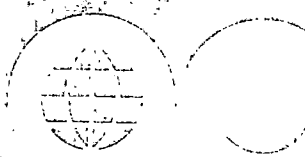


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CONSERVATIVE AID POLICY

A note by the Overseas Development Institute

30 OCT 1978

The Prime Minister's speech to the UN General Assembly on 23 October, together with the publication of three Command Papers in the course of the month, throw some light on the Government's approach to aid and development policy.

The Prime Minister, expressing Britain's support for the UN Second Development Decade, reaffirmed acceptance of the UNCTAD target of 1% of GNP for official and private flows combined, and said that the Government would do its best to reach this target, in accordance with the strategy for the second decade, by 1975. The latest public expenditure projections (Cmd.4515) give net official aid for 1974/5 as £256m. On the assumption that GNP at current prices will continue to rise at an annual rate of 6.5%, this projection will bring official aid up from 0.39% of GNP in 1969 to a little below 0.5% in 1974/5, still well short of the Development Decade target of 0.7% for official aid alone.² The Prime Minister indicated the Government's willingness to encourage a greater private flow, but it remains to be seen what steps are taken to increase it from the annual average of £168m. over the last four years. Unless the private flow rises by about 50%, the target of 1% of GNP for official and private flows combined will not be reached by 1975.

The proposed level of aid for the period 1971/2 - 1973/4 maintains the projections published by the Labour Government in its 1969 public expenditure review (Cmd.4254). In addition, an allocation of £340m. gross is made for 1974/5, which was outside the period covered by the Labour review. In the context of public expenditure as a whole, the position of official aid has improved. Whereas the new projected overall growth rate for public expenditure is 2.8%, compared with the earlier one of 3.5%, the projected growth rate for aid remains at around 4%.

The Government has also announced (in a Green Paper on Select Committees of the House of Commons - Cmd.4507) its intention to reconstitute the Select Committee on Overseas Aid, so that it may complete its report. The revival of the Committee will allow the re-examination of much useful evidence already collected, and the publication of its considered conclusions should prove extremely valuable. In the same Green Paper, a number of

1. The Reorganisation of Central Government, Cmd.4506
Select Committees of the House of Commons, Cmd.4507
New Policies for Public Spending, Cmd.4515
2. The British Government has not committed itself to the separate target for official aid.

proposals are made for the possible restructuring of the Select Committee system, including the reconstitution of the Estimates Committee into a Select Committee on Expenditure, with far wider terms of reference. These would include examination of the aims and objectives of policy in the context of public expenditure projections. Several functional sub-committees would be charged with examination of specific policy areas, External Affairs being one of them.

Such a sub-committee system, if adopted, should help to throw light on a particularly foggy area of government policy - namely the status of aid and development policy in the general context of foreign policy. The urgency for a clarification of issues in this area has increased since, under the decisions in the White Paper on the reorganisation of Government machinery (Cmd.4506), ODM is to disappear as a separate department and to become a 'functional wing' of the Foreign and Commonwealth Office. Ultimate responsibility for overseas aid will lie with the Secretary of State for Foreign and Commonwealth Affairs, although the Minister for Overseas Development will have day to day charge of aid management by delegation from the Secretary of State.

The Conversion of ODM into a functional wing of the FCO keeps together the professional aid staff and body of expertise developed in the ODM, and the management of aid is to continue as a function distinct from the conduct of foreign affairs. The new arrangements are therefore unlikely to have immediate or important implications on routine administration and the professional efficiency of the aid programme.

The broader implications for the content of the aid programme, for its geographic distribution, and for aid policy in general, are as yet uncertain. The White Paper provides no information on the extent to which the functional wing will have a policy making rôle distinct from the FCO; on the degree of integration expected between it and the Economic and Aid Section of the FCO; or on the nature of its formal relations with other Government departments and its representation on inter-departmental committees. Nothing is said on the effects of the merger on the status of aid management in overseas countries, and on the development divisions in the Caribbean and the Middle East.

The White Paper shows that the main aim behind the reorganisation of Government machinery is to achieve a regrouping of responsibilities along 'functional' lines. Since, according to the White Paper, "the management of overseas aid is a function distinct from the general conduct of foreign affairs", the logic of the Government's case would suggest that ODM should remain a separate department. Its integration into the FCO appears therefore to contradict the principles on which the reorganisation of government machinery as a whole was based.

Moreover, the Conservative election manifesto emphasised that Britain's contribution to development consisted not only of official aid, but also of private investment and trade. The Prime Minister repeated this point at the UN, and indicated that the Government attached the greater importance to trade and investment. It is open to argument whether the desired coordination between aid, trade and private investment will be more easily achieved through the FCO than through a separate department with powers of surveillance over 'development affairs' and with a claim to a functional identity at least as strong as 'overseas affairs'.

The inconsistency of the new aid arrangements with the stated principles underlying the reorganisation of government machinery can be reconciled only if aid management is separated from aid policy

formulation. If by 'management' the Government merely means routine administration and technical supervision of aid, then the new arrangements will be consistent with the principle of functional responsibility. Such an interpretation would imply, however, that the 'aid wing' of the FCO would be denied any active participation in the making of aid policy, as distinct from its management rôle. In that case, the conclusion would have to be drawn that aid is to be used increasingly as a direct tool of foreign policy, and that overseas development, which is essentially long-term in nature, is to be subordinated to more immediate foreign policy interests.

Although the Government's commitment to an expanding aid programme may have allayed fears that the disappearance of ODM implied a downgrading of aid in the Government's order of priorities, the White Paper on Government reorganisation raises doubts about the purpose to which aid will be put in the future, and about the emphasis to be placed on overseas development as opposed to other aspects of foreign policy. Unless development is itself to become a more central concern of foreign policy, a more direct political orientation of the aid programme would impair its overall economic efficiency.

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