



Overseas Development Institute

ODI researchers' responses
to DFID's consultation document
'Eliminating World Poverty'

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This document is a compilation of Overseas Development Institute researchers' responses to DFID's 'Eliminating World Poverty: a consultation document', published in January 2006. The opinions expressed are those of the individuals. Researchers' emails are included at the beginning of their comment. Links to further information can be found at the end of each comment.

Quick links to each question:

- [Question 1](#) – economic growth
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Q1: What determines economic success and promotes growth in poor countries?

Q1.3: How should social and economic inequality be tackled?

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Before we can ask the question 'how should social and economic inequality be tackled', we need to ask a deeper and more fundamental one. In particular, does inequality really matter? Opinions on this question are divided, but a consensus is nonetheless emerging: inequalities do matter, both because they are bad for poverty reduction and because they conflict with widely and deeply held notions of justice and fairness.

This position in turn defines a strategy for tackling social and economic inequality which is more accurately described as an 'inequality-sensitive' approach to poverty elimination. It has four main components.

The first is to **recognise the potential of redistribution to eliminate poverty**. Contrary to what was once believed, redistributive policy instruments (e.g. targeted transfers, universal public services, land reform) can be economically efficient, and need not come at the expense of growth and investment. Nor is it the case, as is sometimes argued, that only asset redistribution can be good for efficiency and growth. Income redistribution can also be, as has been known in the academic literature for some time (e.g. Hochman and Rogers 1969). The most recent evidence suggests that up to 70% of the total amount of poverty reduction observed in recent decades is accounted for by redistribution rather than growth (Kraay 2005).

The second is to **place more emphasis, when making resource allocation decisions, on distribution-sensitive measures of poverty**, such as the

squared-poverty-gap or the Watts index, rather than the more standard headcount measure. This can be justified on the grounds that levels of well-being decline dramatically as people fall further below the poverty line. This is not just an academic point. Recent work on optimal aid allocations for example shows that, contrary to what was once thought, using the squared poverty gap as opposed to the poverty headcount measure makes a substantial difference to the optimal cross-country allocation of aid (Anderson and Waddington 2006).

The third is to **remember that poverty is multi-dimensional**, and that one of the dimensions of absolute poverty is low levels of income and other goods relative to others. Although it would be extreme to use a purely relative measure of poverty in most low and middle-income countries, it would also be extreme to deny the existence of this dimension of poverty altogether.

The fourth is to recognise the **barriers** which values, attitudes, and in particular discrimination can place in the way of people's ability to escape multi-dimensional poverty. Legal and other measures (e.g. equal opportunities legislation, affirmative action) are required to overcome these things. However, they must also be accompanied by efforts to raise awareness.

If the strategy for eliminating poverty takes these four things into account, there is a strong possibility that it will also reduce, or at least not exacerbate, existing levels of social and economic inequality. The final issue is whether donors wish to go beyond the elimination of poverty and seek to promote a **broader notion of justice**, equity or fairness which sees at least some inequalities as intrinsically bad in their own right. The World Development Report 2006, for example places emphasis on the importance of equality of opportunity. Promoting equality of opportunity would require donors to move into areas which are not part of the standard 'poverty' agenda, such as scholarships for secondary and tertiary-level education.

Further information

Anderson, E. and Waddington, H. (2005) 'Aid and the poverty MDG: How much is required, and how should it be allocated?', London: Overseas Development Institute. Draft version available on request: e.anderson@odi.org.uk. A final version will be available at http://www.odi.org.uk/publications/working_papers/index.html

Hochman, H. and Rodgers, J. (1969) 'Pareto-optimal redistributions', *American Economic Review*, September.

Kraay, A. (2004) 'When is growth pro-poor? Evidence from a panel of countries'. *Journal of Development Economics*, forthcoming.

Q3: What can donors do to help build more effective states?

Response 1: Diana Cammack

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The key is for DFID and the donor community, through their aid and diplomatic processes, to **explicitly promote, point-by-point, the formation of the type of state that supports development**. There is no pure 'developmental state', much less a 'democratic developmental state', but there are some attributes of states that are necessary to development. These include:

- a) **State control and legitimacy:** State authority and systems are strong, consolidated and viewed as legitimate, such that political stability is maintained. Both upper and lower classes are taxable; labour is regulated and disciplined; and the permanently poor are protected. A strong and realistic sense of nation and nationalism exists. Domestic and foreign capital is attracted and tamed to promote national development goals.
- b) **Public service:** A powerful, competent and insulated economic bureaucracy exists that is stable and has the authority to create, direct and manage the broad shape of economic and social development. The probity, competence, professionalism and autonomy of the bureaucracy are nurtured and are not subjected to tests of political loyalty. Other effective institutions – systems, structures and processes – as well as informal and formal networks – exist to promote and implement economic policy.
- c) **Government legitimacy:** Government has legitimacy and support. It is not required to redistribute public goods or to change or block development policies or processes to retain support and power.
- d) **State and non-state actors:** The state is relatively independent of special interests though it remains 'embedded in a dense web of ties with non-state and other state actors ... who collectively help to define, re-define and implement developmental objectives' (Adrian Leftwich, University of York).
- e) **Policy priority:** Economic development is the consistent and top priority of government policy, and policy is transformed into 'rules of the game' that promote productive entrepreneurship.
- f) **National behaviour and attitudes:** Social and technical innovations are generated domestically or adopted from overseas, then adapted and used to solve problems and create functional institutions and systems. Tolerance, meritocracy, social mobility, and high-levels of education are valued and promoted.
- g) **Elite:** There exists a determined developmental elite that is either relatively uncorrupt or performs corrupt acts that are not predatory but promote national productivity. The elite as a whole and individually are vested in promoting national economic activities that also increase their own assets.

Democratic consolidation and development are difficult to achieve in tandem, or at least have been historically. Because today there is no other option, it is **necessary for donors to be keenly aware of what the tensions between the two transitional processes are, and figure out how to minimise them.**

Prioritising **democracy** requires **promoting pro-poor growth**, while at the same time creating a **‘developmental civil society’** that understands and supports the development agenda of the state, and that is willing to delay rewards to achieve a better standard of living later.

This is impossible in states where **un-addressed historic inequalities** undermine trust, where elite acquisition of the benefits of development conspicuously far outweigh those of the masses, or where corruption benefiting the elite goes unpunished. In other words, a **‘social compact’ between the developmental elite and the masses is required**, which outlines the development agenda and how (and when) it will benefit all.

There are few countries that don’t have enough good plans, programmes, recommendations and other policy documents sitting on their shelves, ready to be implemented. So, **more planning and programme design are not needed**, except in rare cases. Instead, donors should focus on **implementation**, and that means addressing **the ‘political will’ to reform and local capacity to manage change**. Without the will and capacity, the state building efforts of donors will continue to fail.

It is not just a matter of ‘fixing’ institutions – though that is needed. Before institutions can be changed there must be the will to reform. **So donors should explore the reasons why there is no, or little, will in non-performing states.** Obviously incentives are important, but no amount of incentives can inspire non-performing leaders to, say, allow themselves to be voted out of office through free and fair elections, to open up the media to the opposition, to establish accounting systems that uncover and halt graft, or to strengthen an anti-corruption commission, etc. Incentives are ineffectual in the face of a systematic lack of will. The whole social, political and economic system is ‘underdeveloped’ not just institutions of the state or leadership. And donors must address these on all levels before fixing states. **Donors must therefore develop a holistic view of each country’s developmental constraints and tackle the systemic, informal structures that create a lack-of-will-to-change in leadership and that keep mass civil society from demanding reform.**

Q3: What can donors do to help build more effective states?

Response 2: Verena Fritz

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There are important points on governance and corruption that donors must deal with.

Donors are facing a difficult **balancing act between governance and corruption**. Most poor countries have considerable to high levels of corruption. Also, trying to push for the MDGs may in some areas increase corruption, since they involve stretching service delivery without a lot more resources, so usually a country will increase the number of poorly paid teachers, nurses, etc., which may well spread petty corruption. However, that may still be better than not providing services at all; plus petty corruption should perhaps not be a major concern to donors.

Since corruption is so much of a focal point, a challenge which donors face is to distinguish between 'greasing wheel corruption' and 'destructive corruption'. For example, some degree of kick-backs in constructing new infrastructure may not be a major problem, as long as infrastructure still gets built at some acceptable level of quality. However, if too much disappears and nothing 'real' gets built, corruption is destructive and completely undermines the development effort, rather than being a nuisance within the process. So holding the public sector accountable for results rather than very exact rule following may be the better way of holding recipient governments to account.

Generally, **donors need to operationalise what 'good enough governance' means for their decisions** about levels and modalities of aid. Importantly, governance mostly does not improve in a linear way, but rather there are different developments in different domains of governance (political, rights, corruption, state effectiveness) and there are periods of regress as well as progress – so donors may need to map movements towards GBS but also away from it and back, if they want to use GBS as an incentive for bringing about, and consolidating better governance.

