

A World Free From Poverty

Policies on International Development

Policy Paper 64



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Summary

The objectives of the Liberal Democrats' international development policy are:

- Tackling global inequality.
- Sustainability.
- Pro-poor economic growth.
- Democracy, human rights and the rule of law.
- Subsidiarity.
- Gender equality.

Liberal Democrats are committed to the Millennium Development Goals (MDGs) and believe that in order for these to be met and to provide effective international assistance the UK must increase its international aid to 0.7% of Gross National Product over the period of two governments.

Liberal Democrats will aim to deliver a major development assistance programme which tailors aid delivery systems to particular countries and situations by:

- Ensuring effective donor coordination mechanisms to increase the effectiveness of aid delivery and avoid unnecessary duplication.
- Continuing bilateral aid as a substantial part of our overall support for international development in the medium term with the long term aim of channelling more aid through international organisations.
- Ensuring a high level of transparency in decision-making, both for bilateral and multilateral aid and opposing any form of tying for procurement. We will press other donors to abandon any such practices in their programmes.

Liberal Democrats support a renewed international effort on debt by giving the new International Financial Authority the quasi-judicial function of:

- Determining the causation of debt in times of crisis.
- Assessing whether debt has been incurred criminally, irresponsibly or just mistakenly, and identifying debts that can be paid back.
- Making clear that 'odious' debt will not be supported.
- Supervising an 'administration / bankruptcy' procedure for sovereign nations that cannot repay all their debt.

Liberal Democrats will promote good governance and fight corruption by:

- Ensuring that UK legislation meets its obligations under the UN Convention Against Corruption and that the Convention is ratified at the earliest opportunity.
- Actively enforcing the OECD Convention on Bribery.

- Pursuing an EU initiative to require transparency of payments by EU-based multinational companies, this initiative can be started at EU level with a view to winning support for a similar approach within the OECD and elsewhere.

Liberal Democrats will work to strengthen the UK's role in conflict prevention by:

- Ensuring that UK foreign, defence, aid and trade policies do not exacerbate already tense situations and only using military action as a last resort.
- Ending subsidies for arms sales and establishing a Select Committee of Parliament to monitor arms exports and set up binding end-use undertakings for arms exported from the UK.
- Establishing a UK Civilian Peace Service to harmonise training, recruitment and deployment of civilian peace professionals for international conflict work.

Liberal Democrats support a thorough review and modernisation of the Bretton Woods Institutions and the United Nations, which will include:

- A fundamental review of the World Bank, which would include looking at its continuing existence, its relocation or amalgamation with a Regional Development Bank.
- Examining ways in which the World Bank could deliver support for health and education in grants rather than loans.
- Refocusing some of the activities of the UN to avoid waste and duplication and to better reflect the needs of poor people, ensuring the active involvement of developing country governments and civil society organisations.

Liberal Democrats will aim to reform EC aid by:

- Merging the European Community Humanitarian Office with EuropeAid to create a new agency run by a deputy commissioner under the aegis of DG External Relations which will be run by a new High Representative.
- Ensuring that EU EDF decisions are submitted to the European Parliament for scrutiny.

Liberal Democrats will work with NGOs to achieve development objectives through:

- Building on the existing Compact with the Voluntary Sector to ensure meaningful consultation is extended, and that funding codes emphasise transparent review and reporting as well as clear objectives and long-term commitments.
- Supporting Fairtrade NGOs by increasing government purchasing of fairly traded products and encouraging local councils to actively promote Fairtrade initiatives, such as acquiring Fairtrade status for their town.

Liberal Democrats will encourage private-sector contributions to sustainable development at a local level through mobilising both local capital and investment. This will include:

- Encouraging employee ownership to broaden stake-holding and promote more widely-distributed ownership of wealth in developing countries.
- Working to secure international agreement for the creation of a Global Business Linkages Fund to increase both economic and social returns on investment through the creation of domestic business linkage networks in developing countries.

- Supporting an increased availability of micro-credit schemes and facilities to support small and medium size businesses.
- Encouraging direct investment in local businesses in developing economies by including in the ISA scheme a small annual tax credit of up to £3,000 for every adult to invest in a Millennium Development Account.

Liberal Democrats will aim to balance the desire for environmental protection with the needs of economic development by:

- Enhancing environmental management in developing countries by supporting links between UK institutions with the necessary commitment and expertise with similar institutions in the developing world.
- Supporting greater resources for and better coordination of the network of multilateral environmental agreements, including the Kyoto and Cartagena Protocols, and higher funding for the Global Environment Facility (GEF) which provides finance for meeting the incremental costs of environmental improvements.
- Providing innovative solutions for the transfer of environmentally sound technologies to developing countries including incentives for western companies to invest in sustainability projects in developing countries and the use of seedcorn funding to channel private investment towards projects, and countries, which benefit the environment but are currently not taken up by investors.

Liberal Democrats will support development awareness through informal and formal education and creative means of exchange with both young people and adults including:

- Working with the BBC to increase the access of UK audiences to existing BBC international outputs such as BBC World (TV) and to raise the profile of World Service radio.
- Supporting the international twinning of schools, including the use of Internet communication where this is available, and encouraging the establishment of student exchange schemes between UK and developing country universities.
- Encouraging links between the UK international development sector and policy makers and practitioners in domestic issues.

Liberal Democrat proposals for international trade and investment are covered in the separate Policy Paper 65, *Wealth for the World*, and are therefore not dealt with in detail here. Nevertheless, we recognise that harnessing trade and investment to the cause of development is absolutely essential. No countries have ever been lifted out of poverty through development aid alone; they need the access to international markets and the foreign direct investment (FDI) that allows their economies to develop and diversify.

1 Introduction

1.1 Liberal Democrat Commitment to International Development

1.1.1 The Liberal Democrats' commitment to international development clearly distinguishes us from the Labour and Conservative parties. We are the only Party to have committed ourselves to meeting the UN target of increasing international aid to 0.7% of Gross National Product (GNP) over the period of two governments.

1.1.2 We consider it an affront to human dignity that while trillions of dollars are traded on the world's currency markets, hundreds of millions of people in the developing world exist on less than a dollar a day. In the rich world billions are earned developing drugs to treat the effects of obesity and sexual dysfunction, while less than 20 new drugs have been developed in the last decade to treat the diseases of poverty. In Europe and the US many retire early and use their leisure time for education, while in the developing world millions, especially girl children, receive no education at all. The world has the knowledge and resources to transform the lives of the poor; what we lack is the will to do so. This policy paper sets out how a Liberal Democrat government will show that the people of Britain can demonstrate the will to transform the lives of at least some of the world's poorest people and enrich our own lives in the process.

1.1.3 This policy paper explains the background to this commitment and makes proposals for what the Party aims to achieve through its policies in this area. The paper covers principles, factors restricting development and means of delivery. As a result of this structure the paper does not deal with issues such as HIV/AIDS and education as separate topics, but considers them within the framework of how development assistance should be targeted and distributed.

1.2 Liberal Democrat Principles

1.2.1 The principles of freedom, justice and responsibility are central to Liberal Democrat belief. As an internationalist party we believe that these principles do not just apply to people living in the UK, but should be central to our

international development policy. Just as important to us is the principle that local communities must be free to make their own choices and not have policies forced on them. In pursuing these objectives, we apply the concept of *'first do no harm'*, when formulating international development policy.

1.3 Millennium Development Goals

1.3.1 To be successful, international development policy must be consistent on a national, European and international level. For this reason we support the Millennium Development Goals (MDGs). The eight MDGs commit the international community to a vision of development that promotes human development as the key to sustaining social and economic progress in all countries. The MDGs are:

- Eradicate extreme poverty and hunger.
- Achieve universal primary education.
- Promote gender equality and empower women.
- Reduce child mortality.
- Improve maternal health.
- Combat HIV/AIDS, malaria, and other diseases.
- Ensure environmental sustainability.
- Develop a global partnership for development.

1.3.2 We recognise that an increase in development aid is needed if the MDGs are to be met. However, we have reservations about the Chancellor's proposed International Financing Facility (IFF), which is designed to double aid flows in order to meet the internationally agreed MDGs, on the grounds that it may harm future aid flows after 2015, which could prove short-sighted.

2 Liberal Principles in Practice

2.1 Development as freedom

2.1.1 *“Liberalism stands for Liberty; its very name declares it. But liberty is not to be won merely by standing aside. Poverty fetters; ignorance hampers; disease incapacitates; privilege oppresses; war terrorises. To attack these is to be the champion of freedom.”*

These words, taken from a 1929 Liberal election pamphlet, retain their resonance today as we consider the international development agenda at the beginning of the twenty-first century.

2.1.2 The *United Nations Human Development Report 2003* finds that, despite dramatic improvements over the past 30 years:

“For many countries the 1990s were a decade of despair. Some 54 countries are poorer now than in 1990. In 21 a larger proportion of people is going hungry. In 14, more children are dying before age five. In 12, primary school enrolments are shrinking. In 34, life expectancy has fallen. Such reversals in survival were previously rare.”

We believe that the removal of global poverty and social injustice are the great challenges of our time. They amount to a denial of liberty and human rights for hundreds of millions of people. That is why a commitment to international development is a profoundly Liberal commitment. It stems from our fundamental belief in freedom - from poverty, ignorance, disease, privilege and war.

2.2 Internationalism

2.2.1 Our commitment to freedom is not confined within the borders of particular nation-states or regional blocks. It is international in scope, recalling the words of William Gladstone:

“Do not forget that the sanctity of life in the hill villages of Afghanistan, amongst the winter snows, is no less inviolate in the eye of Almighty God than can be your own. Do not forget that he who made you brothers in the same flesh and blood, bound you by the laws of universal love and that love is not limited to the shores of this island, but passes across the whole surface of the

earth, encompassing the greatest along with the meanest in its unmeasured scope.”

