g. paraffin for lighting).

Our Response

In order to improve the availability of, and access to, essential basic infrastructure for poorer people in our partner countries we will:

- Increase our support to integrated Water Supply and Sanitation Projects which involve communities in the planning and managing of new facilities and includes hygiene education to maximise health benefits
- Promote the use of alternatives (such as photovoltaic and mini hydro) systems to provide a cost effective means to supply electricity to a range of remote users including schools, hospitals, homes and water pumping for agriculture
- Seek ways to help reduce the burden placed on women and children to collect essential fuel for cooking
- Work with partners to develop rural feeder roads projects which train small local contractors and provides both employment for villagers and access to markets and other social services
- Seek appropriate ways to increase community participation in road maintenance and develop guidelines to improve the effectiveness of the involvement of communities in the maintenance and improvement of their local roads and tracks in order to protect community assets
- Build on current work aimed at forming partnerships with local artisans to help develop low-cost energy efficient designs for schools, health centres and houses that can be constructed from locally available materials
- Work with local community groups to assist low-income households to improve their own housing in a cost effective way, based on a self-help approach
- Work with urban slum dwellers to help meet basic infrastructure needs in partnership with city authorities
- Promote and encourage private sector investment in basic infrastructure and services in our partner countries to help meet the needs of the poor

PANEL 10

INCOME AND EMPLOYMENT OPPORTUNITIES**The Challenge**

Economic growth is the prime means of creating income and employment opportunities. Where markets for products are expanding, poor people are able to establish sustainable livelihoods for themselves either by increasing their existing production and finding new products to market, or by finding employment opportunities with new or growing enterprises. Without growth – with stagnant or even declining incomes – the poor will only be able to make insignificant improvements in their livelihoods at the expense of other poor people.

While economic growth is critical for sustainable development, it must be accompanied by policies and programmes to facilitate income and employment generation for poor people. Relying on the fruits of strong growth at a national level automatically trickling down to the more marginalised poor is not a solution. Systematic policies and programmes that not only distribute the fruits of economic development but more importantly integrate the poor themselves in the revitalisation of production are essential.

Individuals, households, enterprises and communities need the capacity to take advantage of opportunities to initiate and participate in new economic activity, to be provided with the appropriate incentives to stimulate their efforts to pursue and sustain income-generating activities, and to be encouraged through targeted instruments that promote economic activity.

Our Response

We will support policies and projects for which poor people are the immediate and direct beneficiaries, such as through:

- the promotion of finance for private business – through providing lines of credit and expertise to institutions, including co-operatives, that offer loans to poor farmers, poor people in towns and to small businesses
- investing in ways of freeing women's time for income earning activities, such as improvements in rural infrastructure
- providing training in technical, business and financial skills

We will support policies and projects that have a broader set of beneficiaries and which impact upon the poor in a less direct sense, but which are nonetheless critical to the environment in which they seek to establish their livelihoods, such as:

- the fundamental programmes that establish macro-economic stability
- the elimination of unproductive expenditures to free up scarce resources for poverty focused objectives
- the development of economic infrastructure that meets the water, transportation, communications and energy needs of those pursuing a wide range of activities – both formal and informal, large-scale and small-scale
- the mobilisation of private sector financing
- assisting with asset re-distribution, for example legislative reform which gives women farmers equal access to land

PANEL 11

GOOD GOVERNANCE, CORRUPTION AND THE RULE OF LAW**The Challenge**

The World Bank's 1997 World Development Report states unequivocally that "good government is not a luxury – it is a vital necessity for development". Raising standards of governance is central to the elimination of poverty. Making government more responsive to the needs and wishes of poor people can improve the quality of their lives. Accessible systems of justice help address family and personal insecurity. Poor people, and especially poor women, are likely to be the last to enjoy these rights unless they receive support.

Improving governance can thus improve the lives of poor people directly. It is also essential for creating the environment for faster economic growth. Both aspects can be compromised by corruption, which all governments must address. In developing countries it is the poor who bear proportionately the heaviest cost. The consequences include:

- the immediate impact on poor people of higher prices and fewer employment opportunities due to the distortions that corruption can cause, while corrupt officials may demand payment for public services which are supposed to be free
- the diversion of scarce budgetary resources away from poverty elimination into unproductive expenditure or into the repayment of debts accumulated because of corrupt activities, as well as the loss of tax and customs revenues
- the indirect economic impact that constrains economic growth by increasing the uncertainty and unpredictability of costs to prospective investors
- the indirect political impact that reduces poor people's representation as elites cling to power in order to exploit opportunities for corruption

Our Response

We will support measures to build sound and accountable government which is the foundation of economic growth and poverty elimination allowing poor and disadvantaged people to achieve their civil, political, economic, social and cultural rights. This will include:

- support for decentralisation, new approaches to criminal justice, better service delivery, women's political participation, and involving civil society
- support to make the machinery of government work smoothly and the Civil Service more efficient
- support to raise and allocate revenue equitably, to strengthen legal systems so that they can enforce laws of property and rights swiftly and justly
- encouraging democratic structures which can hold government accountable and give the poor a voice

As part of our commitment to combat corruption, we support OECD initiatives to criminalise the bribery of foreign public officials in international business transactions and to cease the tax deductibility of such bribes. We support the IMF and World Bank in their efforts to promote economic policies and institutional change to tackle corruption, within the scope of their mandates. In partner countries we will support direct instruments – such as anti-corruption commissions – and changes which reduce the motivation and opportunity for corruption – such as raising pay to a living wage and reducing administrative regulation where it is safe to do so.

PANEL 12

ADDRESSING GENDER INEQUALITIES**The Challenge**

The Government's policy on equality between women and men reflects UK commitments made at recent international meetings – at Vienna, at Cairo and importantly at Beijing. It builds on the OECD DAC Statement on Gender Equality and the EU's Gender Resolution and represents our contribution to taking forward the Beijing Platform for Action. The policy is an integral and essential part of our approach to development.

The goal of achieving equality between women and men is based on principles of human rights and social justice. Empowerment of women is moreover a prerequisite for achieving effective and people-centred development. We aim to tackle disparities between women and men throughout society.

The majority – perhaps 70 per cent – of the world's poorest people are women. Their poverty is associated with unequal access to productive resources and control of assets, together with poor health, lack of education, personal insecurity and limited participation in public life. The abolition of poverty cannot be achieved until men and women have equal access to the resources and services necessary to achieve their individual potential and fulfill their obligations to household, community and, more broadly, society.

Poor women are frequently doubly disadvantaged (because of their poverty and because of their gender) in access to services, in access to and control over economic resources and in participation in public life. This perpetuates gender inequality. Moreover, poor women are more likely than poor men to suffer from the non-material aspects of poverty: isolation, lack of information, inability to have their voices heard and vulnerability to personal and social forms of violence.

Effective poverty reduction requires policies which recognise women's multiple roles and we encourage and support macro-economic policies and development strategies that respond to the needs and efforts of women in poverty. We recognise the importance of women's informal and unpaid social as well as economic work, when improving their livelihoods.

Gender analysis can help effective poverty reduction strategies by contributing to the design of economic reform and sector investment programmes and the growth of a socially responsible private sector. It can help with the reform of trade and investment policies and the design of appropriate participatory monitoring and support mechanisms.

Our Response

We implement our policy using a twin-track approach:

- assessing and addressing inequalities between women and men, boys and girls, in relation to all strategic areas of concern and as an integral part of all our development activities;
- supporting specific and focused initiatives to enhance women's empowerment both in our own programmes and in our support to relevant national and multilateral organisations

PANEL 13

RIGHTS OF THE CHILD**The Challenge**

Very many millions of the world's children are suffering from violent civil or domestic conflict, or are exploited and abused in plantations and sweat shops. According to the ILO there are 250 million child workers. An estimated quarter of a million children under 18 – some as young as seven – are presently serving as soldiers, while the number of children displaced from their homes as a result of violent civil conflict is about 30 million. Some estimates suggest that about 1 million children every year fall victim to some form of sexual exploitation and some 8 million children are living on the streets. In those parts of Africa with high HIV/AIDS prevalence many children are orphans; these children are more likely to have their rights denied or violated and their property taken away from them.

Even where children are not suffering from these extreme forms of abuse, the specific needs of children within households and communities are often not understood or explicitly acknowledged; their needs and interests are often overlooked and subsumed by the needs of other household members, who have more power to express themselves. In many societies girl children tend to do the hardest work, have less to eat and are denied the opportunity of an education.

Our Response

We shall support international efforts to enhance children's well-being through implementation of the Convention of the Rights of the Child, promoting children's protection and participation, alongside the provision of effective and sustainable services.

Children have a right to basic standards in health care, education, food, shelter and welfare; governments have a duty to support, and if necessary assist, parents in meeting these rights. Provision of services will therefore continue to be an essential part of our contribution to promoting children's rights. At the same time, we shall place a stronger emphasis on combining provision with children's protection and participation. For example, we shall support the development of education systems where children are educated about their rights – and are shielded from violation of these rights.

We shall encourage and support stand-alone programmes which can enable development partner countries to protect children from a violation of their rights. We will also promote strategies and programmes which enhance children's and young people's participation in the decisions that affect their lives.

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BUILDING PARTNERSHIPS

2.6 Similarly, the provision of the physical means to bring clean water to rural villages is not enough by itself to ensure access to clean water for all. The question of who controls the pumps and pipes, and how access is determined, need also to be addressed. This can raise difficult social and cultural issues. The urban poor in developing countries can spend up to 40 per cent of their income on water, and pay water vendors up to 10 times the cost of water from a piped supply in the same city.

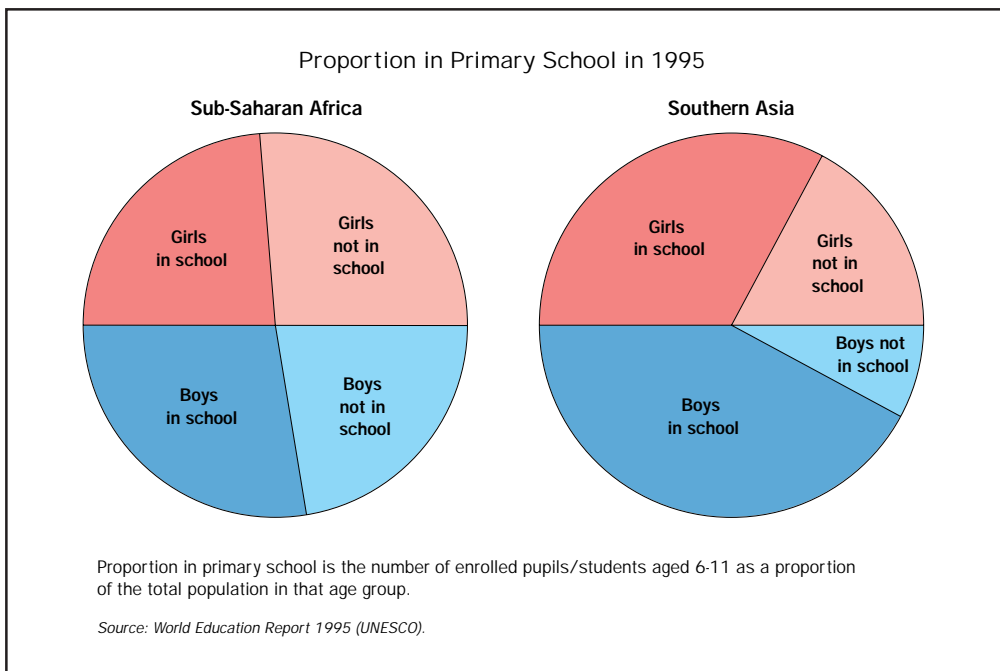
2.7 The international community as a whole has a major role to play in supporting developing countries in their efforts to eliminate poverty. Last year, the

development assistance provided by bilateral and multilateral donors totalled some \$55 billion. These resources, and the transfer of know-how and expertise that goes with them, can have far greater impact on levels of world poverty than has been evident to date. They will only be effective if there is also a consensus on priorities linked to the international development targets, and if the whole international community works together to meet them. We in the UK must rise to the challenge.

Multilateral Development Assistance

2.8 Of the net development assistance provided by the international community, some 30 per cent is made available through

FIGURE 8



the multilateral development institutions (the World Bank Group, the regional development banks and the UN), the European Union (EU) and the Commonwealth. Half (about £1.1 billion) of our programme is spent multilaterally (see Figures 9 & 10). This allows us to have influence over a much larger area. We cannot have bilateral programmes everywhere. We can, however, use our influence in the multilateral system to increase international commitment to poverty eradication, and work in such a way that our multilateral and bilateral efforts complement each other.

2.9 The multilateral development institutions make a unique contribution to development, not least through the scale of their resources and the influence they can exercise over the policies of partner governments. They can set standards, pioneer new techniques and address sensitive issues which would be extremely difficult for bilateral donors to pursue. Their political neutrality and technical expertise enable them to take a leadership and coordination role on major problems and global issues such as debt reduction, human rights and refugees, gender equality, the environment and the AIDS pandemic.

2.10 The World Bank and International Monetary Fund (IMF) have played a central role in the international development

agenda over recent decades. Both institutions will be at the centre of the efforts to pursue the international development targets. We will support a closely integrated approach in which the IMF contributes to the establishment of sound macro-economic and financial policies to encourage pro-poor growth, while the Bank complements these efforts by promoting policy, institutional reforms and projects that focus on the elimination of poverty.

2.11 We will continue our efforts to improve the effectiveness and efficiency of the multilateral development institutions and the European Union's development programmes. We want to see them adapt to the new priorities, decentralise aid management and enhance the quality of their programmes. We also want to see greater efforts made to ensure a coherent approach across agencies.