Finally, the two agendas of ownership and alignment on the one hand, and concerns about governance on the other hand sit uncomfortably. This potential conflict may need more explicit analysis and policy development. The CPIA does not provide a sufficient instrument to guide policy when to pursue greater alignment and when to hold this process; while DoC studies are not sufficiently consistent across cases to guide policy from a comparative perspective.

Q3: What can donors do to help build more effective states?

Response 3: Julius Court

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Literature on political processes and practical experience highlight **six main 'arenas' that matter in terms of governance**. These are all areas where donors can help support progress:

- civil society, where citizens raise and become aware of political issues;

- political society, where societal interests are aggregated in politics;
- government, executive stewardship of the system as a whole;
- bureaucracy, where policies are implemented;
- economic society, refers to state-market relations; and
- judiciary, where disputes are settled.

In terms of implications for DFID practice, in the short term it is important to start with where a country is. (i) What is the current situation with regard to the core governance agenda? What are the main barriers and weak points? (ii) Strategically, it will then be important to focus on reforms that are politically feasible. Experience constantly reminds us reform is a political not just a technical exercise. (iii) And local context will affect the approach taken. Experience highlights that countries often deal with similar challenges in quite different ways.

DFID has a particularly crucial opportunity and potential value-added here as a Ministry relatively independent from commercial or diplomatic interests. DFID is much better placed than other donors who struggle to deal with political issues due to reasons of mandate (eg World Bank cannot deal with politics) or diplomatic pressures (eg aid agencies of USA and Japan are essentially part of Foreign Ministry).

Is DFID getting it right? There is some way to go, but the signs are positive. Many analysts will be:

- reassured to see the recent acknowledgement (SOS Hilary Benn, third White Paper speech, 'Political Governance, Corruption and the Role of Aid') that politics is at the heart of development: 'progress is about making politics work' and 'making poverty history.... won't be fulfilled without good political governance'.
- Worried that analysis of East Asian experience on governance is missing from the Benn speech;
- interested that DFID will be clearer about the 'deal' in aid policy (linking aid to governance concerns).
- Impressed that country circumstances are going to be assessed according to key governance issues as authority, responsiveness, accountability, legitimacy (although will want to know more about the detail).
- Cautious to ensure that considerations of 'direction of change' does not trump 'benchmarking' – at the end of the day the level of governance is also important for ensuring development performance and aid effectiveness.
- Interested to see if this agenda is actually implemented in practice.

There is more work to be done on the key question of: What aid instruments do we use in different circumstances? First, this is to do with using better ways of governance assessment (and dropping the governance component of CPIA as informing aid allocation). Second, there is the challenge of

systematically linking aid allocation and country programming to assessments (see no 5 below).

Further information

'Governance, Development and Aid Effectiveness: A Quick Guide to Complex Relationships'. ODI Briefing Paper, March 2006. London: Overseas Development Institute. Available shortly at:

<http://www.odi.org.uk/publications/briefing/alphabetical.html>

Hyden, G., Court, J. and Mease, K., (2004) 'Making Sense of Governance: Empirical Evidence from Sixteen Developing Countries'. Boulder, CO: Lynne Rienner.

Assessing Governance Programme Website http://www.odi.org.uk/wga_governance

Q3.1: How can poor men and women be empowered to demand action from their governments and hold them to account?

Diana Cammack

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First, it is necessary to **understand the root causes of poverty and disempowerment**. DFID's Drivers of Change research should achieve this, though a renewed emphasis on **informal systems** would increase effectiveness.

Specifically, poverty and disempowerment may be based in a clientelist system, where people still rely on patronage relationships to access services and to meet basic needs (e.g., find work, pay for medicines, buy school uniforms, obtain justice, etc). They rely on these in many cases because states do not function (e.g., providing health or education, functioning police or courts, or generating an environment conducive to job-creation). People caught in such a system do not 'demand' states to provide services; they count on their patrons (e.g., MPs) to do so personally (e.g., as repayment for electing them to power). This vicious circle is self-perpetuating and robust. More must be known about the **informal social systems** underlying the neopatrimonial, non-developmental state.

Second, DFID must be more **politically explicit** (if not open) in its planning of programmes.

For instance, it should support the development of the **private media**, as the institution best able to hold states to account. This means country offices not accepting that a vibrant media is the same as a free press, for often in non-performing states newspapers are owned by political parties and politicians (and their families) and they are outspoken, but not politically constructive. That is, they do not want reform of the state, just a change of regime. Efforts should be made to get as many public media licensed to operate as possible, and ownership should cover as wide a range of interests as possible. News should be spread to the rural areas, where people are generally dependent on government-owned radio for their news.