2.2.2 Internationalism is a defining feature of the Liberal Democrat philosophy. From Gladstone’s Midlothian campaign of the 1870s through to our stance on the Balkans conflicts of the 1990s and our opposition to the Iraq War in 2003, we have consistently championed freedom and justice as universal ideals, not the preserve of the world’s powerful, wealthy and privileged.

2.2.3 Internationalism means working together. It entails a commitment to international co-operation through organisations such as the United Nations, the European Union, NATO and the Commonwealth as the best means of promoting global peace and security. We are strong supporters of the rule of international law and a multilateral approach to world affairs.

2.2.4 For Britain, there is an added dimension: the legacy of Empire. This was, on the one hand, a history of economic exploitation. As a consequence, we have a special obligation to reduce global inequality. On the other hand, this history has also been one of cultural mixing and exchange: from the 900 Hindi words which have entered the English language through to the lessons John Stuart Mill drew from India in framing his campaigns against landed privilege and gender inequality in Britain. Britain is now a multicultural society, in which many of our citizens have direct personal ties to countries in the developing world. This heritage carries with it both a responsibility to contribute our share to international efforts for social justice and a special interest in doing so.

2.3 The principle of mutuality

2.3.1 The idea that development is something that happens to other people is wrong. We believe that the principles of environmental sustainability, human rights and good governance, which we espouse for others, apply equally to the governments of richer countries, to international aid agencies and NGOs and to private corporations. We further believe that a genuine commitment to the principles and objectives espoused above must necessarily entail a close examination of our own way of life.

2.3.2 It is for this reason that this paper contains a strong commitment to development awareness, so that UK citizens are better informed about the interconnections between our lives and those of others around the world. It places an emphasis on *our* responsibilities to transfer resources from the global rich and open up opportunities for the global poor, to ensure that the policies pursued by the wealthy and powerful do not damage democracy and human rights in other parts of the world as has too often been the case in the past, and to ensure that all parts of the globe fulfil their environmental obligations.

2.3.4 This stance argues for a much stronger relationship between foreign and international development policy, recognising the linkages between issues such as the handling of international conflict situations and the war against terror, and the development agenda. Too often, foreign policy has had harmful consequences for international development. The latter invariably plays a secondary role. Aid agencies are relegated to the role of an ambulance service, ignored when key decisions are being made, yet asked to pick up the pieces afterwards, often without the resources to do the job. International development should be a key foreign policy consideration, not an afterthought. We support the principle of first do no harm, which entails a presumption of non-intervention unless clear humanitarian, human rights and security criteria can be satisfied, within a framework of international law. Apart from the moral imperative that it is an affront to the human rights of the world's poorest citizens that we do not use the knowledge and wealth available to us to lift the burden of poverty, there is growing evidence that continued poverty breeds unrest and insecurity.

2.4 Dilemmas in practice

2.4.1 Espousing principles is the easy part. These can often conflict in practice and a complex world inevitably confronts politicians with difficult choices and questions of pragmatism. For example, the right balance between external influence (say to promote human rights) and local prerogative is often difficult to achieve, and there are potential conflicts between economics and politics in determining the distribution and use of resources to the benefit of the poorest in society. This paper seeks to be open and honest about this complexity and the dilemmas entailed.

2.5 Our objectives

2.5.1 Working from this perspective, our international development policy is built around the following key objectives:

2.5.2 *Tackling global inequality* - because a world with large inequalities of wealth and power is not only less just and less free, but also less secure and more prone to violent conflict. We believe that this objective must, of necessity and as a moral imperative, involve a sustained transfer of resources from the developed to the developing worlds and the opening up of opportunities for people in developing countries.

2.5.3 *Sustainability* - because freedom, opportunity and the earth's resources are not goods to be exploited within one generation, but are trusts to be preserved for all across this and future generations. All development policy should be aimed at achieving national and global sustainable development - as the 1987 Brundtland Report put it, development which 'meets the needs of the present generation without compromising the ability of future generations to meet their own needs.'

2.5.4 *Pro-poor economic growth* - because successful development depends on both the creation of wealth (means-enhancement) and the equitable distribution and use of resources according to need (means-use), with the aim of enhancing quality of life.

2.5.5 *Democracy, human rights and the rule of law* - because, far from being luxuries, democracy and human rights are universal, empowering individuals and communities to influence the distribution and use of resources and the decisions that affect their lives.

2.5.6 *Subsidiarity* - because we believe in enabling individuals and communities to make their own decisions in accordance with their priorities and needs. The more remote the decision-maker, the less likely they are to know best.

2.5.7 *Gender equality* - because it is unacceptable that women, the majority of the world's poor, are excluded from access to resources and economic and political power, and because women are key agents of development. Our commitment to gender equality informs our

whole international development policy and is therefore addressed in every chapter of this paper rather than as a separate addition.

2.5.8 If we do not achieve these objectives we will not lift the poor out of their plight and enable the people of the developing world to fulfil their life chances and potential to the benefit of the whole world. This must be the goal of Liberal Democrat international development policy.

2.6 Trade, investment and development

2.6.1 Liberal Democrat proposals for international trade and investment are covered in the separate Policy Paper 65, *Wealth for the World*, and are therefore not dealt with in detail here. Nevertheless, we recognise that harnessing trade and investment to the cause of development is absolutely essential. No countries have ever been lifted out of poverty through development aid alone; they need the access to international markets and the foreign direct investment (FDI) that allows their economies to develop and diversify.

2.6.2 Clearly, however, the policies and institutions that currently govern international trade and investment do not guarantee that developing countries will benefit in these ways. The process of trade liberalisation has been deeply uneven, benefiting rich economies more than the poorest, and industrialised countries still maintain higher trade barriers against many developing-country exports than they do against each others'. Flows of FDI are highly unevenly distributed, and many of the poorest nations lack the investment capital and political capacity to diversify and adjust to new opportunities, remaining dependent on a small number of primary commodity exports, liable to wide price fluctuations. Further, while the international movement of goods and financial capital has been liberalised, movement of labour - a major export of poor countries - has not.

2.6.3 Policy Paper 65 therefore contains a range of proposals to rebalance the system in favour of developing countries, ensuring that trade and investment liberalisation is pursued where it genuinely contributes to sustainable development. Our key proposals include:

- The removal of trade barriers against developing country exports, particularly in agriculture.
- A new international investment agreement to encourage FDI and balance additional rights for investors against additional responsibilities to high environmental, social and labour standards.
- Major revisions to the General Agreement on Trade in Services (GATS) before its extension, including allowing countries to reverse their original decisions on liberalisation and/or add new derogations.
- Providing support to the poorest member countries to enable them to participate fully in WTO negotiations and conduct WTO disputes.
- Extending the structure of 'special and differential treatment' through which the poorest countries can open their markets over a much longer timescale.
- Reforming the Economic Partnership Agreements to be established under the Cotonou Agreement to ensure that developing countries can take longer to open their markets to EU exports, while retaining the removal of EU trade barriers to developing countries' exports.

2.6.4 Even if all these proposals are adopted, though, development assistance still has a crucial role to play. Many poor countries lack the capacity fully to benefit from trade and investment liberalisation, which needs effective governance structures such as a lack of corruption, trade-friendly customs agencies, an independent judiciary, a tax system that does not need to rely on import and export duties, and so on. Furthermore the deregulation and privatisation that often accompanies trade and investment liberalisation opens developing country economies to new stresses and new requirements for government regulation and enforcement for which they would benefit from capacity-building assistance. Development assistance should be designed, therefore, to enable developing countries to benefit from open markets and new investment opportunities.

3 Development Assistance

3.0.1 We will further develop UK capacity for contributing to international programmes of emergency relief, landmine clearance, conflict prevention and peacekeeping, as well as continuing a major development assistance programme. We reaffirm our commitment to allocating 0.7% of GNP to the aid budget.

3.0.2 It is important that aid policy should focus not just on *what* aid is delivered but also on *how* aid is delivered and on the effectiveness of aid management. We will not adopt rigid global aid policies but be flexible and tailor aid delivery systems to particular countries and situations, taking account of specific needs, absorptive capacity and the activities of other donors.

3.1 Management of Aid

3.1.1 Multilateral aid has the advantages of being less politicised and holds potential economies of scale, although multilateral procedures tend to be cumbersome. We will continue to press for improvements in the efficiency and cost-effectiveness of multilateral programmes. Bilateral donors are often able to be more flexible and make decisions faster, although donor co-ordination can be problematic. While in the long term it may be preferable to channel more aid through international organisations, we believe that it will be more effective in the medium term to continue bilateral aid as a substantial part of our overall support for international development. However, for development assistance to be cost-efficient as well as effective, we will, in consultation with other donors, limit the number of countries and sectors in the bilateral programme.

3.1.2 A number of factors need to be taken into account when selecting countries and sectors for bilateral support. Resources should be focused on the poorest people, not just the poorest countries. We are committed to human rights and good governance but we will try to help the poorest, whatever government they live under, if we are able to do so. The capacity of a country to absorb aid successfully is a significant factor in determining where support should go, as is the number of other donors present. Long-standing links with countries build mutual confidence and

understanding, both of needs and of which approaches to assistance are likely to be successful. Considering these factors, we will review the geographical focus of the bilateral programme.

3.1.3 We support international priorities for sectoral programmes in water, education (especially primary education) and health (particularly, but not exclusively, HIV/AIDS prevention and treatment). However there are likely to be problems of co-ordination and overload if all donors concentrate on the same sectors. Liberal Democrats will therefore take considerable account of the views of recipient countries in selecting sectors for assistance. For example, we might support a road building programme in a country where such a programme would clearly assist economic development, particularly if priority sectors were already covered by other donors. However, it is vital not to spread our resources too thinly or over too many sectors in any one country.

