CREDIT Research Paper

No. 02/23

British Aid Policy Since 1997: Is DFID the Standard Bearer for Donors?

by

Oliver Morrissey

Centre for Research in Economic Development and International Trade,
University of Nottingham

The Centre for Research in Economic Development and International Trade is based in the School of Economics at the University of Nottingham. It aims to promote research in all aspects of economic development and international trade on both a long term and a short term basis. To this end, CREDIT organises seminar series on Development Economics, acts as a point for collaborative research with other UK and overseas institutions and publishes research papers on topics central to its interests. A list of CREDIT Research Papers is given on the final page of this publication.

Authors who wish to submit a paper for publication should send their manuscript to the Editor of the CREDIT Research Papers, Professor M F Bleaney, at:

Centre for Research in Economic Development and International Trade,
School of Economics,
University of Nottingham,
University Park,
Nottingham, NG7 2RD,
UNITED KINGDOM

Telephone (0115) 951 5620
Fax: (0115) 951 4159

CREDIT Research Papers are distributed free of charge to members of the Centre. Enquiries concerning copies of individual Research Papers or CREDIT membership should be addressed to the CREDIT Secretary at the above address. Papers may also be downloaded from the School of Economics web site at:
www.nottingham.ac.uk/economics/research/credit

CREDIT Research Paper

No. 02/23

British Aid Policy Since 1997: Is DFID the Standard Bearer for Donors?

by

Oliver Morrissey

Centre for Research in Economic Development and International Trade, University of Nottingham

The Author

Oliver Morrissey is Director of CREDIT and Reader in Development Economics, School of Economics, University of Nottingham.

Acknowledgements

This paper was prepared as part of the EADI Working Group on Aid and Development 'Perspectives on European Development Co-operation' project. Helpful comments were received from Olav Stokke and Paul Hoebink, neither of whom are implicated in the final version.

October 2002

British Aid Policy Since 1997: Is DFID the Standard Bearer for Donors?

by
Oliver Morrissey

Abstract
The seven years since the 'New Labour' government of Tony Blair won power in Britain has seen a dramatic change in British aid policy under the stewardship of Clare Short as Secretary of State for International Development. The transformation from the Overseas Development Administration to the Department for International Development was more than a change of name for the aid agency. Its political status increased, with a seat at the cabinet table, its budget has grown significantly and two White Papers have been published to announce directions in development policy. DFID is an aid agency with a purpose and a mission, a genuine attempt to increase the effectiveness of aid in tackling poverty and deprivation in developing countries. Britain has emerged as a donor that practices what it preaches. It is now the leading bilateral donor on aid policy thinking, and this paper argues that it has set an example for other donors to follow.

Outline

1. Introduction
2. Organisational Change and Identity
3. Trends in Aid and Allocation
4. Policy Evolution Through Two White Papers
5. Conclusion: British Aid Policy in 2002

1. INTRODUCTION

The (New) Labour government of Tony Blair was elected on 1st May 1997, following some 18 years of Conservative government. Changes to British aid policy were among the first measures implemented by the new government. The Overseas Development Administration (ODA) became the Department for International Development (DFID). While the political head of the ODA was a Minister without a seat in the cabinet, Clare Short was appointed Secretary of State for International Development with a seat in cabinet. This was not a cosmetic change: Short not only provided DFID with clear and strong leadership, she was also a powerful advocate of development policy within the cabinet. DFID was soon involved actively in policy formulation and a White Paper was produced as early as November 1997.

The increased political status of development was matched by funding. The British aid budget was increased by 40% from $3.2 billion to $4.5 billion, representing 0.26 per cent and 0.32 per cent of gross national income, in 1997 and 2000 respectively (IDC, 2002: 30). The Chancellor, Gordon Brown, often expressed his commitment and willingness to provide funds to support developing countries and reduce poverty, and DFID fared well in the Comprehensive Spending Review announced on 15 July 2002. Aid spending is to increase to some $7 billion, equivalent to 0.4% of gross national income, by 2005/06. In broad terms, the real value of British aid will have doubled over ten years. Whilst aid advocates would have liked more (Britain will remain some way short of the 0.7 per cent of income target), this is a significant achievement. It has been applauded by most NGOs and commentators, and is evidence of what can happen when the Prime Minister, Chancellor and Secretary of State share the same basic commitment to assisting the poorest countries.

The orientation of aid policy has also changed, away from the concern with promoting British commercial and political interests that prevailed in ODA towards a focus on reducing poverty in the poorest countries. DFID have been concerned that aid, especially increased flows, is used effectively and targeted towards reducing poverty. This concern has been manifested in a number of ways, notably through coherent policy-making and analysis, reflected in the tenor of the two international development White Papers

(DFID, 1997, 2000), and a ‘results-oriented’ perspective that has guided the way the department operates in practice.