Similarly, DFID should work to divest such states of old-style **public media** (TV and radio and papers) and government information agencies, which invariably support the ruling party and its personalities by misappropriating resources and staff and censoring news. Support might be made conditional on this reform.

Third, support to local, **pro bono constitutional lawyers** (or a practice) to challenge constitutional cases in courts or to take class-action suits, should be considered by DFID.

Fourth, DFID should provide aid to **tertiary education** as a means of enhancing the organisational and communication skills of the population. Young 'UN clubs' or 'Commonwealth youth' association and other democracy/political-training groups should be fostered.

Fifth, whenever possible, **civil society organisations should be included in development consultations**, e.g., Consultative Group meetings. (Groups equipped to play this role will differ in each country. Some might be church affiliated, others might be economic societies, others might be human rights monitors, or associations of journalists, perhaps even trade union consortia.). They should have a seat at the table, not be simply observers, if donors really want their 'ownership' of development and governance reforms. Such ownership will be needed if such groups are thereafter, going to demand that government stay on course. Similarly, such groups should be encouraged to monitor progress and report to government and the public.

Donors should not be the primary beneficiaries of such **accountability** institutions – the first beneficiary should be the public; the second the government. Furthermore, the creation of such institutions is not sufficient – they must be funded and given the capacity to operate and implement reforms.

Sixth, **chiefs** and other traditional elites have been co-opted in most transitional societies, e.g., now paid a wage and benefits by the ruling party/government. Donors should not build new institutions or programmes based on a non-democratic or captured elite on the mistaken assumption that they are 'traditional' and respected (or respectable).

Seventh, where general budget support is the chosen aid modality or where DFID is not implementing programmes itself, it must work with and through local people. The staff of like-minded NGOs can be trained in the type of analysis that leads to these same conclusions and interventions. A determination to tackle serious resistance to reform leads to a heavy **human resources commitment**, either within DFID or its partner organisations.

One problem has been that non-performing governments pass **laws that limit the so-called 'political' activity** of local NGOs. The British government and donors should be vocal about such legislation (and other expressly politically inspired legislation, e.g., control of media and journalists), as vocal as they have been in the past about, say, corruption.

In other words, in these ways and others, DFID must be explicitly political in the design of all of its interventions. A summary of recommendations would look like this:

- explore the reasons why there is no, or little will in non-performing states
- develop a holistic view of each country's developmental constraints
- renew emphasis on informal systems
- be more politically explicit
- support the development of the private media
- support to local, *pro bono* constitutional lawyers
- provide aid to tertiary education
- include civil society organisations in development consultations,
- ensure the public is the main beneficiary of accountability institutions
- do not build new institutions or programmes based on a non-democratic or captured elite
- work with and through local people
- be vocal about laws that limit the so-called 'political' activity of local NGOs

Q5: How can the UK Government make sure that development is led by developing countries themselves?

Response 1: Julius Court

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The first step should be to **support more rigorous and nuanced governance assessments**. New donor approaches could better draw from the growing body of knowledge on the impact of the political economy and governance criteria on successful aid interventions. There are more rigorous assessment approaches than those currently in use – and it is critical to draw on the views of local stakeholders. The *Making Sense of Governance* framework and approach provides a basis for this. A key issue is to build up local capacity to conduct such assessments.

The next step is to **orient the level and type of aid according to the specific conditions in each country**. For well governed poor countries it makes sense to provide more aid, over longer periods, through direct budget support to governments, and thus for the range of development activities defined by the country. For poorly governed countries, the approach might mean the provision of limited amounts of aid, for short periods, for humanitarian response, directed through NGOs and oriented towards improving governance. Many countries will lie between these two positions – the key is to find nuanced positions regarding quantity, time frame, breadth of activity and type of aid based on rigorous governance assessments.

As the Commission for Africa (2005) noted: 'Without progress in governance, all other reforms will have limited impact'.

There are a number of other considerations. These main ones are:

- the findings of governance assessments and the aid-governance 'agreement' between donors and recipients should be made clearer – this could help avoid the start-stop approach to aiding difficult contexts;
- donor support (especially in heavily-aided countries) should not diminish accountability to domestic stakeholders such as local parliaments, private sector actors and civil society groups;
- donors should work together more – this improves the systemic impact of linking aid to governance issues.

A final challenge is to be realistic about the lengthy time that it takes for governance constraints to be overcome. Recent arguments to increase aid dramatically seem to assume that governance can be improved *quickly* enabling aid revenues then to be dramatically boosted. However, if history teaches us anything it is that there is usually no shortcut to building sound institutions in the poorest countries.