3.2 Methods of Delivery

3.2.1 Aid projects as a method of aid delivery may do more harm than good, for example by diverting attention and resources away from established state provision of services, or by setting up unsustainable systems. We will instead concentrate on methods of delivery including aid programmes and strategies which have a long or indefinite time scale and are integrated into continuing system processes. We will also assess whether to continue providing general budgetary support (e.g. the payment of teachers' salaries), which can reduce overall aid management costs and allows large sums to be disbursed relatively quickly, but which requires a higher degree of trust. Short-term projects have a role in some circumstances, for example to allow the development of models.

3.2.2 Development assistance will continue to be based on agreed strategy papers for each country. However, some flexibility in methods of delivery is needed, according to conditions in the selected countries. Whereas in many countries the norm will be government-to-government assistance, in others it might be preferable to seek

alternative partners, such as NGOs. There is also a place for grants based on requests for assistance according to local priorities. In all cases, effective donor co-ordination mechanisms are essential, both to increase the effectiveness of aid delivery and to avoid unnecessary duplication.

3.2.3 It is vital that recipient countries have a sense of ownership of their aid programmes and their voices must be a priority when aid packages are negotiated. Conditions for each country should be considered on a case by case basis. Conditionality needs to balance value for money against practicality. Conditions on aid recipients must take account of fungibility and seek to reduce corruption and to improve human rights. These are not straightforward issues and need careful negotiation. We believe there should be an effective UK presence on the ground in each country where we have an aid programme, so that relationships can be developed over a period of time and good co-ordination ensured.

3.2.4 There should be a high level of transparency in decision-making, both for bilateral and multilateral aid. We are opposed to any form of tying for the procurement of goods and services and will press other donors to abandon any such practices in their programmes. At present, aid management contracts are awarded on the basis of competition but competition policy needs to be reviewed. A review should consider alternative models in other European countries (e.g. Germany) as well as details of the competition process and the employment of consultants.

3.3 Evaluation

3.3.1 Evaluation (not just performance assessment) of aid expenditure is vital and provides essential information for decision-making. It must be ongoing, i.e. formative as well as summative, qualitative as well as quantitative and consider a wide range of criteria of aid effectiveness, not just accountability. Criteria might include value for money, environmental impact, equity (including gender) and achievement of objectives. It is important for the objectives themselves to be evaluated too and for criteria to be simple. Accountability considerations are of course important but evaluators should use a range of methods and indicators to provide the best possible information.

3.4 Staffing

3.4.1 Effectiveness and efficiency depend on recruiting, retaining and rewarding staff with appropriate experience and expertise, but such people are in short supply around the world, in both developed and developing countries. UK nationals can gain relevant experience in a number of ways, e.g. by doing research in developing countries, or working for NGOs, international institutions, VSO or for DFID itself. Liberal Democrats will continue government support for VSO and will encourage employers to recognise the value of overseas experience amongst their staff.

3.4.2 There is also a continuing need to develop expertise within developing countries. In the past many students from developing countries have received UK training and there is still a place for that but the importance of in-country, or third country, training has been increasingly recognised. We support this trend and are content for the UK aid budget to finance such training. There is also a strong case for aid money to be used for research on a wide range of development issues. Such research could be based both in the UK and recipient countries.

Gender Implications: Development Assistance

Women as well as men must be fully integrated into the planning, management, implementation and evaluation of development assistance. Evaluation must consider carefully the gender benefits of development assistance. Provision of some basic needs, such as provision of clean water, access to primary education and reproductive health, have the potential to positively promote the interests of women and girl children.

4 Debt and International Development

4.0.1 Liberal Democrats are committed to international debt relief for the unsustainable debts of the world's poorest countries. Several successful poverty alleviation programmes have been facilitated by debt cancellation. The continued suffering and loss of life that is directly or indirectly attributable to developing country debt is intolerable and avoidable. High levels of debt weaken the autonomy of states and their internal democracy, by circumscribing their right to make their own decisions. Progress on debt relief to date has fallen far short of what is needed.

4.0.2 Unless cancellation is improved and accelerated the Millennium Development Goals (MDGs) will not be met. Debt relief should be seen as an essential basis for achieving these goals. The present HIPC (Heavily Indebted Poor Countries) initiative arrangements are too slow, help too few countries and do not cancel enough of their debts. We want a renewed international effort on debt and support the Irish government's call for 100% cancellation of the unpayable debts of the world's poorest countries.

4.0.3 A radical alteration is needed in the way the calculations are made that are used to estimate how much debt a country can sustain. At present debt sustainability is measured by comparing a country's debts to its annual export income, in isolation of the government's obligations to meet the basic needs of their citizens. It takes no account of the requirements of HIPC countries to spend money on poverty reduction. The overarching objective of debt cancellation should be the mobilisation of the finances needed to achieve internationally agreed poverty reduction targets. It thus follows that debt sustainability should be measured by comparing a country's debts with its national income and the cost of financing its poverty reduction programme. We will press for the introduction of this new model of assessing sustainability, which is backed by the House of Commons Select Committee on International Development.

4.0.4 A country being considered for debt relief is currently required to produce a Poverty Reduction Strategy Paper (PRSP). In theory this involves country ownership and participation but

in practice the IMF only provides support to countries implementing what it considers the right policies, which more often than not means strict adherence to free market policies. Privatisation and trade liberalisation are still being routinely set as preconditions for debt relief despite growing evidence that such conditions can be detrimental to the countries involved.

4.0.5 We believe there should be an impact assessment of the effects of macroeconomic conditionalities currently imposed on debtor nations by the IMF and the World Bank with a view to removing those which are inappropriate. More broadly, Policy Paper 65, *Wealth for the World*, contains more details on reforms of IMF practices. We aim to render it more responsive, effective and accountable by improving transparency and ensuring that decisions in all committees are taken by majority voting, and increasing its resources and ensuring that funding is independent of individual members' economic and political influence.

4.0.6 We also propose the establishment of a new International Financial Authority to regulate the international finance system to reduce instability and support development. Again, more details are included in *Wealth for the World*, but among other responsibilities the new Authority will assist developing countries in reducing their exchange- and interest-rate volatility and help them manage their debt. It should pursue the quasi-judicial function of:

- Determining the causation of debt in times of crisis.
- Assessing whether debt has been incurred criminally, irresponsibly or just mistakenly, and identifying debts that can be paid back.
- Making clear that 'odious debt' (where the regime has used the borrowed money purely for personal gain) will not be supported.
- Supervising an 'administration/bankruptcy' procedure for sovereign nations that cannot repay all their debt.

4.0.7 The last proposal would ensure that the developed country creditors shared the adjustment costs with the defaulting country - as would happen if a company goes bankrupt and is put under administration - with the degree of cost sharing being partly dependent on the competency of the economic policy of the country concerned.

Gender implications: Debt and International Development

Where debt relief has facilitated free primary education girl children have especially benefited.

Liberal Democrats will press for the effects of macroeconomic conditionalities on women and girl children to be considered within the review proposed above.

5 Governance and Development

5.1 Governance, democracy and development

5.1.1 A pro-poor development policy generally pre-supposes a structure of decision-making which is transparent, accountable and subject to the rule of law. If the market is important for means enhancement political and civil freedoms are vital in determining equitable and socially just means use, enabling the poor to draw attention to their needs and to demand appropriate public action.

5.1.2 Liberal Democrats are committed to international democratisation and human rights. Not only do conditions of bad governance place obstacles in the path of development but also the principles of human rights and democracy are of intrinsic value, regardless of their developmental utility.

5.2 Applications

5.2.1 There are substantial difficulties in realising these principles in practice. Democratic public culture, as opposed to formal structures of governance, cannot be established overnight or artificially engineered. There is also a potential tension between our commitment to universal democracy and human rights on the one hand and the principle of subsidiarity on the other.

5.2.2 A further dilemma is contained in the truth that democracy is not essential for successful poverty reduction and pro-poor growth policies. Indeed, many have argued that democracy can be an obstacle to such policies, the classic supposed trade-off between bread and the ballot. However, as a general rule, the proper functioning of democracy helps to promote a pro-poor policy bias. The principle of one person one vote, one vote one value is extremely radical in societies in which there are large inequalities of wealth and opportunity and in which the poor form the majority of the population. Moreover, we are aware of too many cases in which people have been denied both bread and the ballot.

5.2.3 Our principle of mutuality demands that we pay attention to the democratic deficit in our own practices as well as those of others. Good

governance criteria should be applied to all actors in the development field, as aid agencies and NGOs are themselves political actors and face questions of legitimacy and accountability just as governments do. The perception and existence of double standards is deeply damaging to development progress.

5.2.4 Whilst acknowledging these difficulties and dilemmas in a complex world, we will seek to advance democratisation and human rights through our development policy wherever the opportunity to do so arises. The advocacy of good governance principles is in itself important in changing the climate in which policy is discussed and decisions made. Moreover, there are practical steps we can take to apply these principles.

5.3 Fighting corruption

5.3.1 Corruption is a major obstacle to sustainable development. It erodes public trust in the state, stunts a country's economic and social development and allows environmental standards to be flaunted. When public funds are misappropriated the efficiency, capacity and legitimacy of the state are undermined. Corruption is harmful to economic growth in that it diverts resources into unproductive expenditure and deters investment. In December 2003, the World Bank estimated the cost of corruption to be \$1.5 trillion, roughly 5% of total global output. There is growing evidence that it is the poor who pay the price of corruption.

5.3.2 We welcome recent steps to develop international guidelines and standards against corruption, embodied in the UN Convention Against Corruption, which calls on the 120 signatory countries to criminalise corrupt practices, build institutional capacity to prevent corruption and co-operate in recovering stolen assets. We are committed to building on this achievement, maintaining vigilance and the momentum for reform.