2.12 Our first priority is to encourage all the multilateral development institutions to strengthen their commitment to poverty elimination. The World Bank and UN development agencies have made the clearest commitment to the international development targets, which are based on agreements reached at a series of UN Summits. We welcome this commitment. But the targets must be entrenched in day-to-day decision-making. We will use our influence with the EC and

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FIGURE 9

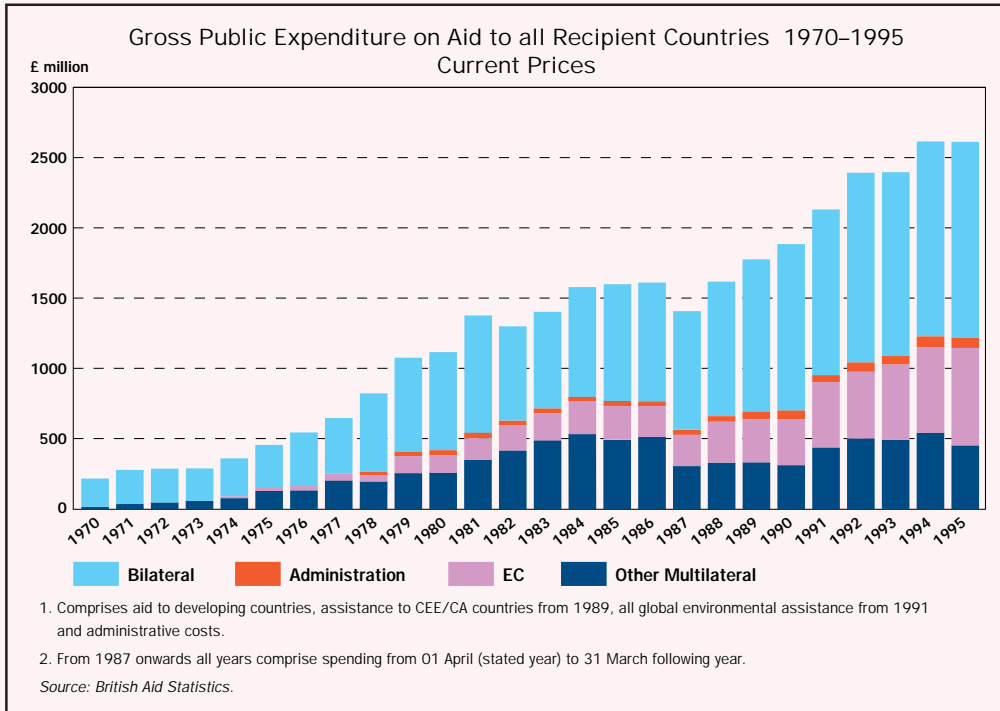
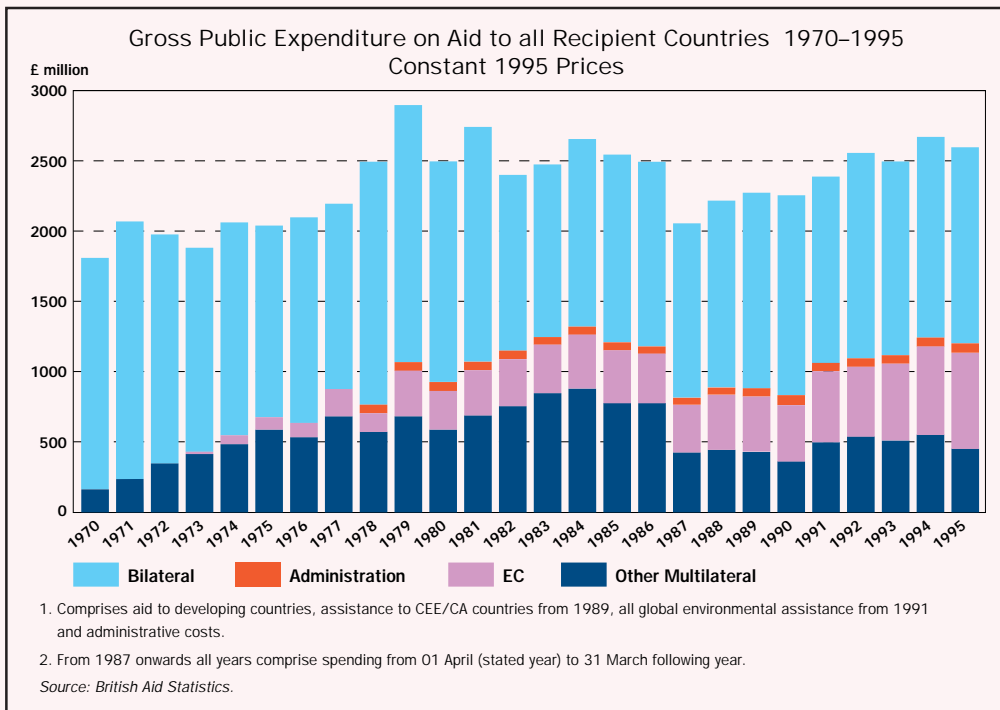


FIGURE 10



the regional development banks to strengthen the poverty focus of their operations and encourage them to set quantifiable targets for poverty reduction, and measure progress towards these.

2.13 We will encourage the multilateral development institutions to devote more attention to evaluating and monitoring the output of their activities, and to harmonise their impact assessment systems. We will also encourage them to integrate gender considerations and environmental and social sustainability into their projects, including – in the case of the World Bank and the regional development banks – enhanced support for activities which help the poorest, such as education, health and clean water.

2.14 In the development banks, we will also encourage better-off countries to graduate from low-interest loans to loans on near commercial terms. Eventually, they should graduate entirely from such borrowing so that development lending is concentrated where it is needed. This points to a shift in the use of the more concessional funds away from eastern Asia and Latin America towards the countries of sub-Saharan Africa and South Asia.

2.15 Over 30 per cent of our development programme is spent through the European Union. We will use our

influence in Europe, in particular during our Presidency in the first half of 1998, to help shape the way in which these funds are spent. Our aims will be to direct a larger share of resources to the poorest countries, to secure commitments from the Commission and other member states to measurable targets, especially on poverty elimination, and to help increase the effectiveness of these funds. We will play an active and constructive role in the Development Council, in other fora, and in bilateral contacts with the Commission. We will seek in particular to maintain and enhance the position of the poorest countries during the forthcoming renegotiation of the Lomé Convention which expires in 2000, and which covers 70 African, Caribbean and Pacific countries.

2.16 We will enhance our support for the role of the United Nations in development and especially for the UN Secretary-General's recently launched reform package, which we hope will provide the leaner and more effective organisation necessary to deliver the poverty elimination targets set out in the 1997 UN Human Development Report. The Government's decisions to rejoin the United Nations Educational, Scientific and Cultural Organization (UNESCO) and to reverse the previous Government's intention to leave the United Nations

Industrial Development Organization (UNIDO) demonstrate our strong commitment to the United Nations and our desire to work from within in order to strengthen the system. In the UN, as in all multilateral institutions, we will seek to build new alliances for change and work more closely with our developing country partners to increase the effectiveness of these agencies in meeting the needs of poor countries.

2.17 The Commonwealth will have a full part to play in poverty elimination. Many of those countries in which we are most active and where we will be seeking a new partnership for development are members of the Commonwealth. It has an essential part to play in promoting understanding across a wide and diverse range of countries particularly through its support for education, including the prestigious Commonwealth Scholarships and Fellowships Scheme. Its strength lies in its informality and in its ability to mobilise the political will for poverty elimination.

2.18 At the 1997 Commonwealth Heads of Government Meeting (CHOGM) in Edinburgh, the Government asked for increased Commonwealth support for the poverty elimination targets. The Commonwealth's close historical relationships make it particularly well placed to mobilise political support for

poverty elimination across a large percentage of the world's population. We announced support for a number of new Commonwealth initiatives which contribute towards the development targets including a report on the role of sport in development, particularly for youth-at-risk.

The Bilateral Programme – Partnerships for Development

2.19 The Government believes that genuine *partnerships* between poorer countries – including developing countries and relevant middle income countries such as countries in transition and Dependent Territories – and the donor community are needed if poverty is to be addressed effectively and in a coherent way. The establishment of such partnerships moves beyond the old conditionalities of development assistance and will require political commitment to poverty elimination on both sides. We hope that developing countries will be ready to set out their strategies for moving towards the achievement of the targets, and share their plans internally as well as externally so that civil society is consulted about national priorities and can use its voice to strengthen commitment to the implementation of pro-poor policies.

2.20 We, together with the rest of the international community, must be ready to

respond accordingly and to commit resources over extended periods in support of sound national development strategies designed to achieve sustainable development and the elimination of poverty. These strategies will depend on individual country circumstances, but be developed on the basis of common principles. Working in long-term partnerships will also make possible better coordination among donors, which is another objective of the international development strategy. Countries with limited administrative capacity should not have to negotiate separate country plans with each of the major bilateral donors and the multilateral agencies. We will encourage strengthened donor coordination, with the lead taken by the most appropriate agency in each particular country or sector.

2.21 Where low-income countries are committed to the elimination of poverty and pursuing sensible policies to bring that about, the Government will be ready to enter a deeper, long-term partnership and to provide:

- a longer term commitment
- an enhanced level of resources
- greater flexibility in the use of resources

The Government expects to have such partnerships with many of the very poor

countries of sub-Saharan Africa and South Asia. The basis for such partnerships is set out in *Panel 14*.

2.22 Within such partnerships, the different types of assistance may include capital aid (financial support for specific projects or activities); programme aid (balance of payments and budgetary support); technical co-operation (transfer of skills, whether from outside or within the country, including training and scholarships) and schemes managed through our diplomatic posts. What we do in any particular country will take into account what the countries themselves are doing, what they want us to do, what other donors are doing, and what particular contribution we are best able to provide. Where we have confidence in the policies and budgetary allocation process and in the capacity for effective implementation in the partner government, we will consider moving away from supporting specific projects to providing resources more strategically in support of sector-wide programmes or the economy as a whole. In this way the government concerned can develop the capacity to deliver services on a permanent basis.

2.23 In a number of countries, all of the criteria for such a government-to-government partnership will not be fulfilled. This may be the result of success – because countries have progressed

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beyond the stage of their economic development where we would be justified in making available substantial concessional financial resources. It may be the result of failure – because governments have failed to demonstrate their commitment to the elimination of poverty. And there are countries in which the UK is not well-placed to make an effective impact, where others must lead. We have limited financial and human resources and it is right to concentrate our bilateral programmes on priority areas where the needs are greatest and where we can achieve results. Elsewhere we will work primarily within the multilateral system to provide support.

Relationships will evolve over time. We will make strong efforts to help poor countries with whom we have traditionally worked to meet the criteria for a long-term partnership.

2.24 There will be some circumstances under which a government-to-government partnership is impossible, because the government concerned is not committed to the elimination of poverty, is not pursuing sound economic policies or is embroiled in conflict. Where poor countries are ruled by governments with no commitment to helping the poor realise their human rights, we will help – where

PANEL 14

DEVELOPMENT PARTNERSHIPS

Countries with which we are prepared in principle to embark on a deeper, long-term partnership, involving all forms of assistance, will be low-income, containing a large proportion of poor people.

They will also be countries where the UK is wanted as a partner, has the influence to play a positive role, and a comparative advantage in being able to make a strategic contribution to poverty reduction.

We would expect partner governments to:

- have a commitment to the principles of the agreed international development targets and be pursuing policies designed to achieve these and other UN targets which they have agreed
- be committed to pro-poor economic growth and conservation of the environment, and be pursuing appropriate policies
- wish to engage with us and with the donor community to this end
- pursue policies which promote responsive and accountable government, recognising that governments have obligations to all their people; promote the enjoyment of civil, cultural, economic, political and social rights; and which encourage transparency and bear down on corruption in the conduct of both the public service and the business sector

we can do so – through alternative channels. These will include the institutions of civil society, voluntary agencies and local government. In such cases our assistance will be tightly focused on the victims of neglect and oppression.

2.25 There will thus be a range of relationships reflecting the circumstances of each country. What will remain consistent is the principle that the level of resources, length of commitment and flexibility in use of resources provided to governments will be related not only to their needs but also to the confidence that we have in their policies and actions.

2.26 Although the prime focus of our partnerships must be on the poorest countries, there are many poor people in middle income countries – 110 million in Latin America alone. We shall therefore seek appropriate ways to contribute to poverty elimination in middle income countries. Resource constraints mean that such countries must be carefully selected, after consideration of factors such as the numbers of poor people, their vulnerability to external forces and disasters, their potential impact on the global environment, and our comparative advantage in being able to contribute to poverty elimination. Middle income countries generally have sufficient financial

resources to address their own problems, and substantial resource transfer from the bilateral development programme is not appropriate. We can however offer a partnership based on a broader development co-operation particularly for institution building, sharing skills, experience and technology at a variety of levels within and outside government. Where the UK is not well placed to make an effective contribution, we will work within the multilateral system to provide support.

2.27 Countries in transition to full democratic societies and market economies face particular difficulties. Help for them is a finite commitment, reflecting our special interest in their stability and development as they integrate into the global economic system. The Know How Fund has achieved much but programmes now need to be reshaped to give greater emphasis to protecting the poorest and to enabling the widest number of people to share in the fruits of change. Our new strategy is summarised in *Panel 15*.

2.28 The Government reaffirms its responsibilities for Britain's 13 remaining Dependent Territories. Six of them continue to receive substantial UK development assistance, as summarised in *Panel 16*. The reasonable assistance needs of

the Dependent Territories are a first call on the development programme.