A key policy change for DFID should be to stop using the governance components of the Country Policy and Institutional Assessment (CPIA)

to inform its aid allocations across countries (and encourage The World Bank and Dutch governments to abandon the governance components as well). The governance components of the CPIA are based on data that is extremely weak methodologically and is not conducted in a transparent manner. Better approaches include the Millennium Challenge Account of the USA which uses aggregate governance indicators to help with country selection for extra funding. DFID's Drivers of Change analysis is certainly a step in the right direction. The key is that DFID should do rigorous, transparent governance assessments and link these governance assessments more systematically to aid allocation and country programming.

Further information

'Governance, Development and Aid Effectiveness: A Quick Guide to Complex Relationships'. ODI Briefing Paper, March 2006. London: Overseas Development Institute. Available shortly at:

<http://www.odi.org.uk/publications/briefing/alphabetical.html>

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Assessing Governance Programme Website http://www.odi.org.uk/wga_governance

Nayyar, D. and Court, J. (2002) *'Governing Globalisation: New Roles and Functions for the UN and Bretton Woods Institutions'*. UNU/WIDER Policy Brief No. 4, available at: <http://www.wider.unu.edu/publications/pb5.pdf>

Q5.1: Should the UK Government ever attach conditions to aid – if so, which ones?

Diana Cammack

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In recent years conditionality has been mainly linked to poor fiscal management or corruption with impunity and then it has been inconsistently and erratically applied. Rarely have conditions been placed against governments for their human rights abuse or their undemocratic/repressive behaviour. Only when situations become extreme (e.g., Zimbabwe) does DFID or the FCO react in this way. The reason has in part to do with the dynamics of the aid regime itself – its need to keep distributing funds, the personal needs of its staff to ensure programmes and relations are viable, etc.

Conditionalities should be used in carefully targeted ways, around issues of internationally agreed principles, e.g., civil rights, free elections, human rights etc. The reason for this is not just because of ethics. Aid to states that do not uphold such norms is likely to be wasted: states that must stay in power through rights abuse and malfeasance are very unlikely to be 'developmental' and further, aid is likely to be used to maintain the illegitimate regime in power.

Further information

'The primacy of domestic politics and the dilemmas of aid: What can donors do in Ethiopia and Uganda?', ODI Opinion 65.

http://www.odi.org.uk/publications/opinions/65_politics_aid_feb06.pdf

Q5.2: What should be done when a country has an illegitimate government but a lot of poor people?

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It is not a coincidence that countries that have illegitimate regimes have an abundance of poor people. The acquisition and retention of power by illegitimate regimes often depends on their relative strength vis-à-vis the people. Armed repression (including the use of unemployed youth as enforcers) as well as poverty and other disadvantages (poor organisational skills and communications, illiteracy etc) keep the populace weak and poorly organised.

Only by **addressing the root causes of illegitimacy and poverty** is the international community able to support structural change. It did it in South Africa because there was international consensus that apartheid was immoral. In most cases, though, there is less agreement about the need or desire for regime change. Any chance of justifying the creation of structures supporting political intervention, even within the UN (as was advocated by some in the early 1990s), is unlikely to gain significant support in the current international climate.

Aid agencies have for years bypassed non-performing governments in giving aid to CSOs, NGOs and other local bodies. This may help in the short term – creating a 'safety net' for the poor – but it should be well understood by donors that such **aid helps keep the abusive regime in power and secondly, may even help legitimise it** (because it claims it is provisioning the poor).

Q8: How can international migration be managed better – so that migrants can safely pursue opportunities in a way which benefits both their own countries and those to which they move?

Response 1: Julius Court

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New organisations are needed to deal with the cross-border movements of people. The almost complete absence of international institutions, or rules, in this sphere is a cause for concern. Globalisation is creating demand for greater labour mobility across borders and for institutions to help manage this. Increasing disparity in economic opportunity is being accentuated by demographic factors (ageing in industrialised countries and population growth in developing countries). The result is a **conflict between the laws of nations that restrict the movement of people across borders and the economics of globalisation that induces the movement of people across borders.**

Trafficking people is the fast growing market for organised crime. It is time to initiate a preparatory process which works towards a new institutional framework that would govern cross-border movements of people. It is necessary to highlight two dimensions here.

First, there is a need to **ensure rights and to eliminate abuse of actual migrants in their new countries of residence.** The study calls for ratification of ILO conventions on labour standards to protect the rights of legal migrant workers (similar to the concept of *national treatment* in the WTO), with some provision for national obligations to create enforcement mechanisms. It also calls for protection for illegal migrants from exploitation and abuse and concerted action to curb the trafficking in people.