5.3.3 Given the UK's enviable role as an economic epicentre and our commitment to global development, we can play a significant role in the fight against corruption. With our partners in the EU, the OECD and the UN, we will:

- Ensure that UK legislation meets our obligations under the UN Convention Against Corruption and that the Convention is ratified at the earliest opportunity.
- Actively enforce the OECD Convention on Bribery.
- Work to strengthen the OECD Convention to include the bribery of foreign political party officials.
- Extend the application of domestic law to corrupt acts involving British nationals and companies operating abroad.
- Use the UK's Extractive Industries Transparency Initiative as a model for an EU initiative to require transparency of payments by EU-based multi-national companies. This initiative can be started at EU level with a view to winning support for a similar approach within the OECD and elsewhere.
- Support the OECD Financial Action Taskforce's investigation into offshore financial centres, half of which fall under British sovereignty.
- Ensure the effectiveness of the conventions and guidelines listed above by devising clear accountability and enforcement structures for them.

5.3.4 In a bid to comply with the OECD Convention on Bribery, the Government included anti-corruption legislation under Part 12 of the Anti-terrorism, Crime and Security (ATCS) Act 2001. The legislation criminalises corruption committed abroad by UK nationals and incorporated bodies. It is expected that these measures will eventually be incorporated into a separate Corruption Bill, which is currently under consultation. A separate anti-corruption bill, with robust measures for dealing with domestic and overseas corruption, is long overdue. At the time of writing (March 2004), parliamentary answers reveal that there have been two allegations but no prosecutions for the offence of bribery of a foreign public official since the enactment of the ATCS Act.

5.3.5 Tackling corruption requires practical assistance to help developing countries build institutional capacity and reinforce good governance. Liberal Democrats will offer capacity-building support to assist developing countries in the implementation and enforcement of internationally agreed anti-corruption initiatives, especially the UN Convention. However, we also recognise that corruption often has more deep-seated causes, for example the low salaries for public service jobs in the developing world and pressures for social mobility.

5.3.6 Corruption must be addressed as a symptom rather than simply a cause of underdevelopment. An anti-corruption policy should not imply weakened state capacity but rather a broadening of opportunities for social mobility. Some liberalisation policies can create new opportunities for corruption whilst making it harder to control.

5.4 Building democratic capacity in developing countries

5.4.1 We will assist in the development of democratic capacity in developing countries, including giving practical assistance to help build institutional capacity, for example by training civil servants, placing secondments and providing other assistance to foreign government departments and agencies. It will also include provision of training and assistance to political parties and media organisations, directly by DFID and through organisations such as the Westminster Foundation for Democracy.

5.5 Aid conditionality

5.5.1 Liberal Democrats support a conditionality approach, in which aid is directed in such a way as to encourage good governance, including women's political participation.

5.5.2 We recognise, however, that this cannot be an absolute condition on all foreign aid or assistance. For example, we are concerned to address the needs of some of the world's poorest people who live in countries with non-democratic regimes. Development actors must have the flexibility necessary to ensure that resources are not automatically denied in such circumstances.

5.5.3 We will pursue ethical development partnerships, seeking partners that share our commitment to pro-poor sustainable development and transparent and accountable decision-making, while exerting pressure for democratisation and liberal political reform wherever possible.

Gender Implications: Governance and Development

Gender rights are an integral aspect of human rights. Democracy requires the participation of women as candidates and voters in a democratic society, and as full members of civil society. Respect for local customs and the principles of subsidiarity should not be allowed to compromise fundamental women's rights. Liberal Democrats reaffirm our commitment to the Convention on the Elimination of All Forms of Discrimination against Women and will press for its adoption by all nations.

6 Conflict Prevention

6.0.1 Sustained development is not possible in conflict. There are many underlying as well as short-term causes that can be easily identified. However, these causes must not be considered in isolation as they are often interwoven to such a degree that a comprehensive, holistic and cross-sectoral approach is necessary to develop comprehensive and effective policies on conflict prevention.

6.0.2 Each conflict is different and policymakers must have the flexibility to address the underlying causes in each case: whether these are poor economic and political conditions, ethnic or religious tensions, or even a paradox of plenty. In Africa, in particular, internal conflict has flared up in countries rich in diamonds, oil, minerals, forests, agriculture and horticulture. Conflicts have seen not just the struggle for control of natural resources, but also the plundering of those resources in order to fund conflict. As populations grow it is forecast that water may become an increasing cause of tension and conflict.

6.1 UK's role in conflict prevention

6.1.1 There are many ways in which the UK government can contribute to the prevention of conflict overseas. Firstly, it can ensure it plays no part in causing conflict. This can mean only using military action as a last resort as well as ensuring that the UK's foreign, defence, aid and trade policies do not exacerbate already tense situations. In government we will support, and persuade other countries to respect, the certification system known as the Kimberley Process which tracks diamonds from mine to shop to curb the illicit trade in diamonds which had helped fund wars and political violence across Africa.

6.2 Global Conflict Prevention Pool

6.2.1 The Global Conflict Prevention Pool was created in April 2001 as a policy mechanism to improve UK conflict prevention policy and impact using a joined-up approach between FCO, MOD and DFID. Together with its partner, the Africa Conflict Prevention Pool, it represented a major innovation in joined-up government. The Pools brought together peacekeeping and programme budgets for the first time.

6.2.2 So far the Global Conflict Prevention Pool has mainly funded military conflict prevention, including strengthening and training defence forces in conflict areas such as Afghanistan, the Balkans and Nepal and on some occasions sending military equipment to developing countries. The Pools have been instrumental in peace-building operations in Sierra Leone where former guerrillas have been disarmed, demobilised and reintegrated into society; and in Macedonia, where civil war has been averted and civil rights for minorities enhanced.

6.2.3 Despite the contribution made by the conflict prevention pools there appears to be no real ministerial commitment to them and their structures lack clarity. Liberal Democrats will give the pools a definite structure and ensure that they focus their attentions on both military and non-military conflict prevention and resolution measures.

6.3 Civilian Capacity

6.3.1 Interventions combining peacekeeping activity with development and diplomatic support have been successful but less attention and funding have been devoted to the development of non-military conflict prevention and resolution measures. The increasing importance of developing civilian capacities is apparent in UN, OSCE and EU policies developed over the past decade. For example, in 2002 the EU announced its commitment to develop a Civilian Crisis Management Capacity alongside the rapid reaction force. We will build on this and UN and OSCE initiatives by establishing a UK Civilian Peace Service to harmonise training, recruitment and deployment of civilian peace professionals for international conflict work, to work with research centres to develop best practice and to liaise with NGOs and civil society organisations. In areas where conflict has recently taken place, development aid programmes need to be particularly sensitively designed. It is not enough to assume that money and supplies alone will relieve conditions or prevent conflict from re-igniting. There has to be a clear understanding of the cultural conditions as well as the physical and political ones. This is often overlooked in bilateral

aid programmes and funding. Taking time to invest in the cultural expectations, hopes and fears of aid recipients will save money and resources in the medium term as will recognising that economics is not the only purpose of life. Aiding cultural development is important if other aspects of programmes are to be sustainable.

6.4 Arms Exports

6.4.1 We have called for tighter controls on arms exports at UK, EU and UN levels for many years. The Government is being inconsistent in its defence policy when it claims in the December 2003 White Paper to be “*focused on countering the threat from the proliferation of conventional arms*” while at the same time spending £426 million to subsidise British arms sales. This includes selling arms to developing countries. Liberal Democrats will end subsidies for arms sales and will establish a Select Committee of Parliament to monitor arms exports, set up binding end-use undertakings for arms exported from the UK with provision for verifications and the regulation and control of the activities of Private Military Companies.

6.4.2 However, from an international development perspective, there is a real concern that a focus on end use is insufficient. This is the case not only because such assessments are difficult to make, but also because the use of arms, by definition, involves the infliction of harm. Moreover, that harm is disproportionately visited upon civilian bystanders. In addition, the international arms trade involves a massive diversion of resources that could be spent on development priorities. The United Nations Department for Disarmament Affairs argues: “*Military expenditures now siphon resources away from social programmes that are desperately needed in countries around the world, including the most affluent.*” We share this view and believe that a commitment to international development must of necessity involve a stronger commitment to curtail the international trade in arms.

6.5 Group of 8

6.5.1 The Group of 8 (G8), although informal, has the potential to be very influential. The concern that the G8 has shown to conflict prevention is therefore to be welcomed. Conflict prevention could become a fixed agenda item at

the annual G8 summits. We look forward to conflict prevention becoming one of the priorities of the British Presidency of G8 in 2005.

6.6 The United Nations

6.6.1 Liberal Democrats believe that international institutions have an important role to play in conflict prevention. The UN is the most important forum for monitoring threats to peace and stability within its member states. In his June 2001 *Report on the Prevention of Armed Conflict* UN Secretary General Kofi Annan presented recommendations on how the UN system of conflict prevention could be enhanced. We particularly welcome the recommendations to:

- Encourage the General Assembly to consider ways of enhancing its interaction with the Security Council on conflict prevention, particularly in developing long-term conflict prevention and peace-building strategies.
- Encourage a more proactive role for the Security Council.
- Improve the capacity and resource base for preventative action in the Secretariat.
- Encourage member states and the Security Council to make more active use of preventative deployments before the onset of conflict, as appropriate.
- Encourage the Security Council to invite the Office of the United Nations Emergency Relief Coordinator to brief its members regularly on situations where there is a substantial risk of a humanitarian emergency.
- Encourage the business community to adopt socially responsible practices that foster a climate of peace in conflict prone societies, help prevent and mitigate crisis situations and to contribute to reconstruction and reconciliation.