2.29 The Government has three objectives in providing development assistance to the Dependent Territories:

- to maximise economic growth and self-sufficiency through sensible economic and financial management leading to graduation from such support, where this objective is feasible
- to ensure in the meantime that basic needs are met, including the provision of essential infrastructure
- to support the good governance of the territories, including the proper management of contingent liabilities and the fulfilment of the UK's international obligations – particularly human rights and the multilateral environment agreements

The Government has announced a fresh look at its relations with, and responsibilities towards, the remaining 13 dependencies over the coming months.

2.30 We will continue to be swift and effective in our response to emergencies and disasters, seeking not only to save lives but to rebuild livelihoods. This is described at *Panel 17*.

Partnerships in Britain

2.31 Just as we want to develop partnerships with developing countries, the Government will seek a new partnership with the UK private sector based on a shared understanding of the role that the public and private sectors – including the commercial private sector, the voluntary sector, academic and research institutions and local as well as central government – can play in development.

Working with British Business

2.32 Overall private capital flows have come to dwarf official flows as a source of funds for development even though they have so far focused on only a few countries, and concessional resource transfers will remain crucial for many developing countries for some time to come. From a business perspective the developing countries contain a majority of the population in the faster growing markets. There is therefore a shared interest in a constructive approach between Government and business to support sustainable development.

2.33 Such an approach needs to avoid the distortion of development funds in pursuit of short-term commercial objectives, such as the previous Government's support for the Pergau project or Westland helicopters. Above all it needs to reflect the fact that long-term

PANEL 15

SUPPORT FOR THE COUNTRIES IN TRANSITION

Although many of the transition countries are not poor by measurements of income alone, many of their people suffer varying degrees of deprivation – of access to information, human and civil rights, democratic institutions and a decent environment. And social provision has in many cases not evolved to replace the unsustainable safety nets of the past. Radical shifts have taken place, but much remains to be done to achieve a stable redistribution of rights and responsibilities between the State and its citizens.

We will continue to support the process of transition in the region, seeking to ensure that its benefits are sustainable and spread through all levels of society. We shall work with a wide range of partners in the region and in the UK, and with multilateral institutions. We shall seek to involve governments, the private sector, academic and training bodies and NGOs. We will support:

- the development of the enabling framework necessary for a return to economic growth, including transparent and well-regulated markets, firm action against corruption, reform and restructuring of enterprises, and measures to encourage small and medium enterprise development
- an inclusive approach to economic management, directing social provision where it is most needed, preventing the capturing of the benefits of economic reform by a minority, and developing public and private mechanisms to increase financial security for households;
- empowerment of individuals and groups through establishing secure rights, spreading skills and information to enable people to participate in and help to shape transition, and developing accountable and accessible law enforcement systems
- the integration of environmental considerations into economic planning, mitigation of the effects of environmental degradation and prevention of future degradation, particularly in the interests of the poorest people
- integration of the transition countries into global economic and political frameworks, through accession to the European Union for eligible countries, strengthened relations with the Union for others, accession to the WTO with full adherence to WTO rules, and strengthened business and investment links with the UK and other countries

The Know How Fund will continue to be the channel for British bilateral technical assistance for Central and Eastern Europe and Central Asia, working within the new strategy and taking careful account of the differing needs in our various countries of operation. But bearing in mind that we spend many times more on the region through multilateral institutions, we will also seek to use our influence to ensure that they are working effectively towards an equitable and sustainable transition.

PANEL 16

THE DEPENDENT TERRITORIES

Six of the UK's 13 remaining Dependent Territories still receive substantial UK development assistance: Anguilla, British Virgin Islands, Montserrat, and Turks and Caicos Islands in the Caribbean; St Helena and Pitcairn.

Most of our development assistance, which is based on an agreed Country Policy Plan (CPP) following a Strategic Review jointly conducted with the Dependent Territory, is channelled in three forms:

- in the poorer dependencies we continue to provide basic infrastructure – schools, hospitals, roads, water, power, etc
- we finance the costs of expatriate personnel engaged to fill key administrative or technical posts for which no suitably qualified local candidates are presently available, and to train potential successors
- for the two most economically dependent – St Helena and Montserrat – we are also providing budgetary support to meet the financing gap between government recurrent expenditure and locally generated resources

Our development assistance commitments to the latter two territories are considerable. Our present three-year £26 million commitment to St Helena amounts to some £1500 for every islander each year. Our current commitments to Montserrat in emergency and development assistance, in response to the volcano crisis, amount to £46 million, or over £10,000 per head.

trade and investment is essential to stimulate the growth which brings benefits to everyone, especially those most in need.

2.34 In the international arena, we will therefore strongly support, and seek to strengthen, the disciplines which limit the use of tied aid credits and the efforts to minimise support for unproductive expenditure. Concerted international effort is also needed if there is to be effective progress in untying development assistance. The Government has already fully untied Britain's contribution to the Special Programme of Assistance to Africa,

and we will pursue energetically the scope for multilateral untying of development assistance. We will also seek to develop further the use of local and regional skills and resources in assistance programmes, thus strengthening the local private sector, but will not otherwise unilaterally untie our bilateral aid.

2.35 With British business, we will move away from a narrow relationship based on individual contracts to a broader sharing of approaches to the eradication of poverty, drawing on the extensive skills of the British private sector – consultants and

PANEL 17

DISASTERS AND EMERGENCIES

Disasters, both natural and man-made, and often recurrent, are a significant burden on poor societies. The root causes of poverty tend to leave poor people not only more exposed to hazards, but also less able to cope in the event of a disaster.

Our objectives in assisting countries to deal with disaster are not only to save lives through emergency relief, but also to protect and rebuild livelihoods and communities, and reduce vulnerability to future disasters.

In responding to disasters, we aim to provide swift, appropriate and cost-effective financial, material and technical assistance, based on analysis of actual need. We shall endeavour to do this in ways that encourages the participation of all stakeholders in decisions that affect their lives, builds local capacity and lays a solid foundation for rehabilitation and recovery. The UK's capacity to respond to disasters overseas will be strengthened through tapping the vast reservoir of available skills and building partnerships within the public and private sectors to ensure that all players are used to their best comparative advantage. In all disaster work, our responsibility must be first and foremost to those affected.

Disaster preparedness and prevention will be an integral part of our development co-operation programme. We shall work with disaster-prone partner countries to develop systems for the better management of man-made hazards and, where feasible, natural hazards, so as to reduce their human impact.

The multitude of actors involved in humanitarian work underlines the importance of international co-operation based on sound principles. Hence we shall encourage system-wide agreement on common performance standards and a code of ethical conduct for organisations involved in humanitarian work, and will seek to implement guidelines already agreed within the OECD. We shall work for, and co-operate with, a more effective and efficient multilateral humanitarian system, building on the capabilities of UN institutions, the Red Cross Movement, other international organisations and NGOs. Within the EU, we shall also work closely with other member states and the European Community Humanitarian Office (ECHO) to ensure more consistent joint policies and approaches.

contractors, investors, exporters and importers, business organisations, large companies and small firms. The Aid and Trade Provision (ATP) lacks poverty elimination as its central focus; no more applications will be accepted for ATP assistance, and the scheme will be closed. This does not preclude deploying development assistance in association with private finance, including in the form of mixed credits. But in order to avoid the abuses of the past, any mixed credits will be managed within agreed country programmes and subject to:

- the agreed strategy and sectoral focus for each country, which would have the primary aim of helping to reduce poverty not of subsidising exports
- the same procedures for quality control as all other projects

2.36 Trade and investment are key to sustainable development. We will work with British business to strengthen support for investment and trade which contribute towards this objective. We will respond promptly to new ideas from all our development partners, both in British industry and in developing countries. We propose to build a new partnership between the relevant Government departments and British business. In

particular, following discussions with British business we will:

- make systematically available information about trade and investment opportunities in developing countries. The information will include both bilateral and multilateral aid-financed opportunities
- work to ensure that multilateral development projects make full use of the skills of UK business
- consult the private sector and non-governmental organisations (NGOs) when preparing country and other development strategies. These strategies will take full account of the contribution that can be made by all our development partners, including the UK private sector, and all forms of assistance provided by the UK Government
- work to reduce initial costs and perceived risks for investments which support the aim of poverty elimination. The Know How Fund will continue to encourage business to enter into joint ventures and invest in Central and Eastern Europe and Central Asia, and similar schemes will be developed as appropriate for other countries

- continue to use the development programme to promote an enabling environment for private sector development which contributes to pro-poor economic growth
- develop with British business specific proposals in a number of partner countries for working together to help develop local business infrastructure

Together these represent an important new initiative. The Government is determined to ensure that it does all it can to make it succeed and to use in each case the most appropriate means to promote sustainable development.

2.37 Our main instrument for investing in the private sector in the poorest countries is the Commonwealth Development Corporation (CDC). Its particular strengths lie in its ability to help create and manage new business and to act as a catalyst for other investors. From its own resources it currently finances around £300 million of new activities a year in the poorer countries, of which over 30 per cent is for projects in sub-Saharan Africa. The Government believes the CDC to be an under-utilised asset. We will therefore seek to enlarge the resources at CDC's disposal by introducing private sector capital and creating a dynamic Government/private sector partnership with the Government retaining a

substantial minority holding; a partnership that will provide leadership as an ethical and socially responsible investor in poorer countries. As the Prime Minister has announced, the proceeds generated will be ploughed back into the development programme.

2.38 There is a growing understanding that ethical business is good business in every sense. The Government welcomes the development of ethical investment movements. These are growing instruments for change in development, as individuals and organisations look increasingly at how their savings, investments and purchasing decisions impact on the lives and rights of producers, suppliers and workers in the developing countries.

2.39 We propose to establish a new awards scheme to recognise private sector companies who have developed partnerships which make a particular contribution to sustainable development. This would enable us to recognise the many innovative actions taken by the private sector in contributing to development in ways which promote the ability of poor people to establish sustainable livelihoods and move out of poverty.

The Voluntary Sector

2.40 The Government wishes to strengthen its partnership with voluntary charitable and non-profit making

organisations. We plan to work in alliance with them to win stronger public and international support for poverty elimination and sustainable development. We also plan to work in complementary ways in partnership countries and to support their efforts in non-partnership countries.

2.41 The Government intends to continue to support British voluntary agencies through the Joint Funding Scheme and the Volunteer Programme. We have agreed to discuss with them how to reorient these arrangements in the light of our new policies, in particular with the objective of strengthening capacity within developing country non-governmental organisations. In pursuit of these partnerships the Government intends to work closely with organisations within the UK which can reinforce these efforts, including the British Council which is a key partner in developing and implementing programmes in many countries.

The Research Community

2.42 We have reviewed our support for technology development and research to assess how they contribute to the objective of eliminating poverty, and whether they are resourced and managed in the most effective way. Knowledge, research and technology underpin all our work. The elimination of poverty and protection of the environment requires improved access to knowledge and technologies by poor people. This will be achieved through continued investment in research and research capacity in developing countries and through partnerships with the science community in the UK and internationally. The outcomes of this research will be disseminated widely so that the maximum benefit can be derived from it. *Panel 18* sets out the potential benefits of this new approach; *Panel 19* gives some examples of what has already been achieved.

PANEL 18

RESEARCH: THE NEW APPROACH

- We will continue to generate knowledge and understanding of how best to tackle the problems of development. To effect change, knowledge is essential both for the UK itself and for our partners in development. At a time of great change in the globalising world, knowledge and ideas are particularly important to secure progress.
- The Government's aims for international development are ambitious and its work is urgent but resources are limited. These resources must be used in ways that produce the greatest benefits. We need to know what will work and what will not work. We remain aware that we do not have all the answers.
- Much knowledge is already available but often it needs to be adapted to the particular circumstances of developing countries. In other instances, existing knowledge is insufficient and investment in new knowledge, research and technology development is needed. Results need to be communicated effectively and the conditions created in which they can be implemented.
- One of the main constraints to effective development assistance is an imperfect understanding of social, economic, political and physical environments. We will find local solutions to local problems and involve local people and institutions in the process. The UK has earned international respect for the quality of its international development programmes. Getting it right means not only investing in effective relationships but in pushing back the boundaries of shared knowledge, understanding the problems which constrain sustainable development and working with national and international partners to develop appropriate, often innovative, solutions which will help to eliminate poverty.
- Research is an important weapon in the fight against poverty. Without research, many development interventions would fail or be much less successful; and research has significant multiplier effects – solutions to the causes of poverty in one part of the developing world may well be replicable in another. The principle of shared knowledge is an important component of the partnerships which are essential to development. The Government sees continued investment in knowledge generation as a key element in achieving its aims and objectives for international development.