Second, we have to **think of the potential migrants before they have moved.** The aim should be that cross-border movement of people is governed at least in part by transparent and uniform multilateral rules rather than by diverse national laws and nontransparent consular practices alone. The equivalent of the *most-favoured-nation* principle, which makes for unconditional non-discrimination for people, could provide a basic foundation. And it is worth contemplating a multilateral framework for immigration laws and consular practices that governs the cross-border movement of people, similar to multilateral frameworks that exist, or are sought to be created, for the governance of national laws about the movement of goods, services, technology, investment, and information across national boundaries.

Q8: How can international migration be managed better – so that migrants can safely pursue opportunities in a way which benefits both their own countries and those to which they move?

Response 2: Dirk Willem te Velde

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Taken from: 'From Brain Drain to Brain Gain: How the WTO can make Migration a Win-Win', an ODI Opinion by Dirk Willem te Velde and Sven Grimm.

Migration can be a win-win situation for both developing and developed countries contrary to the argument that it is simply a process which harms developing countries via a brain drain.

To take the example of Zambian nurses migrating to the UK: the 'brain drain' school of thinking sees the phenomenon of health workers leaving as a disaster. They argue that the outflow must be stopped.

However, this is not the whole story. There are 4 main points in the argument that **temporary migration from developing countries has positive outcomes for both the developing and developed country:**

- (i) In **developing countries**, benefits include skill enhancement and increased remittances. Exports of goods and services also benefit – the Caribbean Diaspora in the UK accounts for a significant share of Carnival-related services exports from the Caribbean. In **developed countries**, it helps businesses in the IT and construction sectors, for example.
- (ii) **It makes economic sense for developed countries receiving migrants to invest in training partnerships** in a country that is training workers for the provision of international public goods such as **health**. It is cheaper to educate nurses in developing countries that have a comparative advantage in providing workers such as nurses. The UK health system faces staff shortages. It can fill some of these gaps with nurses from, say Zambia and it is cheaper to train nurses in Zambia than somewhere like St Lucia.
- (iii) Investing in developing country health and education systems helps them **meet development goals** but also helps **provide an international public good (health)**. Educating more nurses in Zambia can help Zambia as well as the countries tempting its nurses abroad. Accepting this argument implies accepting that non-aid funds, as well as aid funds, can be used to build developing country expertise.
- (iv) Training programmes would be even more effective if they could be coupled with **exchange programmes between developed and developing country institutions** to actively facilitate migration of a temporary, rather than a long-term nature (say for 2-3 years). For such partnerships to happen across the services sectors, international

migration rules should be eased to allow developing country workers temporary access to developed countries. The experience and qualifications of these workers should also be adequately recognised. Developing countries could also ask for assistance in building up services export capacity (of labour) under different types of services negotiations, internationally as well as with the European Union. Crucially, and as has recently been advocated by the Global Commission on Migration, developed countries will need to develop and implement temporary worker schemes and where possible bind these under GATS.

Further information

http://www.odi.org.uk/publications/opinions/59_labour_mobility_nov05.pdf

Q9: How can the UK Government make sure that international trade negotiations deliver the benefits needed for developing countries?

Response 1: Chris Stevens

c.stevens@odi.org.uk (from 3 April)

The British Government's task in ensuring that international trade negotiations deliver benefits to developing countries is complicated because:

- developing country interests differ, not least because the status quo affects them differentially;
- trade negotiations always make elliptical progress towards their ultimate goal.

Because of these two complications UK Government policy must give a high priority to choosing the instruments for change that will benefit poor people the most. These are not always obvious.

It is very easy to simplify trade negotiations as involving a secular shift from a less liberal to a more liberal regime. Both supporters and critics of current negotiations (in the WTO and in Economic Partnership Agreements – EPAs) tend to adopt this simplistic view – even though they draw opposing conclusions. But the reality is very different.

Many trading countries (and all of the industrialised countries) differentiate heavily between their trade partners: some are more and some less preferred. In many cases, it is possible to identify policy change that will be equally beneficial to both groups of countries. But these will often impose greater adjustment costs on producers in the rich countries than will other, less nuanced, 'liberalisation' policies. The big danger for the British Government is that these 'politically easier' measures are adopted instead of the more difficult ones that would actually benefit all developing countries.