6.6.2 A Liberal Democrat government will push for reform of the United Nations to include the above recommendations and we look forward to reviewing the recommendations of the High Level Panel established in 2003. We will ensure that the UK plays an active role in ensuring the involvement of the UN and regional organisations in all aspects of conflict prevention.

Gender implications: Conflict Prevention

The particular problems of women and girl children in conflict situations, including rape, unwanted pregnancy, stigmatisation and widows left with little means of support for themselves and their children, have only recently been recognised.

Liberal Democrats will ensure gender considerations inform the distribution of emergency food aid and that in post-conflict situations the needs of women and girl children are considered in nation building and other programmes.

7 **International Institutions**

7.1 **Reform of International Institutions**

7.1.1 In chapter 3, *Development Assistance*, we commit a Liberal Democrat government to both multilateral and bilateral aid. The commitment to multilateral aid is not unconditional and we are critical of some of the policies and practices of international institutions, particularly in their relationships with developing country governments and civil society in developed and developing countries.

7.1.2 We are committed to working with others through the European Union, the Commonwealth, the United Nations and regional organisations to promote peaceful co-existence and democratic structures. However, most global institutions were formed over 50 years ago in a different era and need to be modernised to reflect today's reality as well as tomorrow's opportunities. The principle of subsidiarity is fundamental to Liberal Democrats and many international institutions fail the subsidiarity test.

7.1.3 We would support a thorough review of the Bretton Woods Institutions (World Bank and International Monetary Fund) and the United Nations. To improve the effectiveness and relevance of international development policies and delivery mechanisms it is especially important to reform the governance and accountability arrangements of these institutions, which have grown to a size and influence not envisaged by their creators. As a result, the management of these institutions is seen as remote but all-powerful, in some cases making it difficult for developing country governments and civil society to affect policies and implementation of development programmes.

7.2 **The World Bank**

7.2.1 The World Bank has been heavily criticised in recent years as insensitive to the needs of the poorest, encouraging unsustainable levels of debt, and ineffective in development outcomes. However, the world needs a mechanism to deliver large-scale funds to the developing world and borrowing remains appropriate for investments that will generate

income to repay loans. In any event, the World Bank could not be closed tomorrow without causing instability in world markets as the Bank's arrangements and outstanding loans are unwound. However, the World Bank cannot continue in its current form. A Liberal Democrat government will propose a fundamental review of the Bank, which would include looking at its continuing existence, its relocation or amalgamation with a Regional Development Bank amongst other areas. The rise of the debt cancellation movement has led to questions about the delivery of large-scale resources as loans rather than grants. Funds borrowed for health and education or for general budgetary support are borrowed over a long term, but often are spent immediately the loan is drawn down. Such lending is bad banking and inappropriate for the poorest developing nations. We would examine ways of delivering such support as grants not loans.

7.2.3 The World Bank has a poor record in involving civil society, despite the fact that recent research has shown that projects and programmes involving civil society are significantly more likely to deliver their planned development outcomes. The Bank also has a poor record in involving and listening to outside research, a manifestation of the we know best approach which has not delivered results, especially for Africa. The UK should use its influence on the Bank board to make bank operations more open, transparent and inclusive.

7.3 **Regional Development Banks**

7.3.1 Regional Development Banks are broadly fashioned on the World Bank model and have many of the same faults. However, the borrowing countries are much more strongly represented on their boards and as result have the potential, and in some cases a track record, for example in the Asian Development Bank, of being more responsive to local needs. We support the increased use of regional development banks to deliver large-scale funds for projects that will generate revenue to repay the loans. In recognition of the strain on limited developing country senior human resources, where appropriate, we will use UK development aid to build the capacity of Regional Banks' management and governance structures.

7.3.2 Without microfinance, (the provision of a broad range of financial services such as deposits, loans, payment services, money transfers, insurance to poor and low-income households and their microenterprises) it would be very difficult to reduce poverty in developing countries. We recognise and support the important role of Regional Development Banks in providing access to microfinance for the poor in their regions.

7.4 International Monetary Fund

7.4.1 The IMF is discussed in detail in the *Wealth for the World* policy paper. As regards international development, we recognise the need for an institution such as the IMF to act in situations of short-term imbalance and crisis, its original Bretton Woods mandate. However, we regret the increasing tendency of the IMF to become involved in micro-economic management and to impose ill thought through blanket policies such as structural adjustment that have caused great hardship and increased poverty. In this regards the IMF has failed the first do no harm test and must be reformed to be more responsive to the needs of developing countries and to return to its original mandate, updated as may be necessary to respond to today's free movement of capital.

7.5 United Nations Organisations

7.5.1 In policy paper 35, *Global Responses to Global Problems*, we stated that fundamental reform of the United Nations is needed if the UN is to be the cornerstone of the international institutions required for an equitable global order. Key to these reforms is a review and strengthening of UN finances, including the development of UN own resources. Non-payment of dues should not be tolerated from any state and the penalties for failure should be speedy and effective.

7.5.2 The United Nations has grown beyond all recognition since its formation, with a large number of organisations focused on different, and at times overlapping, aspects of development. There is a need to refocus some of the activities of the UN to avoid waste and duplication and to better reflect the needs of poor people, ensuring the active involvement of developing country governments and civil society organisations.

7.5.3 An over-dependence on expatriate resources leads to high transaction costs in delivering UN assistance. We would like to see the UN make more use of competing local and, where appropriate, international resources from both voluntary and commercial sectors to reduce these costs.

7.5.4 In recent years the performance of UN agencies such as World Food Programme, Food and Agricultural Organisation, UNHCR and others in emergency situations has been much improved, with greater levels of co-ordination, better forecasting of impending problems and improved transition from emergency to recovery and then development phases.

7.5.5 The performance and commitment of UNAIDS and WHO in leading and co-ordinating the world's response to health crisis such as the HIV/AIDS pandemic and SARS is also much improved. We are, however, concerned that in other key development areas, for example education and trade reform, the influence of the UN is much less effective. We address this issue further in policy paper 65, *Wealth for the World*, which proposes an international investment agreement to be negotiated under the auspices of the UN.

7.5.6 We are concerned that there is insufficient co-ordination at field level between the UN and other development agencies involved in long standing programmes. Some long running UN programmes have created a dependency almost amounting to alternative government structures and delivery mechanisms. In support of our commitment to subsidiarity, we will work within the UN to increase efforts to enable local governments to take on these roles, reducing this culture of dependency.

7.5.7 UN agencies have a role in developing civil society and we would encourage and support the implementation of UN programmes through NGOs where appropriate and the development of local delivery capacity. We welcome the creation of the Global Fund to fight AIDS, TB and Malaria, which is actively promoting a different paradigm in aid delivery with a commitment to increase the involvement of civil society and the private sector in decision making and contributing to tackling these three diseases. Liberal Democrats will increase the UK's support to the Global Fund in achieving its ambitious goals.

7.5.8 The growth of the UN means that its democratic structures and governance processes are in urgent need of reform to improve the organisation's effectiveness and accountability. The United Nations is vitally important to the promotion of a more peaceful, cooperative and socially just world and we want to see it strengthened. We welcome the appointment of a High Level Panel by the Secretary-General of the UN with a broad agenda for the reform and strengthening of international institutions.

7.6 International Agreements

7.6.1 Developed countries have an important role in ensuring that international agreements are adhered to and are not undermined by their domestic political agendas. Liberal Democrats are concerned at the consistently negative approach towards international co-operation adopted by the US administration, exemplified by President Bush's failure to attend the 2002 Johannesburg World Summit on Sustainable Development, the US withdrawal from the Kyoto Protocol and administration's undermining of the Programme of Action agreed at the International Conference on Population and Development (ICPD). Liberal Democrats will work to persuade all governments that no international agreement should be sacrificed for short term political gain.

Gender Implications: International Institutions

Gender equity is integral to the management and governance of international institutions. All institutions should have robust and practical human resource policies to encourage and support women and disadvantaged groups to take their place as employees and managers, not merely as objects of concern.

Liberal Democrats applaud those international institutions that provide good maternity and maternity support leave and reduced hours of work for nursing mothers and we will encourage others to follow suit.

8 *European Union Aid*

8.1 **European Union and European Community Aid**

8.1.1 EU Member States made a commitment to development co-operation in the treaties of Rome, Maastricht, Amsterdam and Nice. These treaties established four principles by which EU development implementation should be guided. They are:

- a. Complementarity of programmes implemented by Member States and by the European Commission.
- b. Co-ordination between Member States and the European Commission on development.
- c. Coherence between EU policies with development objectives.
- d. Consistency of all external activities of the EU.

8.1.2 The term EU aid is used to describe both bilateral aid carried out by the Member States and aid channelled through and managed by the European Commission. Today the EU is the world's leading development partner in terms of aid, trade and direct investment. Together the EU and its Member States provide 55% of all official international development aid. However, aid channelled through and managed by the European Commission is normally termed EC Aid and it is this that we address here.

8.2 **European Commission Aid Programmes**

8.2.1 The European Commission is responsible for managing an aid programme funded jointly by Member States. The main criticisms of EC development policies are that they are not sufficiently poverty-focused or transparently distributed. This is not helped by a confusing administration where three agencies are responsible for distributing aid: DG External Relations, the European Community Humanitarian Office and EuropeAid.

8.2.2 In response to these criticisms, the European Commission and European Council

adopted a joint Declaration on the European Community's Development Policy in November 2000. This established promotion of sustainable development and democracy, and eradication of poverty as goals for EC development policy. Other strands of reform include the creation of the EuropeAid Co-operation Office with the primary aim of providing greater organisational coherence to the Union's external assistance programmes, the introduction of the Country Strategy Papers process, decentralisation of authority to field offices, improved evaluation systems and progress in the decision making process with Member States.