PANEL 19

EXAMPLES OF RESEARCH IMPACT

- Research on the effectiveness of development assistance and conditionality has been influential in changing the perception of donors and lending agencies about how best to promote development. This has contributed to the reorientation of our development policy set out in this White Paper, in particular thinking on partnerships and how other policies can affect development.
- Non-governmental organisations (NGOs) have significant potential as advocates of poor people's needs. DFID-funded research has identified findings which are now being used by NGOs to enhance their capacity to contribute to sustained poverty elimination.
- Recent British research on the conditions necessary for microcredit to be effective has been seminal and is often quoted and used by multilateral and other bilateral agencies in designing their own programmes for lending to small businesses and farmers.
- Research into reading levels in Zambia and Malawi influenced the national Malawi Community Schools programme, and led the Zambian Ministry of Education to reconsider its policy on introducing reading in English in Grade 1. Research showed that children learn the skills of literacy most effectively in their first language.
- In Tanzania, a randomised trial showed that treatment of STD (Sexually Transmitted Diseases) through the local clinics was associated with a 42 per cent reduction in new cases of HIV.
- Eclampsia – a disease characterised by convulsions – causes 50,000 maternal deaths a year. A randomised trial involving nine developing countries showed that magnesium sulphate (a low-cost drug) is at least twice as effective as other anti-convulsants in reducing the occurrence of further convulsions.
- Successful testing of a simple-to-operate multi-stage water filtration unit, first using a pilot plant in the UK followed by field testing in a Rwanda refugee camp, has led to the system being expanded by Oxfam to a full size plant to provide safe drinking water for 16,000 refugees.
- *Gliricidia sepium* is a tree which is widely planted in tropical countries by subsistence farmers. It provides fodder for livestock, poles for construction and wood for fuel. Its nitrogen-fixing qualities are valuable for soil improvement. A seed source identified by British scientists offers growth improvements of over 50 per cent.
- Research on the ecology of rice pests has helped to develop integrated management strategies which have empowered farmers to make better informed and environmentally sound pest management decisions resulting in lower levels of inputs (particularly pesticides), higher yields and increased income generation.
- A devastating and rapidly spreading fish disease has affected freshwater fisheries and aquaculture in Asian waters leading to widespread losses and threat to livelihoods. Collaborative research between British and regional scientists has identified the fungal agent, a new species, and ways of controlling the impact.
- Wood burning stoves costing as little as £2 have been developed which reduce by a half the amount of fuel wood needed for cooking. This reduces deforestation and air pollution. Where women make their living by cooking and have to buy fuel wood, the cost of the stove can be recovered in a few days. Many stoves are bought by the poorest.

CONSISTENCY OF POLICIES

We shall

- **ensure that the full range of Government policies affecting developing countries, including environment, trade, investment and agricultural policies, takes account of our sustainable development objective**
- **give particular attention to human rights, transparent and accountable government and core labour standards, building on the Government's ethical approach to international relations**
- **use our resources proactively to promote political stability and social cohesion and to respond effectively to conflict**
- **encourage financial stability and the reduction of the external debt of developing countries to sustainable levels**

The Importance of Consistency

3.1 Development assistance is an important part of the way in which we can help tackle poverty. But it is not by any means the only aspect of our relationship with developing countries. Both nationally and internationally, there is a complex web of environmental, trade, investment, agricultural, political, defence, security and financial issues which affect relations with developing countries. These are driven by a range of policy considerations, all of which affect the development relationship. To have a real impact on poverty we must ensure the maximum consistency between all these different policies as they affect the developing world. Otherwise, there is a risk that they will undermine development, and development assistance will only partly make up for the damage done.

3.2 In this section we set out how the Government is approaching four vital sets of issues where domestic, foreign and development policies need to be applied in a consistent way if the world's poor are to benefit. These are:

- the environment
- trade, agriculture and investment
- promoting political stability, social cohesion and responding effectively to conflict
- promoting economic and financial stability

We are ready to help developing countries to build the capacity to deal with these complex issues through the sharing of knowledge, information and technical capacity.

The Environment

3.3 Conservation and sustainable management of the environment is a

cornerstone of our approach to international development. Perhaps nowhere is the need for consistency greater. Nor is there a clearer example of a mutual, global interest. It reminds us that development is not a rich country/poor country issue, and that it matters to all of us. We need to tackle environment problems at local, national and international levels.

3.4 At the national level, there is a strong link between poverty and environmental degradation. Poor people are often the main direct human casualties of environmental degradation and mismanagement. In rural areas, competition for access to resources, especially land, often squeezes poor people into marginal, low productivity lands, where they have no alternative but to over-exploit soils and forests. In towns and cities, poor people typically have to live and work where pollution is worst and the associated health hazards are highest.

3.5 Lasting eradication of poverty requires environmentally sustainable solutions. Consistent policies and better management are the key. Natural resources must be managed sustainably or else continued economic growth will not be possible. But some use must be accepted or development will not happen. We will help developing countries integrate environmental concerns into

their decision-making by supporting their efforts to prepare plans and policies for sound management of their natural resources and national strategies for sustainable development.

3.6 Rural communities are still the majority in most developing countries. We will work to promote sustainable agriculture which tackles hunger and poverty while protecting the environment. We will focus on small producers and on productive systems which maintain or improve the productivity of land and water resources. This should promote both poverty reduction and environmental sustainability. Agricultural trade policies have an impact too and we will be proposing reforms that support our international development aims. Our new approach to the problem of deforestation will support work to improve management of forest resources in ways that lead to a range of benefits to poor communities.

3.7 By the beginning of the next century, more than half of the world's population will for the first time in history be living in towns and cities. For most poor people, urban environment problems – such as air pollution, poor sanitation and contaminated water – will be a major concern. In many cases, the infrastructure to tackle these problems either does not exist or ignores their needs. We will

promote urban development policies and programmes that focus on improving employment, shelter, education, health, water, sanitation and energy provisions for poor people.

3.8 At the international level, there is a self-evident common interest in addressing global environmental issues in a coherent and coordinated way. The poorest countries can and do suffer the consequences of the domestic environmental policies of the richer countries. The UK believes that the richer countries should lead on taking domestic action to combat those consequences, and is acting to meet its commitments. At the same time, the impact of developing country actions on the global environment is growing rapidly and their impact will be felt by developed as well as developing countries. An obvious example of the need for co-operation and coherence is climate change. Our approach in this area is set out in *Panel 20 (see also Figure 11)*.

3.9 There is a range of other issues where we will work to develop coherent policies. We will use our approach to forests to press for comprehensive and coherent international arrangements to achieve sustainable forest management. We shall take a leading role in a programme of

action to ensure optimal use and protection of freshwater resources. We shall support measures to combat land degradation and desertification. We will help developing countries meet their commitments to phase out ozone depleting substances. We shall also continue to help poor people in developing countries, often rich in species and habitats, but lacking resources, to manage and benefit from their biodiversity. Developing countries hold the bulk of the world's wild animals and plants. Helping them to conserve such resources and gain income from them offers benefits both for the alleviation of poverty and the safeguarding of biodiversity.

3.10 Given the connections between development, the elimination of poverty and the environment, we shall play a significant role in the Commission on Sustainable Development. This will include promoting capacity building in developing countries and exchanging experience to achieve the important target that all countries should develop national strategies for sustainable development (*see Panel 21*). We shall also seek to play a full and influential role in the UN Centre for Human Settlements (Habitat) in supporting urban development policies that contribute towards the reduction of poverty and sustainable development objectives.

PANEL 20

CLIMATE CHANGE

Climate change is perhaps the most serious global environmental problem we face. The Intergovernmental Panel on Climate Change advises that, if greenhouse gas emissions continue to rise, by the year 2100 average global temperatures will have risen by between 1 and 3.5 degrees centigrade. This will cause sea levels to rise perhaps up to a metre over the same period, trebling the number of people at risk from flooding – from 46 million now to 118 million. Important decisions will be taken at the Climate Change Conference in Kyoto in December 1997 on targets for reductions in greenhouse emissions for the period after 2000.

Climate change is likely to have a significant adverse effect on areas of the natural world and human society, affecting eco-systems, human health, water resources, agriculture and forestry. The impacts will be felt by all of us, but developing countries and some of the poorest within them could be hit particularly hard. The very future of many small island states will be threatened and low-lying areas such as Bangladesh will be particularly vulnerable.

The Government recognises that climate change is a global problem and one which requires a global solution. Developed countries have been responsible for the majority of emissions to date and have a moral obligation to take the lead in reducing emissions. That is why the UK, which is one of the few OECD countries on course to meet the emission targets set so far, is in the forefront of those pressing for significant reductions in emissions to be agreed by developed countries at Kyoto.

But the threat of climate change will only be solved through global action. The total greenhouse gas emissions of the developing world are likely to overtake those of developed countries in the next 20 to 30 years. Therefore whilst the UK Government, in accordance with the Berlin Mandate, does not believe that developing countries should take on emission targets in this round of negotiations at Kyoto, it does believe that future stages of the process will require an increasingly global effort in setting emission reduction and limitation targets.

Obviously as developing countries increase their efforts to tackle climate change and limit emissions, they will require appropriate assistance to do so. As the Prime Minister said at the UN Special Session on Sustainable Development in June:

‘Industrialised countries must work with developing countries to help them combat climate change...and other global environmental challenges. We must live up to our side of the bargain and ensure that they have the resources to do this.’

Developing countries need energy. A major element of the UK's approach will be to help key developing countries improve the efficient generation, distribution and management of energy, particularly by building national capacity. We will, where appropriate, promote and encourage the use of renewable energy resources. We will also help developing countries to build expertise in climate change research and observation.

3.11 The UK also recognises that there is a need to provide additional assistance at a global level. Such assistance enables developing countries to take actions which benefit the global environment but which could not be justified solely on the basis of their national sustainable development needs.

The UK will therefore continue to provide substantial additional commitments in support of global environmental objectives through the Global Environment Facility and the Multilateral Fund for the Montreal Protocol (*see Panel 22*).

PANEL 21

NATIONAL STRATEGIES FOR SUSTAINABLE DEVELOPMENT

The Earth Summit (1992) called for countries to incorporate environmental considerations into their development plans and build national strategies for sustainable development. At the United Nations General Assembly's Special Session – Rio Plus Five (1997) – countries agreed to have them in place by 2002. We see these strategies as the main vehicle for integrating pro-poor economic growth with a social improvement and responsible approach to environmental management.

National strategies for sustainable development must respond to the specific needs of the country and its people.

Important principles in developing and implementing them include:

- securing strong political commitment and local ownership for the process and effective host country coordination of external development assistance
- strengthening national capacity to develop and implement the strategies, aiming for early implementation of promising initiatives which will bring tangible benefits quickly to poor people
- ensuring the full participation of the communities concerned, particularly those who are often ignored such as women, indigenous people and poor farming and slum communities
- making the most of win-win opportunities which reduce poverty, boost economic growth and conserve the environment, eg sustainable agriculture and urban health programmes
- focusing on the better management of key environmental and natural assets central to the livelihoods of poor people, eg water, soil and land
- using poverty assessments and strategic environmental assessments to develop pro-poor, pro-environment policies and programmes whether of an economy-wide or a sectoral nature
- framing policies and fiscal incentives which encourage socially and environmentally responsible behaviour by the private sector and communities at large

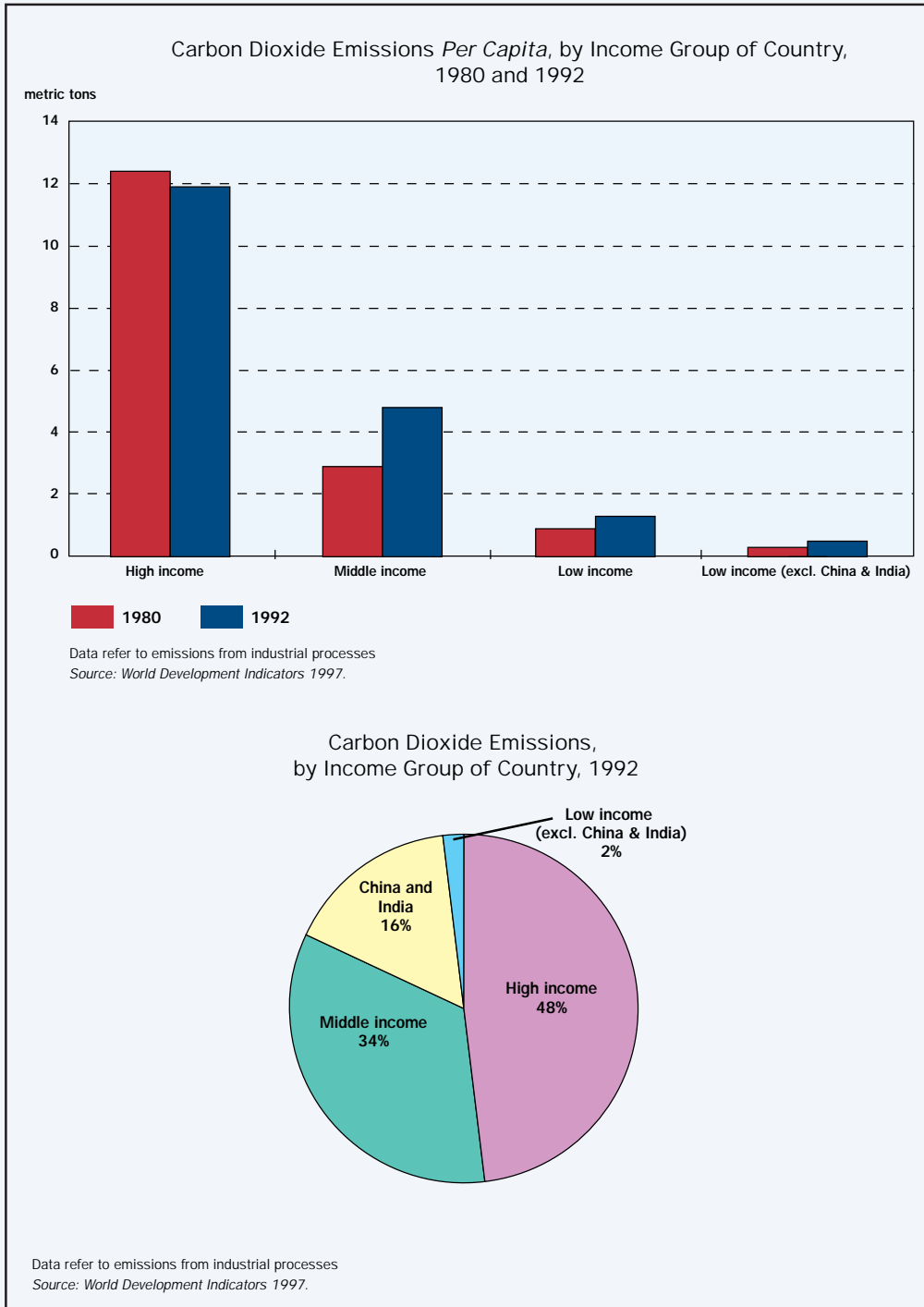
We will:

- work internationally to develop common approaches, and mobilise support for, the development and implementation of national strategies for sustainable development
- support partner countries in their efforts to develop and implement such strategies

SECTION 3

CONSISTENCY OF POLICIES

FIGURE 11



PANEL 22

GLOBAL ENVIRONMENTAL ASSISTANCE

Neglecting the global environment would eventually jeopardise all sustainable development objectives. The poor would be particularly vulnerable. Action to address national and regional environmental needs are insufficient to protect the global environment. As the Rio Earth Summit recognised, additional coordinated global action is required.