The recent case of EU sugar policy change is a case in point. This will actually result in lower EU sugar imports than would have been the case had policy not been changed. Many ACP sugar exporters will experience losses as a result of the change but these will not be fully offset by gains to other developing countries. European consumers may benefit, but only very modestly since any fall in prices will be largely offset by the increased direct transfers to EU producers that they must pay as taxpayers. All in all, a measure described as 'liberalisation' and having its origin partly in a ruling of the WTO will leave developing countries as a group worse off and imports lower than they otherwise would have been.

In order to achieve its purpose, the UK Government must take a proactive stance championing a package of measures that will:

- bias any EU market opening in favour of developing country suppliers;

- in ways that make it particularly easy for poorer producers to secure the bulk of any gains;
- and with adjustment support to any losers either to assist them to reduce production costs/increase supply, or to diversify into other economic activities wherever this is possible.

The dynamic of WTO negotiations makes this very difficult. Because of a need to achieve wide ranging consensus among many countries, it is commonplace for the tempo of negotiations to accelerate rapidly as 'things come together', with the consequence that they take on a life of their own. This problem does not apply to the EPA negotiations currently ongoing. The failure of the EU Commission to take a detailed, pro-active and pro-development stance, setting out clearly the details it seeks in EPAs, is a scandal.

Q11: How can the international system work better to deliver humanitarian assistance and security in developing countries, and prevent conflict and state fragility?

Q11.1: How should the UN and other agencies be reformed and better resourced for different types of crises?

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We must address conflict and state fragility long before the 'humanitarian assistance' phase, by addressing root causes and not upholding repressive regimes.

This issue has been under discussion at the UN since at least the early 1990s. It was widely agreed by academics and practitioners that we need a strong UN-based interventionist body, to **address real abuses perpetrated behind sovereign borders**. In such a case there could be a number of problems that might **trigger** UN intervention:

- Bird Flu or other highly contagious diseases not addressed by host governments;
- un-addressed drug growing, manufacturing and trafficking (e.g., Afghanistan);
- genocide and major rights abuse (Rwanda, W Sudan);
- forest preservation (Indonesia and Brazil) as climate change accelerates and the world takes this on as a real problem;
- WMD proliferation; etc.

Such a body must be made credible, independent of regional/ideological blocs and therefore funded up-front. Perhaps senior states(wo)men members/advisors might be appointed to determine what interventions, in what situations, using what means and methods, etc.

Q11.2: Does the world need an international early warning mechanism for conflict or state fragility? Should such a mechanism be located inside or outside of the UN system?

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Such work is undertaken already by UNHCR on a crisis-by-crisis basis. Early warning must be concerned with 'root causes' of fragility/conflict, and not only with immediate causes. Researchers like the American 'state failure task force' already do this sort of work but others could be funded by donors (not necessarily by the UN) and seated in, say, DAC to internationalise the programme. Its analysts would have to be ideologically independent and well-versed in local/regional political-economy, and some members of its staff should be conversant with statistical analysis. It might link up with (e.g., draw

information and consultants from) some of the better regional institutions (e.g., in South Africa, Latin America, W Africa, S Asia) that are already doing similar work.

There are two key recommendations:

- promote a strong UN-based interventionist body, to address real abuses perpetrated behind sovereign borders
- analyse 'root causes' of fragility/conflict, not only immediate causes in any early warning system.

Q14: How can developing countries have a stronger say in global institutions such as the WB and IMF?

Response 1: Lauren Phillips

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Developing countries have increasingly gained negotiating power and voice in multilateral institutions such as the WTO as a result of their rising importance in the international political economy. The emergence of a unified group of emerging and developing countries during the Cancun ministerial of the WTO's Doha Round in 2003 augured well for cooperation amongst developing countries to pursue common trade policy objectives in opposition to developed countries and country blocs. In the context of the World Bank and IMF, however, formal representation continues to be based on rather archaic (and politicised) formulas to assess relative economic power, depriving developing countries of sufficient voice to ensure that the institutions keep their priorities in mind when designing policy. The solution to this problem is not to walk away from the institutions, as many have claimed emerging nations are currently attempting to do by pursuing regional monetary cooperation, the accumulation of large reserves and by repaying debts early, but instead to find common positions, as in the case of the WTO, to argue for greater global governance change.