8.2.3 Despite these reforms, EC aid programming is still criticised for not being accountable to those it is aimed at helping: people living in poverty in recipient countries. The EC's Country Support Strategies, Country Strategy Papers and National Indicative Programmes are marred by insufficient accountability to recipients where issues of governance have already been addressed. Efforts to decentralise decision-making power to Commission delegations in recipient countries have faced delays in implementation.

8.3 **Criticism of EU Member States**

8.3.1 EU Member States have been criticised for allowing their geo-political allegiances and economic interests to influence aid allocation. Against the explicit poverty reduction objectives of the EC development policy statement, national interests have sometimes prevailed over good development sense, detracting from the purpose of aid as a poverty reduction tool and leading to an inefficient use of resources with allocations determined according to foreign policy rather than development objectives.

8.3.2 In recent years the accession countries have rightly received large volumes of aid and aid has played a large role in relations with the Middle East and North Africa. However, using trade and co-operation agreements in place of cash transfers could free up development resources for countries that really need it. We will also argue for clarification of the Commission budget headings so that assistance to middle

income countries does not come out of the aid budget.

8.4 Reforming EC aid

8.4.1 Further reform is needed to ensure that spending is concentrated on the poorest countries and basic health and education priorities. At the 2002 World Summit for Sustainable Development the EU committed to the 20/20 declaration to allocate 20% of donor budgets and 20% of recipient governments' budgets to basic social services.

8.4.2 The European Development Fund (EDF), fed directly by contributions from Member States, represents approximately half of all EU External Action payments. We wish to see this money channelled through the EC budget in order to achieve greater accountability and stability to aid payments.

8.5 Political Structure

8.5.1 Acting collectively, the EU could achieve much in this sphere, especially since the Union has the exclusive right to negotiate trade agreements on behalf of Member States. We therefore support the linking of the different elements of foreign assistance (emergency assistance, long-term technical development aid and trade and co-operation agreements) bringing all the EU's foreign policy and development instruments under one umbrella. We will argue for the merging of the European Community Humanitarian Office with EuropeAid to create a new agency run by a deputy commissioner. In this way longer term planning for technical support or reconstruction after emergencies can go together with the mechanisms for dealing with emergencies in the first place. Streamlining the agencies would allow a simpler structure, more effective co-ordination within the Commission and a more coherent approach to humanitarian disasters.

8.5.2 We further propose placing the new EuropeAid under the aegis of DG External Relations to be run by a new High Representative. Strengthening the EU's ability to act purposefully in this area and removing the wrangling over the EDF and inefficiency in DG Development would allow it to play a leading role in stabilising weak states and delivering development assistance.

8.6 Accountability

8.6.1 Annual reporting takes no account of aid impact on the ground, nor does it compare the delivery and performance of sectors within EuropeAid. The evaluation unit, similarly, may perform an important function but it is fundamentally compromised by its reporting relationship to the EuropeAid board. There are serious gaps in this area that need to be addressed. Firstly, the budgeting and reporting mechanisms must be clarified and simplified. Secondly, EU EDF decisions should be submitted to the scrutiny of the European Parliament. Thirdly, we would like to see the Westminster Parliament scrutinise the European Commission's work on development. This could happen during an annual Europe Week, when the Westminster Parliament would debate the forthcoming annual legislative agenda, highlighting the Commission's work and making it more open to UK citizens.

Gender Implications: EU Development Policies

Liberal Democrats will ensure that gender considerations within development programmes are given as high a priority in the design and implementation of EU aid programmes as in DFID's own programmes.

9 Non Governmental Organisations

9.0.1 Civil society organisations working in both developed and developing countries, of which NGOs form a major part, have a vital contribution to make to the achievement of development objectives. Those NGOs that share our objectives of tackling inequality, promoting sustainability and human rights, including gender rights, are important allies. We also value those UK based NGOs that work to ensure we address our own responsibilities and obligations as a wealthier nation.

9.0.2 NGOs constitute a significant body of professional expertise, particularly in the implementation of aid projects. We also acknowledge that NGOs can take bigger risks than government, leading innovation and testing new models for replication. NGOs can also help local people challenge unjust structures and develop viable alternatives in ways that are not open to governments. However, we recognise that care must be exercised in situations where support for NGOs and their activities could undermine legitimate governments.

9.0.3 We are keenly aware that just as NGOs can never substitute for democratically elected governments neither should NGOs be asked to substitute for a state in providing services (e.g. water or health care) for its people. We will take this into account when awarding funding to service delivery NGOs.

9.1 Governance of NGOs

9.1.1 In government we will build on the existing Compact with the Voluntary Sector, ensuring meaningful consultation is extended, particularly to small NGOs, and that funding codes emphasise transparent review and reporting as well as clear objectives and long-term commitments. We will also seek to apply the content of the Compact as a minimum standard in relations with organisations based in developing countries.

9.1.2 We would encourage the development of an additional code of conduct requiring NGOs to demonstrate how they are co-ordinating their work with that of other NGOs in a country, as well as increasing the role of host governments in co-ordination of development work.

9.1.3 The work of NGOs extends well beyond meeting the immediate basic needs of poor people in developing countries to building the capacity of local people to challenge the forces that generate and sustain their poverty. However, the UK's current legal framework for charitable organisations unhelpfully restricts NGOs' advocacy and public awareness work. Liberal Democrats therefore support current proposals to reform UK Charity Commission guidelines in this area.

9.2 Government funding of NGO work

9.2.1 As described in chapter 3, we will maintain a diversity of funding options: bilateral, multilateral and through NGOs. We will channel funding through whichever channel provides the best development outcomes. Where government-to-government assistance is inappropriate, Liberal Democrats will channel assistance through NGOs (local, national and international) based on their track record of delivery and their access to poor people.

9.2.2 There are many small NGOs in the UK and their diversity can enable them to mobilise support from ethnic minorities and diaspora groups and welcomes their work in development education through participation. To help small NGOs we would aim to reduce the time taken by DFID to process grant applications and simplify liaison procedures.

9.3 Accountability, legitimacy and reporting

9.3.1 NGOs come in all shapes and sizes and many NGOs are not democratically run or membership based. However, donations to NGOs from individuals in the UK do provide one significant channel for accountability and legitimacy. Another is the increasing use of local staff in developing countries, which we welcome. In government Liberal Democrats will support the Charity Commission in its work of ensuring all UK based NGOs publish financial details annually.

9.3.2 Liberal Democrats acknowledge the significant accountability NGOs must have to

stakeholders in the countries where they are working. We will consult on the best way of assessing and promoting accountability as we are wary of emphasising targets and outcomes to the detriment of community empowerment and self-determination.

9.4 Support for unique NGO work

9.4.1 Fair-trade NGOs, particularly those that have evolved into successful quasi-commercial initiatives are to be congratulated. Fair-trade organisations provide assistance to those in need, a bridge between people in the UK and those overseas, as well as demonstrating an alternative way of doing business. In government Liberal Democrats will support such NGOs through increasing government purchasing of fairly traded products (e.g. catering supplies). We will encourage local councils to work with the Fairtrade Foundation to actively promote Fairtrade initiatives, such as acquiring Fairtrade status for their town.

9.4.2 NGOs that enable volunteers from the UK to share their skills with, and learn from, people in developing countries provide a unique channel for increasing understanding between countries and raising development awareness in the UK. In line with our commitment to mutuality, we would support such efforts.

9.5 The special role of NGOs

9.5.1 In the UK NGOs' advocacy presents an important challenge to government policy-making when it is based on their operational experience. Poverty Reduction Strategy Papers (PRSPs) have become increasingly important tools for working with developing countries and national parliaments have begun to demand a stronger role in agreeing reform and loan packages from international institutions, such as the IMF. NGOs can help local people influence the content of PRSPs, ensure decision makers hear their concerns and monitor subsequent expenditure. In line with our commitment to democracy, we will ensure that DFID supports capacity-building for engagement with PRSPs by NGOs. Additionally we will encourage DFID to develop better evaluation methodologies for advocacy work. The Global Fund uses a model of a Country Co-ordinating Mechanism to facilitate its management of its grants and dealing with recipient countries. The aim is that CCMs are

made up of government, donors, NGOs, civil society and the private sector. This model, while not perfect, has much to commend it and a Liberal Democrat government will explore means of developing this inclusive approach to aid delivery. NGOs have a key role in emergencies where government systems are unable to deliver assistance. However, it has become increasingly difficult for NGOs to deliver humanitarian assistance in conflict and post-conflict situations. This is because to be effective and to operate safely, NGOs need to be seen as neutral. Where local people associate NGOs with a military force then this neutrality is compromised. An independent review of the delivery of assistance in complex emergencies is needed.

9.5.2 Developing countries need to make international negotiations, for example at the World Trade Organisation, work in their favour as these negotiations can result in long-term, binding obligations. Often the poorest governments find themselves hampered by a lack of resources, both financial and human. We will support capacity building in this area by NGOs and governments. Policy paper 65, *Wealth for the World*, further examines this issue.

Gender Implications: NGOs

As in other aid organisations, women as well as men must be fully integrated into the planning, management, implementation and evaluation of development work. Liberal Democrats will encourage NGOs to recruit and support women and men in un-stereotypical roles both within and outside their own organisation. There are many highly effective NGOs run by women in health and education, especially among communities living with HIV/AIDS. We will seek to increase the DFID support to such organisations.

10 Private Sector

10.0.1 A vibrant private sector within a competitive market economy is essential for wealth creation and can help to reduce the number of people enslaved by poverty in developing countries. Local pools of widely-owned wealth assist the creation of a virtuous circle of economic growth and equitable trade. However, a successful private sector requires minimum capacity levels and availability of capital.