Developing countries see the developed world as overwhelmingly responsible for current global environmental problems. They look to developed countries to take a lead in addressing concerns and in helping developing countries to do likewise. UK government departments work closely together to pursue these objectives domestically and internationally. Since 1990, the UK has made separate provision in its public expenditure framework to help developing countries tackle global environmental problems. These funds, managed by DFID, are separate from and additional to the development assistance budget. This separation is crucial as confirmation of the UK's commitment to help developing countries meet global needs without diverting resources from our traditional bilateral and multilateral aid channels.

The UK's Global Environmental Assistance provision makes contributions to:

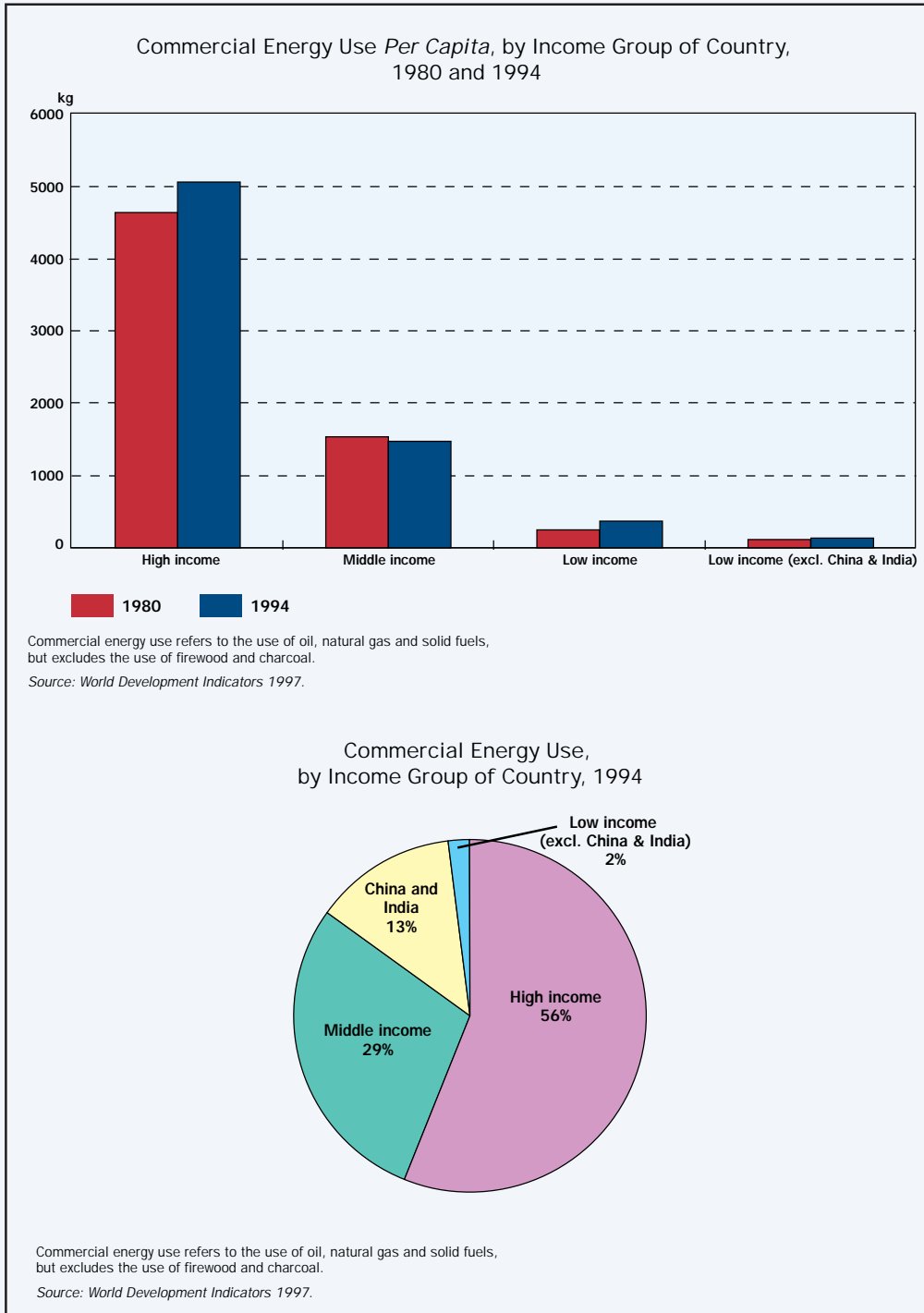
- the Global Environment Facility, which helps developing countries and countries in transition meet the additional costs of global environmental actions in four focal areas: climate change; biodiversity; pollution of international waters; and (for countries with economies in transition) ozone depletion
- the Multilateral Fund of the Montreal Protocol, which helps meet the costs to developing countries of their phase-out of ozone-depleting substances

The UK is a strong supporter of these funds and will continue to be so. And we will be prominent in ensuring that the resources are efficiently and effectively deployed. The impact of developing countries on the global environment is growing rapidly. For example, developing country greenhouse gas emissions will overtake those of developed countries in 25-30 years. DFID will work in partnership with developing countries on integrating environmental objectives in their sustainable development strategies and, where appropriate, provide support through our bilateral programme.

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CONSISTENCY OF POLICIES

FIGURE 12



3.12 At the Special Session of the UN General Assembly in New York in mid-1997, the Prime Minister committed the Government to enhancing the UK's partnership with key developing countries in energy efficiency (*see Figure 12*). We will, where appropriate, assist our developing country partners to improve the efficiency of their power generation and distribution systems, and to reduce atmospheric pollution from transport, particularly in major cities. We will also support the greater use of renewable sources of energy.

Trade, Agriculture and Investment

Introduction

3.13 Trade and investment are crucial to poverty elimination. They bring resources that can help generate the growth needed to establish sustainable livelihoods. We particularly need to work to ensure that the benefits which follow from the fall of barriers to international trade and investment reach the least developed countries, and the poorest people, and lead to sustainable development. This means paying increased attention to issues such as labour, environmental and health standards, and helping developing countries build their own capacity to take advantage of globalisation.

3.14 For these reasons, trade and investment policies form a key part of the Government's approach to development.

The time is right for progress, with important changes either in train or in prospect both within the EU and internationally. We plan to play a leading role in helping to shape these changes, working within the EU, within the multilateral institutions, with other governments both in developed and developing countries, and with the private sector.

Trade Policy

3.15 The Government supports an open, fair and sustainable multilateral trading system – from which all countries can benefit. The World Trade Organization (WTO) provides the rule-based framework which underpins the system. We will encourage and assist developing countries to become more fully integrated into the multilateral system and to participate in the WTO (*see Figure 13*). We want to support their efforts to reduce their trade barriers, taking account of the time needed for their economies to adjust.

Improving Market Access

3.16 We will work within the EU and the WTO for increased multilateral liberalisation of trade in goods and services, and the continued dismantling of tariff and non-tariff barriers worldwide. A particularly important sector for many developing countries is textiles, where we will press for adherence to the agreed timetable for the dismantling of quotas under the multi-fibre agreement. For

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the future we are committed to negotiate further comprehensive trade liberalisation, in particular in the agriculture and services sectors.

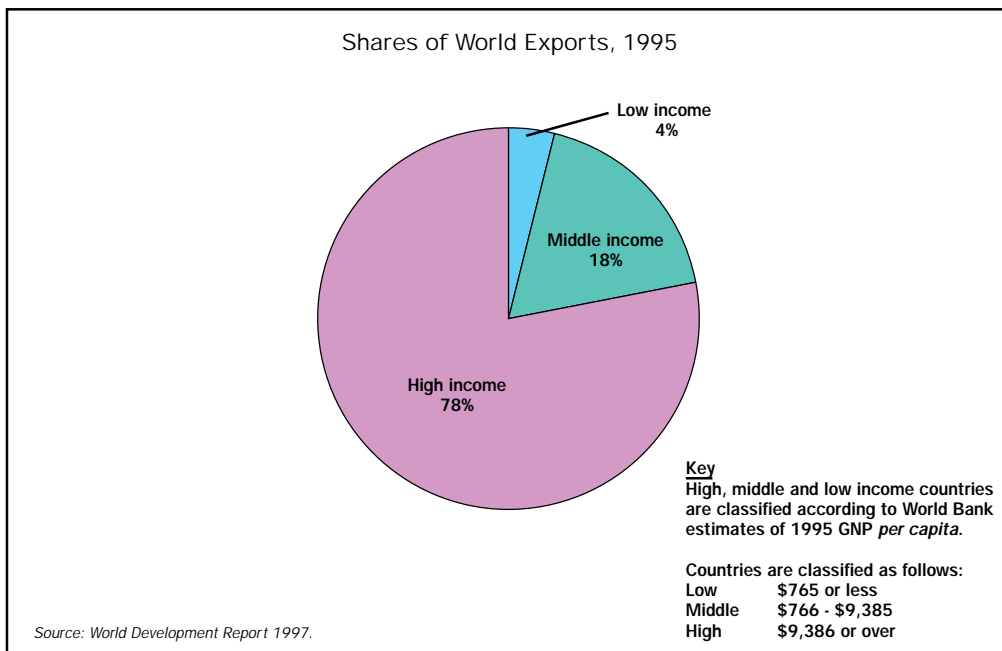
3.17 Dismantling trade barriers takes time. In the interim we will continue to work for the best possible access to EU markets for developing countries, in particular for those countries that need this most to compete on world markets.

- We will press for the elimination of tariffs on imports from the least developed countries, and for eventual agreement to eliminate tariffs multilaterally within a WTO scheme.

- We believe that the current Lomé and Generalised System of Preference (GSP) terms should be brought into closer alignment by seeking ways to level up preferences and by extending product coverage within GSP to include all industrial goods and a wider range of agricultural goods. We will focus in particular on sectors likely to be of benefit to poor countries and poor producers.

- We believe that any bilateral and regional free trade agreements should be structured to promote economic development and be consistent with the multilateral trading system.

FIGURE 13



3.18 Eligibility for preferential access to the EU market (and other developed country markets) is governed by highly complex rules of origin. In practice, these make it difficult for developing countries to take full advantage of their preferential arrangements. We will work within the EU to make these rules simpler and less restrictive, and we will work multilaterally to bring different sets of rules more into line with each other, so that they are easier to use.

3.19 WTO rules provide for anti-dumping, anti-subsidy and safeguard measures. Such measures are for use in exceptional circumstances and not as a means of protecting business from legitimate competition. We will work to ensure that they are not used as a form of covert protectionism to deprive developing countries of their comparative advantage.

Improving Trade Procedures

3.20 Complex and diverse trade procedures (such as export documentation and customs systems) can represent a significant barrier, particularly for the poorest countries and the smallest firms. The United Nations Conference on Trade and Development (UNCTAD) has estimated that the cost of such procedures could amount to as much as 10 per cent in value of trade in goods and services. We

will make it a priority to work for a multilateral agreement to simplify such procedures.

The Reform of Agricultural Trade

3.21 Agriculture is a key sector for many developing countries. International trade in agricultural products has, however, been distorted by agriculture support policies throughout the world. A combination of domestic price support, import protection and export subsidies, in a variety of countries, has undermined the ability of many developing countries to compete successfully in a sector where they have natural comparative advantages.

3.22 Agricultural trade liberalisation will have major benefits for developing countries. The Government welcomes the important first steps that were taken in the Uruguay Round, but is acutely aware that there is a very long way to go, both in Europe and more widely.

CAP and Fisheries Reform in the EU

3.23 The Government is committed to fundamental reform of the Common Agricultural Policy (CAP). This will bring substantial benefits to EU consumers and taxpayers. The Government will make full use of the opportunities which this presents over the medium term to benefit developing countries.

3.24 The European Commission's proposed *Agenda 2000* reforms are a necessary step towards further and more extensive reform, including significant improvements in access to the EU market. This is where the major medium and long-term development benefits will be. In the short term, the current proposals have some potential negative effects for particular developing countries (which export agricultural products to the high price EU market under special arrangements). The Government is committed to working with the Commission and other Member States to consider how to address these effects.

3.25 The EU currently has 16 fisheries agreements with developing countries. The Government aims to ensure that fisheries agreements provide value for money, promote sustainable fishing and are coherent with UK and EU development policies.

Multilateral Liberalisation

3.26 Multilateral liberalisation of trade in agriculture, including increased access to markets in all developed countries, and the phasing out of export subsidies, has huge potential benefits for developing countries. The prospects are promising, and indeed pressure for trade liberalisation from within the WTO has been one of the key

factors which has made reform of the CAP increasingly possible. As part of the Uruguay Round, it was agreed that negotiations on further agriculture trade liberalisation would start at the turn of the century. The Government sees this as a major opportunity and is committed to achieving substantial further liberalisation in these negotiations.

Investment

3.27 Foreign direct investment can bring a range of benefits to developing countries, including employment, exports, new skills and technology. Portfolio flows can provide resources for local companies and deepen domestic capital markets. However, whilst private capital flows have increased substantially, they are heavily concentrated in a small number of the most advanced developing countries (*see Figure 14*). The least developed countries attract little foreign investment, and therefore continue to depend heavily on official development assistance.