There is currently momentum to allocate more voting power to emerging market countries – an initiative spearheaded by the US – at the expense of Europe. This solution is insufficient, and if pursued this calendar year as planned, will stymie attempts to pursue a more far-reaching global governance reform in the years to come as it will utilise scarce political capital for little effect. Developing countries should consider walking away from this 'deal' as it affords them minimum new powers. Instead, political leadership and a bolder proposal should come from either developing countries themselves, or from European countries. EU Member States are in a position to offer more genuine representation for developing countries, consistent with pledges to increase country ownership of development processes. Among the suggestions for achieving such a reform include thinking boldly about abolishing the entire 'Board of Directors' system (which may or may not be good for developing countries depending on its impact on the pursuit of informal power within the institution) as well as moving more aggressively towards the unification of European voice on the board in order to make more space for developing countries. While this idea is deeply unpopular in many European countries, a common vision about the future governance of the Bretton Woods institutions is necessary so that European policy does not continue to be reactive. Following the US lead is not in the interest of either European countries or developing countries.

Further information

Grimm, S., Rogerson, A. and Phillips, L. (2006) *Lead, follow or get out of the way: The EU and impending Bretton Woods Reform*. Available at <http://www.g24.org/Phil0306.pdf> and forthcoming as an ODI Opinion at: <http://www.odi.org.uk/publications/opinions/index8.asp>

Q14: How can developing countries have a stronger say in global institutions such as the WB and IMF?

Response 2: Julius Court

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It is clear that the world has changed considerably, particularly in the last decade, and that the present institutions for global governance – particularly the IMF, but also the UN and World Bank – today operate on outdated political and economic foundations. They will need to be reformed before a crisis forces the changes required.

The major changes in economic realities over the last 50 years, combined with the repeated crises in the international financial system, make it clear that the **role and governance of the IMF needs to be reviewed**.

First, the time has come to redefine the role of the IMF towards a constructive role in managing and stabilising the international financial system, not only through crisis management but also through crisis prevention. It would seem that the logic of international collective action – an integral part of its original design – has been forgotten.

Second, governance in the IMF needs much more representation, transparency and accountability. It will need to become more representative of developing country concerns and restructure voting rights. There is a need for much greater transparency in the IMF, with disclosure of information and truly independent evaluation of operations.

Further information

Nayyar, D. and Court, J. (2002) 'Governing Globalisation: New Roles and Functions for the UN and Bretton Woods Institutions'. UNU/WIDER Policy Brief No. 4, available at: <http://www.wider.unu.edu/publications/pb5.pdf>

Q15: What should the UK Government be doing differently within the international system to make it more effective at delivering development?

Q15.1: How can the UK Government help to ensure that donors and aid recipients are more accountable to each other?

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The UK Government needs to drive an international effort to ensure donors deliver on their side of the mutual accountability bargain struck with poor countries at Paris. Enhanced mutual accountability means helping recipient governments become more equal partners in the aid relationship, making aid more responsive to local needs and therefore more effective at reducing poverty. Yet the international system is not currently conducive to mutual accountability. Incentive systems inside most donor agencies encourage staff to focus on compliance with their own procedures and responding to domestic political pressures, instead of delivering on the aid compact agreed with partners at country level. International mechanisms for mutual accountability are characterised by loose targets, no sanctions and limited voice for recipient countries. Regulation and competition are substituted by self-regulation and peer reviews amongst donors. Powerful collective pressure from poor countries or civil society demanding more tangible results from donors has yet to materialise.

The Paris Declaration offers an opportunity for change, with its specific targets and indicators which are binding on donors as well as recipient governments. The UK needs to lead international action on a number of fronts to ensure this agenda is delivered:

- Generation and dissemination of information on aid effectiveness and donor behaviour through the DAC, the World Bank Global Monitoring Reports, and other means.
- Independent monitoring of aid practices and donor behaviour by collectives of recipient countries or civil society.
- Reform of the DAC Peer Review process to ensure it includes the full participation of recipient countries.
- Broad, high-level dialogue with groupings of recipient countries at regional and global levels (such as the APF/NEPAD, or the G20/G77) on aid effectiveness issues.
- Research and debate on the introduction of 'regulation' or 'competition' mechanisms in the aid system, possibly including a formal role for the UN in monitoring donor practices, or a financial mechanism to reward good performance on alignment and harmonisation.
- The creation of platforms for South-South exchange of ideas, knowledge and lessons learned, as well as the development of common policy positions by recipient countries on aid policies and donor behaviour.

At the concrete level, this means the UK calling for a Paris follow-up process which maximises opportunities for enhancing mutual accountability. Clear mechanisms are needed for monitoring the targets and indicators, defining the response to poor donor performance, and the nature and scope of country-level mutual assessments. Poor countries must have the opportunity to assess donor performance in a way which is institutionalised, transparent and continuous. The UK took the lead at Rome, Monterrey and Paris in ensuring donor rhetoric was about poor country ownership of the poverty reduction agenda. Now it needs to ensure donors deliver on their promises.