10.0.2 Our macro-economic, institutional and international priorities are addressed within other parts of this paper, in Policy Paper 57, *Prosperity at Home and Abroad*, and Policy Paper 65, *Wealth for the World*. Here we outline how we will encourage private-sector contributions to sustainable development at a local level, through mobilising both local capital and external investment.

10.1 Enterprise and Wealth Creation

10.1.1 Policy Paper 59, *Setting Business Free*, outlines domestic policies that promote small businesses and improve the availability of risk capital. Such policies are equally applicable in promoting private sector activity within developing economies. However, to achieve success governments must establish an institutional framework that ensures effective market competition and, where this is not possible, ensures that natural, private and state-owned monopolies are regulated in the interest of consumers.

10.1.2 Many poor countries currently lack the capacity to benefit from this move towards liberalised markets, which needs effective governance structures such as a lack of corruption, an independent judiciary, effective government regulators, and so on. Development assistance should be concentrated on building this capacity, which will enable developing countries to benefit both from domestic reforms and from open markets and new investment opportunities, themes which are explored in more detail in Policy Paper 65, *Wealth for the World*.

10.1.3 Liberal Democrats advocate a two-pronged approach to foster competitive private-sector activity and sustainable development at the

most local level through the creation of an enabling environment and initiatives that deepen and widen the availability of risk capital.

10.1.4 Significant volumes of independent research indicate that the efficiency gains and welfare impact of privatised former state-owned enterprises are generally positive, but the manner of the ownership transition is critical since this can affect to what degree benefits accrue to the poorest. Public services, for example water, should not be privatised unless it is clear that the interests of poor people are protected through effective government regulation (see para 10.1.2). *Wealth for the World* sets out more detail on our proposed reform of the General Agreement on Trade in Services (GATS), which will ensure that developing countries are able better to control and benefit from the process of service sector liberalisation.

10.1.5 We will work with IFIs and developing countries to ensure local policy decisions are implemented fairly, transparently, without undue external pressure and with the necessary institutional and regulatory infrastructure in place. We will oppose the replacement of public monopolies by private monopolies that have the potential to strip assets and exploit consumers. We will encourage rigorous competition and effective regulation to bring about the greatest economic benefit to the whole population, together with access to cheaper, better services.

10.1.6 Especially in developing countries there is scope for a diversity of small businesses, owned by individuals or small groups in a variety of formats. We will encourage employee ownership to broaden stake-holding and promote more widely-distributed ownership of wealth in developing countries. We will support developing country governments that wish to pilot alternative forms of business ownership such as co-operatives or community ownership. We recognise also the importance of the informal sector, and of subsistence agriculture, to the economies of developing countries, and to poor people in particular.

10.2 Enabling Environments

10.2.1 TNCs can contribute to development through their capital, and technical, management expertise, and access to global markets. This can go some way to supplement developing countries' lack of capacity. We will encourage British-based TNCs to report voluntarily within their Annual Report and Accounts activities which contribute to the transfer of business skills to developing countries.

10.2.2 Located within the UK are some of the highest quality global business education institutions. We will work to make this expertise available to, and encourage links between these institutions and businesses and universities in developing countries.

10.2.3 The UK also possesses some of the highest quality independent and professional regulatory bodies in the world. Examples include the Competition Commission, the Financial Services Authority, the Institute of Chartered Accountants of England and Wales and the Law Society. We will encourage these bodies to make available professional experience and resources, both bilaterally and via multilateral institutions, to assist in the further development of suitable capacity-building institutions in developing countries.

10.2.4 Liberal Democrats will work to secure international agreement for the UK's Overseas Development Institute (ODI) proposal for the creation of a Global Business Linkages Fund to increase both economic and social returns on investment through the creation of domestic business linkage networks in developing countries.

10.3 Risk Capital and FDI

10.3.1 All successful economies require broad and deep markets of available financial capital. TNCs are able to raise capital locally, regionally and internationally. As explained in Policy Paper 65, *Wealth for the World*, Liberal Democrats will encourage flows of foreign direct investment (FDI), in particular to support the poorer developing countries and improvements in environmental standards, through arguing for a new international set of negotiations within the UN on the creation of a multilateral regulatory framework to encourage FDI.

10.3.2 The new agreement will aim to balance additional rights for investors against additional responsibilities, for example to high environmental, social and labour standards. We will aim to strengthen the OECD Guidelines for Multinational Enterprises and incorporate them in the new agreement, and also in other trade and investment liberalisation agreements, such as GATS.

10.3.3 In contrast, local capacity shortfalls mean that developing country businesses are often unable to access sources of risk capital. However, local investors often have better local knowledge, can assess local risks better and are willing to invest in sectors that TNCs find unattractive, for example at the small business level where few international investors have an appetite to invest in developing economies.

10.3.4 We will therefore use development aid to support increased availability of micro-credit schemes and facilities to support small and medium size businesses. We will expand DFID's existing programme to create additional partnerships with institutional investors that would invest a proportion of the government's development budget on a commercial basis in enterprises and growing businesses in developing economies. Liberal Democrats will establish social and development criteria for these investments (as in our proposed new international investment agreement) that will guarantee minimum thresholds in areas including corporate governance, environmental impact, gender and employment rights.

10.3.5 We believe that development education should encourage greater involvement by individuals in this country in global development issues that go beyond single-issue campaigns. Today, personal financial investment in developing countries is via Emerging Markets funds. These funds predominantly invest in government bonds and partially publicly listed businesses, which are often majority owned by TNCs - they rarely invest directly in local businesses.

10.3.6 Liberal Democrats will encourage direct investment in local businesses in developing economies by including in the ISA scheme a small annual tax credit of up to £3,000 per annum for every adult to invest in a Millennium Development Account (MDA). Institutions would

be encouraged to establish investment funds that meet appropriate social and development criteria; indeed small-scale providers already exist in this market. Investors might also be encouraged to bring contacts, experience and informal assistance to the businesses involved.

10.3.7 MDA investment returns will require a longer investment term than similar domestic products. Given the risk profile of MDA investments, the government will act as guarantor of the last resort with regard to the capital value of each MDA account. The MDA tax credit and capital guarantee would be funded from our pre-existing policy commitment to increase the development budget towards a target of 0.7% of GDP.

10.4 Transparency

10.4.1 We are committed to freedom of and access to information. Some developing country governments and a few TNCs hide behind confidentiality agreements to conceal billions of dollars of payments annually that disappear. We believe that declaring details of such payments, together with particulars of institutional lending and technical assistance programmes, will encourage governments to invest more widely in public services and infrastructure.

10.4.2 We will work through international institutions to achieve a multilateral agreement on a mandatory protocol for payment disclosure, as proposed by Transparency International, which does not competitively disadvantage British businesses. We would also require that investors and recipients both publicise revenues accruing from investment in natural resources. Policy on regulating corporate behaviour and encouraging corporate responsibility is further developed in Policy Paper 65, *Wealth for the World*.

Gender Implications: The Private Sector

TNCs and indigenously owned organisations can offer excellent employment opportunities for both men and women. However, some employers restrict opportunities by gender, exploiting the limited opportunities of women in the labour market and their traditionally more submissive role, in order to impose poor employment conditions. We will encourage governments to promote equal opportunity and diversity in the workplace in all sectors and to improve working conditions.

Self-employment has traditionally been one of the ways in which women have been enabled to lift themselves out of poverty. We will encourage micro-finance, micro-credit and business counselling specifically targeted on women.

11 Environment and International Development

11.1 The Liberal Democrat Approach

11.1.1 As mentioned in Chapter 2, Liberals Democrats are firmly committed to national and global *sustainable development* - as the 1987 Brundtland Report put it, development which 'meets the needs of the present generation without compromising the ability of future generations to meet their own needs'. Sustainable development has three dimensions, economic, social and environmental, which must all be addressed equally if development is to be successful. The other chapters in this paper cover the first two dimensions; this one looks at the environmental imperative.

11.1.2 Humanity's impact on the natural environment includes the pollution of the atmosphere, land and waters, the depletion of natural resources, and the destruction of habitats and biodiversity. The developing world is particularly affected by all these forms of environmental degradation - poor countries and communities tend to rely more on natural resources for their livelihoods, and usually lack the capacity to recover quickly from human-induced environmental change, such as the flooding caused by deforestation, or the sea-level rise and storms caused by climate change.

11.1.3 Furthermore, as poor countries develop they increasingly adopt the consumption levels of richer countries. For example, the number of private cars in China has grown ten-fold over the past decade, and is currently increasing at about 50% a year, bringing increasing problems of pollution and resource depletion. Developing countries clearly have a right to aspire to the same standards of living as the developed world, but their development paths must be more resource-efficient and environmentally friendly than those followed by the richer countries over the past two centuries.

11.1.4 Achieving this requires a sustained effort, with a major commitment of resources by the OECD countries to ensure global sustainable development. Furthermore, it must be a genuinely cooperative effort, with the governments, industries and scientists of the developing countries playing an equal role in developing and

commercialising the new technologies that will be required.

11.1.5 At national level the role of government is crucial for managing the environment in terms of setting standards, co-ordination, providing regulation and for monitoring their implementation and impact. Many ministries charged with these responsibilities are drastically under-funded, with minimal technical support. We will support capacity building measures, especially through international agencies with their economies of scale.

11.1.6 Similarly, private enterprises will often need assistance with meeting tougher environmental standards, particularly where they export to developed-country markets. Assistance should therefore be made available, for example through support for institutions such as the Sustainable Trade & Innovation Centre, a new global partnership designed to help developing country producers to benefit from growing market pressures to integrate environmental and social factors into their export strategies.

11.1.7 There is a role for UK institutions with commitment, experience and capacity to enhance environmental management in developing countries. We will provide appropriate support through research funds, the support of medium to long-term linkages between the UK and similar institutions in the developing world, by providing library and information services and through other capacity-building and training measures. DFID should give a much higher priority to environmental factors than it currently does.