3.28 We believe it is in the interests of developing and developed countries alike to create conditions which will help attract beneficial private investment to developing countries. This requires the right domestic policies and conditions in these countries, including political stability, transparent and accountable government and the prevention of corruption. These are crucial in order to attract and retain both foreign

and domestic investment. We will encourage and assist developing countries to put in place such policies.

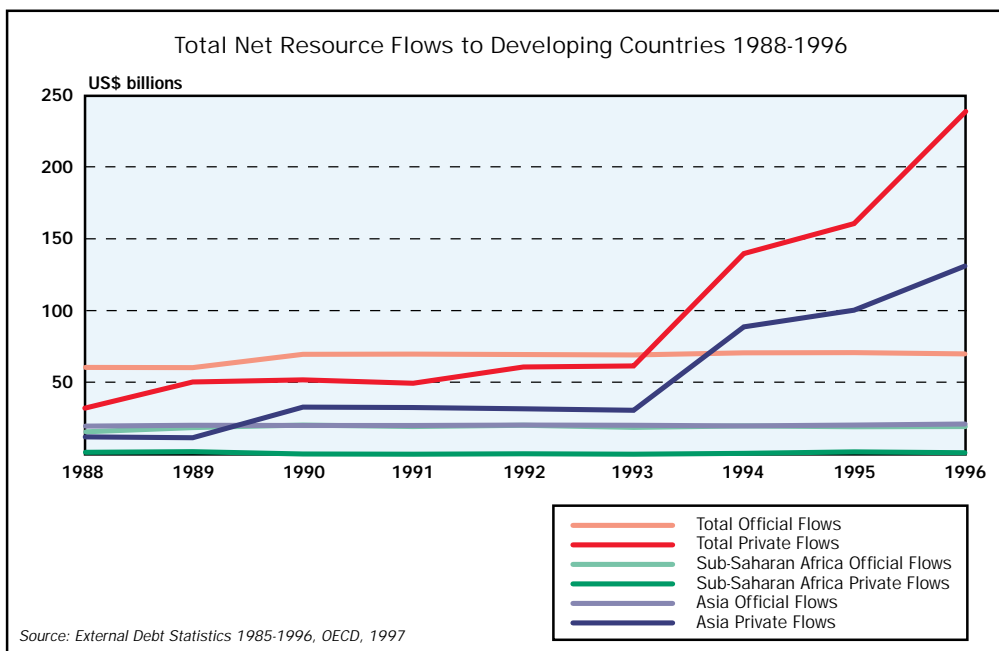
Multilateral Framework

3.29 In the Organisation for Economic Co-operation and Development (OECD) we are already in the process of negotiating an improved multilateral framework through the Multilateral Agreement on Investment (MAI), based on the principles of non-discrimination against foreign investors, open investment regimes and investor protection. The Government is working to ensure that the MAI fully reflects our commitment to core labour standards and that it prevents countries

from lowering environmental standards to attract investment.

3.30 The Government will continue to participate actively in dialogue with developing countries about the MAI. In particular we will encourage those – mainly the more advanced – who have a particular interest to consider becoming parties to the Agreement. But we recognise that the MAI is not designed for the economic and institutional constraints of poorer developing countries. We are exploring how their needs can be taken into account. In parallel, we are playing a full part in WTO discussions, supported by analytical work in UNCTAD, exploring the

FIGURE 14



links between trade and investment and the implications for development and economic growth. We will work towards the eventual establishment of a WTO agreement on investment. We support moves to make capital account liberalisation a specific purpose of the IMF and to give the Fund appropriate jurisdiction over capital movements.

3.31 We will work to ensure that the OECD Guidelines on Multinational Enterprises are closely associated with the MAI and reviewed regularly to ensure they are up to date and effectively disseminated. In preparing for the review next year we shall draw on experience of voluntary codes already drawn up in specific sectors and between unions, consumer groups and NGOs.

Competition Issues

3.32 In order to fully benefit from increased foreign investment, developing countries – like developed countries – need to have in place the right domestic policy framework to deal with a range of competition law and policy issues, such as monopolies, mergers and restrictive business practices. We will continue work within UNCTAD to help develop a model framework for national policies in these areas. We will consider how best to assist developing countries who want to strengthen their domestic regulatory

framework before applying to join the MAI. And we will work with others to address these issues at the international level too, through the WTO Working Group on Trade and Competition.

Guarantees and Insurance

3.33 Guarantees and insurance are important mechanisms for encouraging private investment into developing countries. This is particularly important for infrastructure projects, where large sums of money need to be mobilised. The Overseas Investment Insurance Scheme of the British Export Credits Guarantee Department (ECGD) is increasingly utilised to help companies to invest overseas. We are considering whether this facility can be made more readily available to poor countries. We are also discussing with the World Bank Group how best to expand guarantee cover in developing countries – and particularly in poorer developing countries.

Intellectual Property

3.34 We are committed to rules on intellectual property rights which will facilitate the transfer of technology, and provide incentives for investment. We will pay particular attention to the impact of intellectual property rights on the interests of indigenous and local communities who depend on local biodiversity for their

livelihoods and welfare. We will also work to ensure intellectual property rights promote the conservation of biodiversity. We will work with multilateral institutions, such as the World Intellectual Property Organization (WIPO), WTO and UNCTAD, to help developing countries restructure their intellectual property rights systems, and implement the WTO Trade Related Aspects of Intellectual Property Rights (TRIPS) Agreement, in order to support domestic investment and attract foreign investment.

Standards

3.35 Dismantling the barriers to international trade and investment is essential. But we also need to ensure that the benefits contribute to poverty elimination and sustainable development. Increasing attention is therefore being paid in international fora, in the business community and in consumer and development groups to the issue of standards.

Core Labour Standards

3.36 We are working for the world-wide observance of core labour standards for all workers, including those in the informal sector where female workers are concentrated. These are human rights and must not be misused for protectionist purposes to deprive developing countries

of the opportunity to benefit from their comparative advantages.

- In the UK we are supporting collaboration between business and the voluntary sector in promoting ethical business, including the development of codes of conduct and ways of monitoring and verifying these codes.
- In developing countries, we shall look at ways of supporting local capacity to develop and monitor voluntary codes of conduct including assistance to Ministries of Labour, trades unions, NGOs and employers' associations.
- At international level, we shall support the efforts of the International Labour Organization (ILO) to promote internationally recognised core labour standards. We shall seek to strengthen the ILO's ability to make progress in eliminating exploitative and abusive practices throughout the world by increasing our support to its technical co-operation programmes, such as the International Programme on the Elimination of Child Labour, and by using its supervisory activities to encourage adherence to human rights in the workplace. We are active participants in the efforts of the international community to eradicate speedily all intolerable forms of child labour and

shall do our best to ensure that the new ILO Convention designed to tackle this problem helps to stop the worst abuses. We shall also support the development of the ILO programme More and Better Jobs for Women.

- We shall promote a human rights based approach to labour issues in our support to multilateral organisations, including the European Community and the World Bank. We are supporting the use of positive incentives in the EU Generalised System of Preferences to link enhanced market access terms to adherence to these standards. We shall press for the EU to reaffirm at the WTO Ministerial conference in May 1998 its commitment to support the ILO's work in promoting labour standards and to have this reflected in any Declaration. We shall also press for systematic reporting by the ILO and WTO Secretariats on their collaboration in this area.

Environment Standards

3.37 Products which use natural resources sustainably can meet the growing wish of British and other consumers to minimise the damage that our consumption does to the environment and can offer sustainable livelihoods to some of the world's poorest people. The Government will work with producers and importers to

increase trade in sustainably produced products and services from developing countries, including by supporting voluntary certification and labelling.

3.38 Trade rules should not be used to impose unfair standards on developing countries or to discriminate unfairly against their exports. We will work to ensure that the interests of the environment are fairly reflected in the development of the global trading system. Most developing countries have signed the main Multilateral Environment Agreements. We will support their efforts to comply with those agreements and encourage others to join. In areas where clearer international standards are needed, we will support work to develop these.

3.39 The Government will work where appropriate with developing countries to support their efforts to raise their domestic environment standards. We will focus on this in order to help them meet the UN target of implementing national sustainable development strategies by 2005.

3.40 We shall strengthen the links between trade, environment and development as part of our review of our own Sustainable Development Strategy. We are also supporting work in the EU, WTO and UNCTAD on these issues.

Health Standards

3.41 We will do our best to ensure that the export and advertising of pharmaceutical products and other items such as tobacco and baby milk are conducted in a responsible way.

3.42 We are working with other governments towards a global ban on tobacco advertising. In the meantime we will support an international code of conduct for transnational companies advertising tobacco products, covering the content and exposure of children to advertising, and the use of health warnings.

3.43 We also support the World Health Organization's (WHO) International Code of Marketing of Breast Milk Substitutes, which sets minimum standards for labelling, advertising and promotion of infant formulas and other baby foods. We will support efforts to defend the Code.

Standards of Business Conduct

3.44 Bribery and corruption divert resources from poverty elimination and development (see Panel 11). We are working with developing countries and at the multilateral level to develop and implement policies designed to raise standards in this area. These efforts are reinforced by companies which refuse to pay bribes in order to win business contracts, and we

strongly support the OECD initiative to make the payment of bribes to foreign public officials in international commercial transactions a crime under national law. We will include anti-corruption clauses in all DFID contracts under our own development assistance programme, and we will work with partners in the Development Assistance Committee (DAC) of the OECD to include similar clauses in all contracts signed by DAC members. We will help partner governments to keep their own procurement procedures fair, transparent and up to date, and work to increase the professionalism of public sector purchasing.

Building Capacity

3.45 Dismantling barriers to international trade and investment will be of limited benefit if developing countries lack not just the supply but the human and institutional capacity to take advantage of new opportunities. We will support efforts to improve the multilateral coordination of technical assistance, and will also harness our own development assistance programme, in order to help developing countries build capacity:

- to manage the practical 'nuts and bolts' of the trade process, for instance customs procedures and trade regulations

- to improve their trade promotion efforts
- to participate fully in the WTO, and implement increasingly complex international obligations
- to meet international product standards

Knowledge and Information

3.46 As old barriers come down, countries seeking to enter the market face new problems. The amount of information required to trade successfully in today's global economy is daunting. Exporters need information about market opportunities, trade rules and procedures and product standards. Important work is being undertaken in this area by the International Trade Centre (ITC). We will support international efforts to find new ways of sharing knowledge and information, and assess whether there is a direct role we play ourselves in this area.

Institutions

3.47 Developing countries must be encouraged to participate fully in the WTO. Its provisions already recognise their interests and that they cannot always assume their obligations, for instance to open their own markets, as rapidly as developed countries. We support work in WTO and UNCTAD to enable member countries to adjust effectively to meet these

obligations and take advantage of their rights and to enhance the understanding of countries in the process of accession. We also support work to analyse the impact of trade agreements and issues on the international trade agenda from a development perspective.

Promoting Political Stability, Social Cohesion and Responding Effectively to Conflict

3.48 The promotion of a peaceful and stable world is a key element of British international policy. Political stability both within and between states is a necessary pre-condition for the elimination of poverty. Half of the world's low income countries are suffering, or have just emerged from, serious conflicts. Today there are some 28 major and more than 100 minor armed conflicts affecting some 70 countries. The nature of warfare has changed with a greater preponderance of intra-state conflict; civilians are now 10 times more likely than soldiers to be the victims of such conflicts.

3.49 Violent conflict generates social division, reverses economic progress, impedes sustainable development and frequently results in human rights violations. Large population movements triggered by conflict threaten the security and livelihood of whole regions. There are currently over 30 million refugees and

persons displaced by violence who count amongst the poorest people in the world. The 10 poorest countries in the world are all hosting, or have generated, refugees. Some measures to address migration issues, which relate not only to refugees but also voluntary migrants, are set out at *Panel 23*.

3.50 Conflict prevention is therefore crucial to combat poverty and reduce suffering. Although tensions and disputes are inevitable in the process of development, problems arise when society cannot represent and manage its different interests in a constructive manner.

PANEL 23

INTERNATIONAL MIGRATION

Migration is a long-standing phenomenon. It can be driven by, for example, disasters, conflict and the persecution of minorities, and economic factors. The pressures of a growing population combined with the fragile environments of many poor countries has increased migration as people leave their homelands – no longer able to gain a secure livelihood because of drought, soil erosion, desertification and other environmental problems. In 1990, 120 million people – or around two per cent of the world's population – were living outside their country of origin.

Developmental impact. Migration can have both positive and negative effects on development. Migrants may meet critical labour needs in the receiving country. Many send home remittances which are a very important source of foreign exchange for a number of countries. However, a brain drain may slow development in the sending country and the social fabric is weakened by family break-up. In the short term sudden disorderly large-scale migration flows – frequently the case for refugee movements – can make social and economic integration difficult, and can impact adversely on receiving countries.

UK policy. Our objective is to help developing countries manage migration flows as beneficially as possible:

- We will work through the UN and other international organisations and within the EU to pursue our objective
- We will be active in the field of conflict prevention as well as providing humanitarian assistance
- We will support broad-based economic growth, which will help to reduce migratory pressures
- We will fund research into the impact of migration on development and the environment in order to refine our policy
- We will not, however, target scarce resources directly at reducing voluntary migration, not least because there is no evidence to suggest that this is effective
- We will seek to build on the skills and talents of migrants and other members of ethnic minorities within the UK to promote the development of their countries of origin

Understanding the causes of conflict, and helping build the will and capacity of state and civil society to resolve disputes non-violently will be central to our international policy. To achieve this, we shall deploy our diplomatic, development assistance and military instruments in a coherent and consistent manner to:

- spread the values of civil liberties and democracy, rule of law and good governance, and foster the growth of a vibrant and secure civil society
- strengthen social cohesion, promote mediation efforts and encourage the regeneration of societies recovering from conflict
- protect and promote the full enjoyment of all human rights
- help solve political and other problems before they cause conflict
- advocate measures to control the means of waging war
- provide humanitarian assistance for victims of conflict and persecution
- contribute to international peacekeeping

3.51 To develop the capacity of the international community to tackle the root causes of violent conflict requires a

coherent system-wide response. We welcome the UN Secretary-General's reform efforts and will use our permanent seat on the Security Council to strengthen the UN's role in conflict prevention and peace building. We support the creation of a more proactive and coordinated conflict prevention capacity within the UN Secretariat. We also recognise the need to counter the culture of impunity that pervades today's conflicts; we support the creation of a permanent International Criminal Court and will continue to back and seek to strengthen the Tribunals in Rwanda and Former Yugoslavia.

3.52 Preventive diplomacy will continue to be pursued bilaterally, and through membership of other international bodies. Within the European Union, we shall seek better linkage of foreign, security and development co-operation policies, and implement existing Council Conclusions on conflict prevention. In addition, we intend to develop stronger peacebuilding and conflict management roles for the Commonwealth, the Organization for Security and Co-operation in Europe (OSCE) and other regional organisations, and will support practical measures to build up such capabilities in other regions, particularly Africa. In peace time we can deploy the extensive experience of our own armed forces to promote mutual understanding and confidence, and to help other countries

to develop democratically accountable armed forces. In times of crisis, early deployment of military forces can promote stability and thus stem or prevent conflict. We will continue to provide forces for operations in support of international order and humanitarian principles.

3.53 Our development co-operation effort in divided societies will be informed by the OECD Guidelines on Conflict, Peace and Development. We shall encourage the European Commission, UNDP and others to take a proactive approach to peace-building. In our bilateral programme, we shall seek to find alternative channels for mediation; we shall promote social cohesion and support *bridges for peace* which reach out to marginalised groups through access to political decision-making, social networks, economic resources and information. We shall seek to strengthen local capacities for peace-building in particular with women who are traditionally excluded from such efforts. Social exclusion, for whatever reason, creates an unstable environment in which the well-being of all may ultimately be threatened.

3.54 We shall continue generous provision for humanitarian assistance through UN and Red Cross agencies, NGOs and partner governments. Recognising the problems of diversion and manipulation of external assistance in

conflict situations, such help will be based on carefully assessed needs. We shall seek agreement on a code of ethical conduct for organisations working in conflict areas. The protection and promotion of human rights and the observance of international humanitarian law will be integral to all of our programmes of humanitarian assistance. We shall actively work with the International Committee of the Red Cross, the UN High Commissioner for Refugees, the UN High Commissioner for Human Rights and other agencies to find better means of safeguarding humanitarian workers. We shall work to ensure that humanitarian issues are properly taken into account when considering international political and peacekeeping interventions. Seeking durable solutions to long-standing crises, including for refugee and displaced populations, will be a priority.

3.55 In seeking to limit the means for waging wars, we shall continue to be active in arms control negotiations. We support the proposed EU programme on curbing illicit trafficking in conventional arms. We shall complement our own moratorium on the use and bans on the import, export, transfer and manufacture of anti-personnel landmines with vigorous efforts to secure the widest possible, permanent global ban, and continued support for mine clearance programmes. We shall seek to discourage excessive military expenditure in developing countries by helping further to

develop the OECD Agenda for Action, and encouraging the international financial institutions to focus on this issue in their policy dialogue with developing countries.

Promoting Economic and Financial Stability

3.56 Economic and financial stability depends crucially on political stability; but the same is true in reverse, and badly regulated financial systems, volatile capital flows, upheavals created by money-laundering or drugs trafficking and corruption can lead in their turn to political instability. Developing countries are particularly vulnerable to such instability, and it is important that there should be a well-managed and regulated set of international mechanisms to support beneficial regulation and stability and bear down on corruption. The international community has an important role in contributing to financial stability, for example, through surveillance by the IMF and work on banking supervision.

Debt Sustainability

3.57 While developing countries finance much of their investments from their own savings, nearly all need to import some of the necessary capital from abroad. While some of this may be in grant form or private investment, loans are also important. But money these countries borrow accumulates as debts and needs to be repaid.

3.58 Often this goes well. The capital is invested wisely, and the country follows beneficial and transparent economic policies. But sometimes a country over-borrows – a problem often made worse by lenders who do not make responsible creditworthiness assessments. Money may be wasted or spent unproductively, for example on excessive military spending. Or sometimes countries may, through no fault of their own, suffer a severe external shock such as a collapse in the price of its exports.

3.59 Countries may then have an unsustainable debt burden (*see Figure 15*). They may not be able to export and earn enough foreign currency to pay the debt service due each year. Some of the poorest countries now have to pay out over half their export earnings in external debt service, and may have to allocate far more to paying old foreign debts than to health and education (*see Figure 16*). And the overhang of unpayable foreign debts may discourage new investment and therefore growth, thus creating a long-term barrier to development.

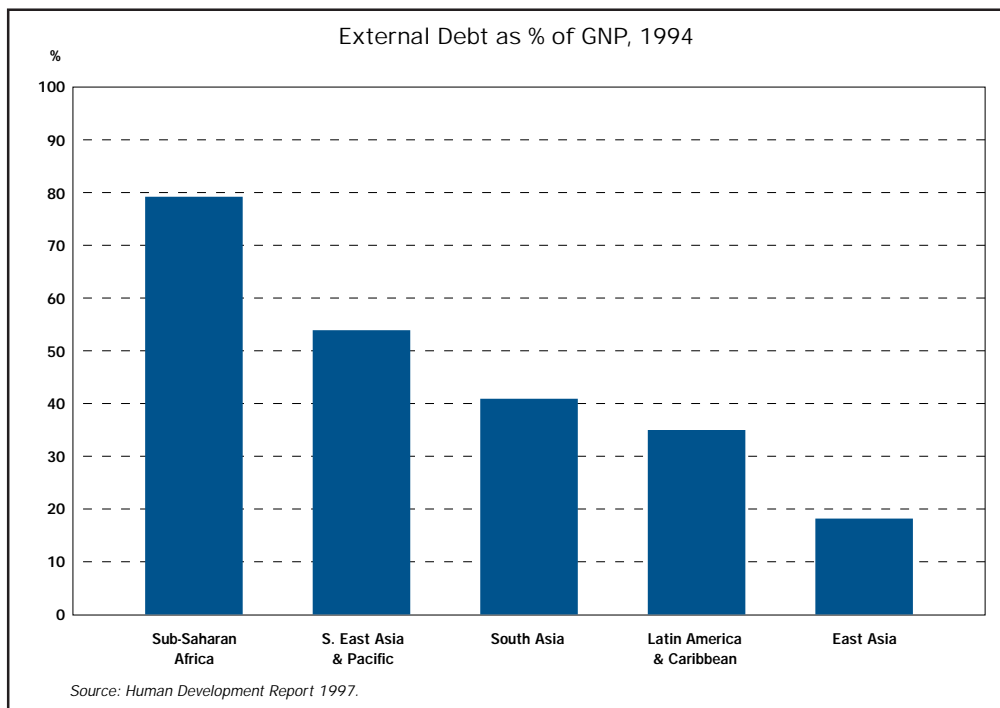
3.60 Britain has long recognised the burden of excessive debts carried by some developing countries. In 1978, the UK started a policy of converting aid loans into grants to the poorest countries, benefiting over 30 countries so far and providing relief of some £1.2 billion. As part of the

CONSISTENCY OF POLICIES

Mauritius Mandate (*Panel 24*) we announced that the UK was willing in principle to cancel the remaining aid debt due to the UK from lower income Commonwealth countries at a cost of up to £132 million. Relief will be provided to those countries which are committed to the international development targets and are following sound economic policies which benefit the poor, and which promote responsive and accountable government, encourage transparency and bear down on corruption. We will encourage other donors to follow our lead, and are prepared to extend the initiative to non-Commonwealth countries, in concert with other donors.

3.61 Of course the UK alone cannot deal with the problem. We must work with our partners and fellow creditors. The international community provides debt relief, linked to IMF programmes designed with the debtor country to support approved economic policies. Relief provides balance of payments support during an adjustment programme. Over the last decade the Paris Club of creditors has written off a substantial part of the debts of some poor countries. As part of this process the UK, like others, provides relief on export credit-related debts. Money owed to commercial banks is discussed in the London Club, which generally follows similar principles.

FIGURE 15

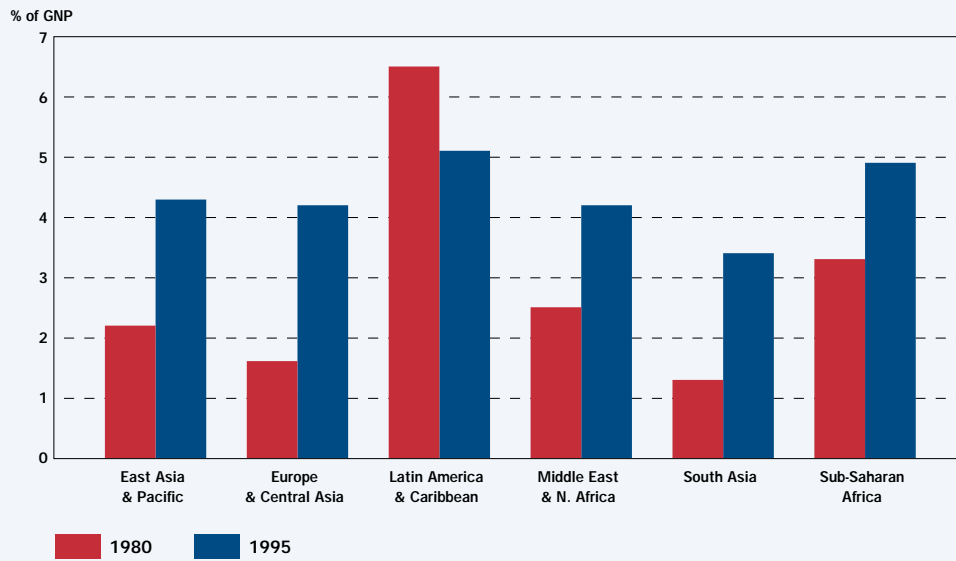


SECTION 3

CONSISTENCY OF POLICIES

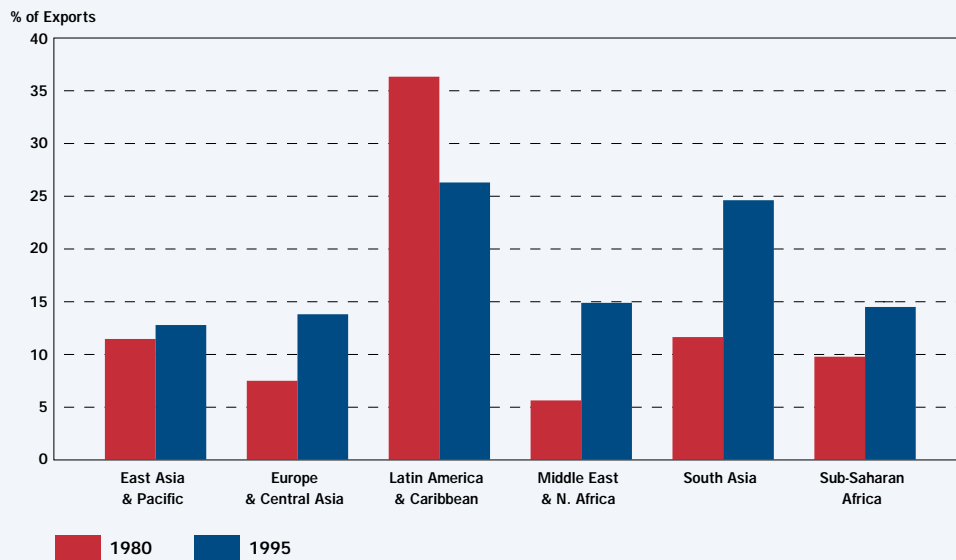
FIGURE 16

Total Debt Service as Percentage of GNP



Source: World Development Indicators 1997.

Total Debt Service as Percentage of Exports of Goods and Services



Source: World Development Indicators 1997.

3.62 Following a British initiative, a new programme of relief for Heavily Indebted Poor Countries (HIPC) was agreed at the annual meeting of the IMF and the World Bank in September 1996. For the first time, these and other multilateral institutions will provide relief on debt owed to them. In parallel, the Paris Club will increase its maximum rate of debt reduction by up to 80 per cent. The key objective is that any poor country which follows sensible economic policies should be able to achieve debt sustainability, which means that their levels of debt must be affordable without the need for further rescheduling.

3.63 It has already been agreed that the first country to benefit under the HIPC Initiative will be Uganda, which is expected to receive debt relief from multilateral creditors as well as further relief from bilateral creditors in April 1998. A number of other countries will be considered before the end of 1997. As part of the Initiative, the UK will contribute to financing relief on Uganda's debts to the African Development Bank, which is the only one of the regional development banks unable to support all its own contributions.

3.64 At the Denver summit of eight leading industrialised democracies (the G8) in June 1997, the Government supported further implementation of the HIPC

Initiative and the expectation that additional countries would qualify in the months ahead. We also welcomed the news of a preliminary agreement between Russia and the Paris Club. It has since been confirmed that, prior to it joining the Paris Club as a creditor, Russia will write off a large proportion of its nominal claims on poor countries, greatly reducing the unsustainable debt overhang of some of them.