11.2 International Co-operation

11.2.1 International co-operation is at the heart of our approach, providing assistance but also direction and leadership to the international community where we identify it is needed and deemed useful. We regret the failure of the 2002 World Summit on Sustainable Development to make a significant step forward in addressing the challenging environmental issues that faced by the world community in the 21st Century and would provide the leadership lacking to date.

11.2.2 In particular, international environmental institutions need much greater commitment and resources. Our proposals in this area are described in detail in Policy Paper 35, *Global Responses to Global Problems*, but include in particular support for the UN Environment Programme (UNEP), greater resourcing for and better coordination of the network of multilateral environmental agreements, including key treaties such as the Kyoto Protocol on climate change and the Cartagena Protocol on trade in GM products, and higher funding for the Global Environment Facility (GEF) which provides finance for meeting the incremental costs of environmental improvements.

11.2.3 We also call for the more effective transfer of environmentally sound technologies to developing countries, helping them avoid the damage richer countries have made on their own, and to the global, environment in their own course of development. This is not an easy task, as it is not, in general, governments which own the patents on new equipment and processes. Innovative solutions should be developed, such as:

- Global technology banks, where patent rights are purchased by industrialised-country governments and made freely available to developing country enterprises.
- More incentives for western companies to invest in sustainability projects in developing countries; the clean development mechanism of the Kyoto Protocol on climate change (where companies can earn credits for reducing greenhouse gas emissions) is an excellent example which should begin operation as soon as possible.
- The use of seedcorn funding to channel private investment towards projects, and countries, which benefit the environment but are currently not taken up by investors (the international investment agreement we call for (see 2.6.3) should help achieve these objectives).

11.3 Key sectors: agriculture, biodiversity and energy

11.3.1 A majority of the poorest people of the world rely on agriculture and depend on natural resources generally for their livelihoods. Dependence on rain-fed crops is risky,

particularly in places prone to food insecurity and famine. We confirm our commitment to support agricultural improvement and enhanced natural resource management in the developing world through support for the Consultative Group on International Agricultural Research (CGIAR) and its associated research institutions covering agriculture, forests and aquatic resources.

11.3.2 The development of GM organisms has now led to their commercial introduction over significant areas. We believe commercial imperatives have the potential to override longer-term environmental risks and we believe that the precautionary principle should apply. The Cartagena Protocol, which entered into force in 2003, provides the framework that enables importing countries to control the introduction of GM products to meet their own needs and wants; the EU should do its utmost to ensure that the Protocol is fully implemented as quickly as possible.

11.3.3 The impact of both controlled and uncontrolled development on biodiversity in the developing world is significant. The UK should continue its support for efforts to allow the poorest groups to enhance their livelihoods, whilst reinforcing efforts to prevent damaging activities such as illegal logging. Marine biodiversity is reducing as a result of many pressures including unsustainable use, pollution and climate change. We will continue efforts to monitor and understand such changes, and to implement mitigation measures where possible and practical.

11.3.4 Energy production and supply is a key area for action in ensuring a sustainable future for the planet while meeting the basic needs of poor countries and communities. The scope in developing countries for the implementation of energy efficiency projects and the development of renewable energy sources is vast, yet not enough resources are currently devoted to these activities. We welcome the UK's support for the Renewable Energy and Energy Efficiency Partnership (REEEP) established after WSSD, and call for its rapid implementation and expansion.

Gender Implications: Environment and Development

In many developing countries, women and men play very different roles in agriculture and formal and informal employment, based on their gender. For example, women are often the primary farmers and/or take responsibility for collecting water. Poverty is also greater among women than men. This means that women are both disproportionately more affected by environmental degradation and may also have a greater stake in supporting environmental protection measures.

Liberal Democrats will ensure that a gender analysis and the consultation of women are incorporated into assessments of environmental sustainability for DFID's work. We will also provide technical support to developing country governments to enable them to do the same.

12 Development Awareness

12.0.1 Freedom, justice and responsibility are embodied at the level of the nation state in the concept and practice of citizenship. A commitment to the promotion of global citizenship is central to improving the understanding of people in the UK about issues facing those living in the developing world, how we can assist and what we have to learn. We welcome the opportunities that travel, for example during gap years, and communication between people of different nations offer in this respect. Liberal Democrats will support development awareness through formal and informal education and creative means of exchange with both young people and adults.

12.0.2 Public perceptions of the developing world are often negative, viewing developing countries in terms of their ‘problems’ and feeling powerless to help. Experience of the rich variety of peoples and cultures in developing countries is severely limited. Furthermore, our interdependence with the rest of the world and the similarities between the problems we face here and those faced in developing countries tend to be overlooked. Poverty, ill health, limited education and powerlessness are also found in developed countries and successful experiences from developing countries can be relevant to UK policy.

12.0.3 Raising awareness of these parallels is important because it can play a role in:

- Creating a climate sensitive to the way in which the developing world views or might view the actions of developed nations.
- Creating a climate supportive of increased funding for government policies which seek to promote international development (international aid, trade, environment, defence and foreign policy etc.).
- Utilising knowledge and experiences from developing countries to tackle problems in the UK.
- Improving race relations and cross-cultural understanding amongst different communities within the UK.

- Equipping individuals in the UK for action on global issues through giving, campaigning etc.

12.0.4 Negative perceptions among the general public stem, at least in part, from limited media coverage of developing countries which highlights disasters and visits by prominent westerners. Analysis of long-term development issues and coverage of cultural and human interest stories from developing countries are rarely seen. We will work with the BBC to increase the access of UK audiences to existing BBC international outputs such as BBC World (TV) and to raise the profile of World Service radio. We will support grants to independent journalists for innovative reporting and programmes on development issues. We will also consider amending the Communications Act (2003) to enshrine coverage of development issues as a fundamental part of the public service requirement for UK terrestrial channels and the BBC.

12.0.5 We will also seek to further support development awareness activities in schools and universities. Young people are often interested in international issues and resources are available for teachers to use developing country examples in the national curriculum. We will work with teachers’ organisations, including training and professional bodies and trade unions, to promote the coverage of these issues at all levels. We will support the international twinning of schools, including through the use of internet communication where this is available. At university level we will encourage the establishment of student exchange schemes between UK and developing country universities.

12.0.6 We will encourage a greater exchange of experience through twinning with developing country organisations and communities at the level of local authorities, private companies and trade unions. We will establish and publicise advisory and funding mechanisms to create and maintain twinning arrangements. We will provide support to UK based groups that organise professional or educational international exchange placements.

12.0.7 We will also encourage links between the UK international development sector and policy makers and practitioners in domestic issues. This would include closer working at Government level between DFID and other departments, as well as using policy fora to bring together international and domestic professionals on issues such as education, housing, social exclusion/community development and public health.

Gender implications: Development Awareness

While gender disparities are apparent across the world, there is a lack of awareness in developed countries of the reality of gender discrimination in the context of international development. There is a need to encourage understanding of the opportunities to access food, education, health services, economic wealth and political power that are systematically denied to girl children and women in many developing countries. Parallels can be made with existing inequalities in the UK, such as unequal pay and political representation.

We will ensure that development awareness activities supported by DFID address this issue both in the education they provide and by encouraging the equal participation of women and men, for example in twinning and exchanges.

Glossary and Acronyms

Bretton Woods

The Bretton Woods institutions are the International Monetary Fund and the World Bank, so called because they were established following a conference held in Bretton Woods, New Hampshire, USA in 1944.

Formative

Formative or decision-making evaluation is conducted during a programme to provide feedback information useful in improving the programme.

Fungibility

Fungibility refers to the possibility that a government might accept aid for a sector but then divert its own funds away from that sector.

IFF

The International Financing Facility is proposed by the Chancellor of the Exchequer as a method of raising the significant funds required to achieve the Millennium Development Goals by the target date of 2015. Developed countries would borrow based on a commitment to pay back the loans following achievement of the MDGs.

IFIs

The International Finance Institutions are the IMF, World Bank and the Regional Development Banks.

OECD

The Organisation for Economic Co-operation and Development consists of most developed countries, including the Member States of the EU, the USA, Canada and Australia.

Subsidiarity

Subsidiarity is the principle that decisions should be taken at the lowest suitable level by those most directly affected by the decision.

Summative

Summative or objective-oriented evaluation is conducted at the end of a programme to provide information for accountability and about the programme's worth or merit.

TNCs

Trans-National Corporations are international businesses, often with their headquarters in developed countries.

This paper has been approved for debate by the Federal Conference by the Federal Policy Committee under the terms of Article 5.4 of the Federal Constitution. Within the policy-making procedure of the Liberal Democrats, the Federal Party determines the policy of the Party in those areas which might reasonably be expected to fall within the remit of the federal institutions in the context of a federal United Kingdom. The Party in England, the Scottish Liberal Democrats and the Welsh Liberal Democrats and the Northern Ireland Local Party determine the policy of the Party on all other issues, except that any or all of them may confer this power upon the Federal Party in any specified area or areas. If approved by Conference, this paper will form the policy of the Federal Party, except in appropriate areas where any national party policy would take precedence.

Many Liberal Democrat policy papers contain proposals which would change the way public money is spent. Many also involve passing new primary legislation. Clearly, in a single parliament, it might not be possible to implement all of our policies. Therefore, at the time of a General Election, the Liberal Democrats produce a manifesto which details specific spending and legislative priorities should the party be elected to government. This means that no proposal in this paper should be taken as a guarantee or as a spending commitment for a first parliamentary term until it has been published in a fully costed manifesto containing our priorities and guarantees.

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Note: Membership of the Working Group should not be taken to indicate that every member necessarily agrees with every statement or every proposal in this Paper.

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