3.65 At the Commonwealth Finance Ministers' meeting in September 1997, the Government proposed a new Commonwealth debt initiative – the Mauritius Mandate (*see Panel 24*) – where the UK sought support for an international commitment to deal with the problem of unsustainable debt once and for all.

Money Laundering and Drugs

3.66 Money laundering – the movement of criminally derived funds for the purpose of concealing their true source – is an international problem. It damages and distorts countries' economies – producing unfair competition for legitimate businesses and handicapping governments' ability to make proper economic judgements. In extreme cases, money laundering can corrupt the entire political and financial systems of a country. It is the poor that bear the burden of this inefficiency and waste.

3.67 There is a growing consensus about the need for effective anti-money laundering measures as a key element in any strategy to combat international crime. With our partners in the G7 and EU, we have given strong support to the work of the Financial Action Task Force (FATF), whose internationally accepted recommendations set out the legal and regulatory measures that countries should take to combat money laundering. We have also played a leading role in encouraging the establishment of regional task forces, modelled on the FATF itself, which should help all countries round the globe to design and implement comprehensive anti-money laundering strategies. In addition we are pressing the International Financial

PANEL 24

A NEW APPROACH TO DEBT RELIEF

At the Commonwealth Finance Ministers' annual meeting in September 1997, the UK Government launched its Mauritius Mandate. This aims to ensure that, by the year 2000, all eligible poor countries have at least made a start on having their debts reduced to affordable levels. It also calls for faster implementation of the Heavily Indebted Poor Countries (HIPC) Debt Initiative. Specifically, the Government is seeking firm decisions by the Millennium on the amount and terms of relief for at least three quarters of the countries eligible under the Initiative. And those countries that have already established strong track records of economic reform should receive the maximum possible relief in a shorter time frame than the six years envisaged under the current rules of the Initiative.

The Mandate also emphasises the need to persuade other government creditors to be prepared to write off, where necessary, all categories of bilateral debt (including that most recently incurred), for the international community to analyse whether any gaps exist in current mechanisms and for debtors to have a strong voice in debt negotiations. The UK will provide a lead by:

- contributing around £6.5 million towards reducing Uganda's debts to the African Development Bank
- cancelling – at a cost of up to £132 million – aid debts still owed to the UK by those lower income Commonwealth countries which are committed to pro-poor and transparent policies
- offering technical assistance in debt management to poor countries, particularly those in the Commonwealth
- pledging, without condition, around £20 million to the IMF, to help it meet its share of the costs of implementing the HIPC Initiative
- confining official credits for heavily indebted, poor countries to productive expenditure, for a two-year period, whilst we seek to negotiate an international agreement covering all poor countries

In launching the Mandate, the Government called on creditors (ie other governments and international financial institutions) to follow the UK's lead, and urged debtor countries to adopt and keep to the sound policies needed to achieve sustainable development.

Institutions (IFIs) – the International Monetary Fund, the World Bank and regional development banks – to take account more explicitly of the need for all countries to have effective and efficient anti-money laundering controls in place. The IFIs also have a role in the provision of policy advice and technical assistance.

3.68 Measures to combat money laundering are an essential part of any global anti-drugs strategy. Coordinated action on drugs is a high priority for the Government nationally and internationally. The international illicit drugs trade – cultivation, trafficking and use – is detrimental to the sustainable economic and social development of many countries; and it is a threat to the social fabric of our own society, especially poor neighbourhoods.

3.69 The drugs problem and its contribution to poverty will only be successfully tackled through a wide-ranging strategy covering demand reduction, law enforcement, alternative development and crop eradication. The UK is one of the major donors to the United Nations Drug Control Programme through which we are able, with other donors, to fund a wide range of individual projects. The EU is also a major source of funds for drug-related assistance. We have used this to advantage in the Caribbean, where narco-corruption poses a particular threat to the stability and development of the smaller democracies.

3.70 Other sources of international co-operation and influence are the IFIs. In association with like-minded countries, and to the extent that their statutes permit, we are pressing these institutions to take into account borrowers' money laundering policies and legislation when considering country programmes, and to seek opportunities to support drugs-related projects in priority countries.

3.71 The Government's policy will be to focus more drugs assistance on key drug exporting countries or regions, taking account of the gravity of the situation, the extent of recipient country commitment to tackling the problems and the UK's capacity to help. This can include law enforcement training, equipment, support for alternative development and demand reduction. The UK's resources are limited and so must be tightly targeted and conditional on effective supporting policies on the part of recipient governments. In geographical terms, the bulk of UK drugs-related assistance (80 per cent) is directed at South East Asia and the heroin transit routes to Western Europe; and the cocaine route in Latin America and the Caribbean. Poverty is one of the root causes of the drugs problem in many developing countries. By tackling poverty and helping to develop legitimate livelihoods for poor people we can help to stem the international trade in drugs.

BUILDING SUPPORT FOR DEVELOPMENT

We shall

- **increase public understanding of our mutual dependence and the need for international development**
- **ensure that resources made available for development are used only for the purposes intended, and consider the case for a new International Development Act**
- **provide the necessary resources for the development programme: the Government will start to reverse the decline in UK spending on development assistance, and reaffirms the UK's commitment to the 0.7 per cent UN target**

4.1 International development cannot succeed without the necessary political will in the developing countries. Nor can it succeed without the full support of the international community. The British people have shown consistently through their support for the voluntary agencies who work overseas and their readiness to contribute generously to disasters and emergencies that they care about what happens in poorer countries. We propose to build on and respond to that support by increasing public awareness; by establishing a clear framework for the Government's development programme; and by providing enhanced development resources.

4.2 Giving people in Britain the facts about the forces that are shaping the world – and their lives – will help strengthen support for this effort. The British people should have accurate, unbiased, accessible

information about the causes of poverty and inequality in developing countries, and about what the international community can do. It is also right that they should understand the dangers for the future of their world of failing to address the problems of environmental degradation, overpopulation and the instability arising from extreme poverty and lack of access to basic resources. And it is right that we should be held publicly to account to show that their resources are being put to good use.

4.3 The Government therefore attaches great importance to increasing development awareness in Britain. Every child should be educated about development issues, so that they can understand the key global considerations which will shape their lives. And every adult should have the chance to influence the Government's policies. Getting these

policies right is essential if they are to fulfil their duty to hand on a better world to their grandchildren.

4.4 The Government will establish a working group of educationalists and others (including the business sector, trades unions, the churches, the voluntary organisations and the media) to consider and promote awareness and understanding. This group will be chaired by the Parliamentary Under Secretary of State for International Development. We will work to ensure that global issues are integrated into the national curriculum and that relevant teaching materials are available. We will examine ways of improving progress in other aspects of formal and informal education and youth work.

4.5 We will also establish an annual Development Policy Forum, chaired by the Secretary of State for International Development, to allow individuals and representatives of groups from all parts of society – academics, research institutes, the voluntary sector, the private sector and others – to share thinking and ideas for development and to draw on their wealth of knowledge and experience. Following the Forum, we will publish an *Annual Report*, which will explain how we are setting about the tasks described in this White Paper, and what progress has been made against the international

development targets. To inform this, we are playing a full part in work which is going on internationally to agree indicators against which progress can be measured, recognising the difficulties of attributing outcomes to specific investments or interventions. We envisage that publication of the *Annual Report* could be an occasion for a Parliamentary debate on international development.

4.6 It is important to public confidence that there should be a clear and unambiguous framework for the use of our development funds. The consultation mechanisms described above will help to ensure this. We will also decide after consultation whether there is a case for the introduction of a new International Development Act when the legislative timetable permits which would provide a clear statement of our commitment to eliminate poverty and promote sustainable development. All of the actions proposed in this White Paper can be put in place under the existing Overseas Development and Co-operation Act (1980).

4.7 We can help development by use of our international influence, by developing partnerships and by working for greater consistency in areas such as trade and agriculture, as described in Sections 1-3 above. But the poorest developing countries will require substantial

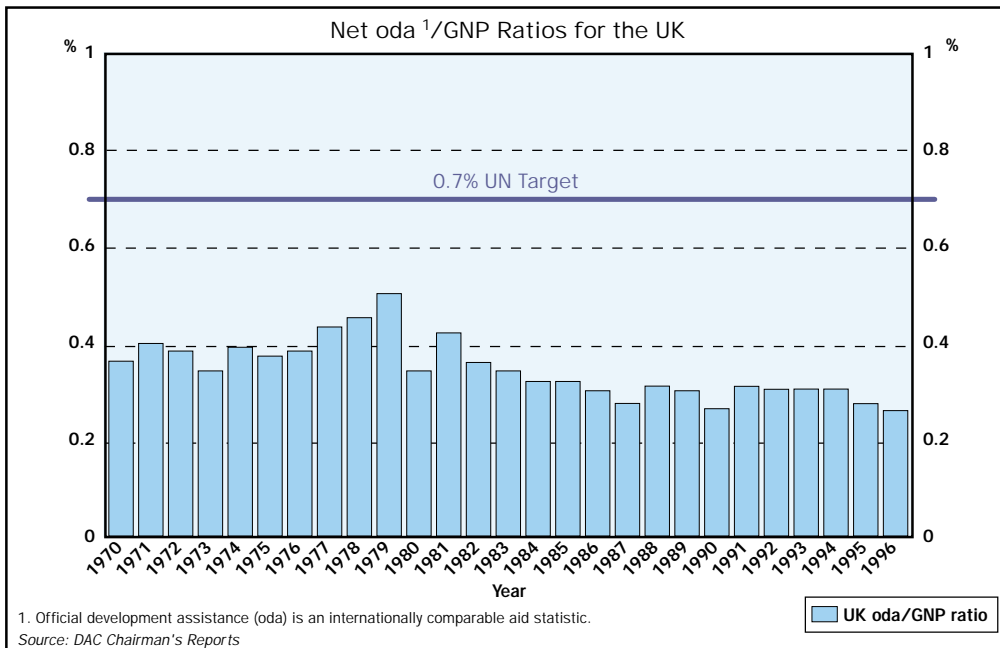
SECTION 4

BUILDING SUPPORT FOR DEVELOPMENT

concessional resource transfers until at least the end of the first quarter of the next century if they are to develop the capacity to carry through an economic growth and poverty elimination agenda by themselves. Our objective should be to achieve in that time-scale a world in which concessional transfers on this scale are no longer necessary. The 1997 UN Human Development Report estimates that the additional cost of alleviating income poverty and achieving basic services for all in developing countries is likely to be in the order of \$80 billion a year. Total concessional resource transfers from the developed to the developing world are at present in the order of \$55 billion a year.

4.8 The resources which the international community has made available to support the development process have declined over recent years. If we are to make progress towards our goals we must do better. We must demonstrate that we are serious and reliable partners. The previous Administration almost halved Britain's development assistance as a proportion of GNP. In 1979, Britain's net official development assistance was 0.51 per cent of GNP and rising. It is now 0.27 per cent of GNP and has been falling steadily. Britain's development programme of £2.2 billion is the sixth largest in the world in terms of volume; but Britain ranks only 15th among the 21 donor member states of

FIGURE 17



the Development Assistance Committee of the OECD in the proportion of its GNP devoted to official development assistance (see Figure 17).

4.9 As this White Paper makes clear, the Government will improve the quality of our development programme by refocusing our efforts on eliminating poverty. We are committed also to reversing the decline in the British development assistance budget and to the UN target of 0.7 per cent of GNP. This year and next we have said that we will work within existing financial ceilings while conducting a comprehensive expenditure review to ensure that all our resources are used effectively and in accordance with our policy priorities. Having done so we can justify increasing our development assistance budget from 1999/2000. All our future assistance to developing countries will be on grant

terms. The development programme will remain a vital mechanism in achieving the key objective of poverty elimination.

4.10 Sustainable international development is central to the Government's position of building a new society. Not just a new society in Britain, but a new global society. If we do not succeed, the consequences for succeeding generations could be catastrophic. But we can succeed. In spite of setbacks, the lessons of development in recent decades give us real grounds for optimism. There is an encouraging consensus about what is needed to eliminate extreme poverty from the planet. This country is uniquely well placed to develop the partnerships with developing countries, within the UK and within the international community necessary to turn this aspiration into reality. The Government commits itself to this high endeavour.

LIST OF ABBREVIATIONS

ATP	Aid and Trade Provision	MDI	Multilateral Development Institution
CAP	Common Agricultural Policy		
CDC	Commonwealth Development Corporation	NGO	Non-Governmental Organization
DAC	Development Assistance Committee	NSSD	National Strategies of Sustainable Development
DFID	Department for International Development	ODA	Official Development Assistance
EC	European Community – see also EU	OECD	Organization for Economic Co-operation and Development
ECGD	Export Credits Guarantee Department	OSCE	Organization for Security and Co-operation in Europe
ECHO	European Commission Humanitarian Office	STD	Sexually Transmitted Diseases
EU	European Union – see also EC	UN	United Nations
FATF	Financial Action Task Force	UNCHS	United Nations Centre for Human Settlements (Habitat)
GDP	Gross Domestic Product	UNCTAD	United Nations Conference on Trade and Development
GNP	Gross National Product	UNDP	United Nations Development Programme
GPEX	Gross Public Expenditure on Aid	UNESCO	United Nations Educational, Scientific and Cultural Organization
GSP	Generalised System of Preferences	UNIDO	United Nations Industrial Development Organization
HIPCS	Heavily Indebted Poor Countries	WHO	World Health Organization
IFIs	International Finance Institutions	WIPO	World Intellectual Property Organization
ILO	International Labour Organization	WTO	World Trade Organization
IMF	International Monetary Fund		
ITC	International Trade Centre		
MAI	Multilateral Agreement on Investment		