The assessment of DFID in this paper concentrates on three issues – organisational change, aid practice, and international development policy. Section 2 briefly reviews the organisational change in the transformation from ODA to DFID. Section 3 considers trends in aid allocation and composition, on the principal that how much of different types of aid is spent where is a good indicator of what DFID is doing. Section 4 then turns to policy evolution by considering the two White Papers. We conclude in Section 5 with a discussion of the direction and identity of British aid policy under DFID.

2 ORGANISATIONAL CHANGE AND IDENTITY

The change from ODA to DFID was more than a change in name; the orientation and focus of British aid policy has also changed since 1997. John Vereker was Permanent Secretary of DFID from its establishment until 2002, having previously been Permanent Secretary to the ODA since 1994. He thus had unique insight into the institutional change in establishing DFID. He described this as having three components: ‘the strategic transformation, encapsulated as the shift from Aid to Development; the institutional transformation, from an Agency to a Department; and the transformation in the expectations of our political leaders, which I would summarise as being from Administration to Delivery’ (Vereker, 2002: 134). These three elements structure the following discussion of the emergence of DFID as a leading aid agency.

The first of the three elements related to the change in policy focus (discussed in section 4 below). Aid agencies traditionally were largely concerned with spending their money, and often valued the recognition associated with a visible project (the ‘we built that road’ mentality, often ignoring whether the road was maintained or even went anywhere useful) more than the long-term contribution of aid to growth and development. Under the leadership of Clare Short, DFID espoused a different approach. The purpose of aid was to promote growth, development and poverty reduction, and DFID officials were expected to devote more attention to analysing how British aid could better contribute to such an objective. Whereas the ODA appeared to largely accept the lead of the World Bank on development policy, such as the appropriateness of adjustment programmes, DFID has been more inclined to have its own people study the policy issues. For example, DFID was among the leaders in getting economists and social development advisors to consider the effects of macroeconomic stabilisation on the poor, and DFID staff were seconded to the IMF to advise on this issue.

One immediate effect of this shift in 'institutional orientation' was an increase in the number of young professionals employed in DFID, especially but not exclusively economists. DFID increased its in-house 'analysis and policy' capacity, and also engaged with academics and NGOs. This takes time to implement but after five years became a feature of DFID. While the 1997 White Paper was largely an in-house document, for almost a year in the run-up to the 2000 White Paper DFID had consultations and workshops with interested parties and commissioned a number of background papers. As a result, DFID became a voice of donor policy and developed an in-house research capacity, even offering staff research sabbaticals – free from official duties to work on a particular policy issue for a few months. For example, at a DAC 'Informal Experts Meeting on Aid Effectiveness' in 2001 the two presentations on policy issues were by DFID staff. Senior DFID officials found themselves addressing 'complex policy issues … designed to improve the economy and governance of poor countries' (Vereker, 2002: 135) rather than considering which projects to spend their budget on.

The second element, the institutional transformation, had a number of core elements – notably preparation, purpose and expertise - identified by Vereker (2002: 137-8). The change in government was not a big surprise, and senior ODA officials were aware that Labour would establish DFID as a department independent of the Foreign and Commonwealth Office (renamed Foreign Affairs). Contingency plans were in place for the transition. Clare Short, from the beginning, provided purposeful leadership that acted as motivation to DFID. In many respects it was a new department concerned with global poverty reduction, rather than the old ODA concerned with spending aid money and supporting British commercial interests. Strong leadership is a powerful force in policy change and DFID has acquired an identity that many would associate with Short. While she may argue, publicly and privately, with Blair or others in cabinet, there was a strong political commitment to international development from the top in the Labour government. This will have contributed to the successful institutional development of DFID.

The objectives of DFID, in terms of aiming for development targets, were to be achieved by building partnerships with recipients and pursuing the development ‘targets in partnership with poorer countries who are committed to them’ (DFID, 1997: 22). As the donor has the financial resources needed by the recipient, there is an inherent inequality and partnership is difficult. It is evident, and was stated at the time, that DFID set itself a demanding challenge in aspiring for partnerships, especially if these were to be of the ‘strong’ variety with jointly agreed transparent country programmes and a financial commitment over many years (Maxwell and Riddell, 1998). To some extent the partnerships will be exclusive, as donors will at the least look for countries willing to express shared values and objectives, but may still be a positive move forward ‘from the confrontational approach that characterised the era of structural adjustment’ (Kayizzi-Mugerwa, 1998: 224). With hindsight, DFID appears to have been quite successful, at least with selected countries.

It appears that DFID negotiated relatively openly with recipient countries, in the sense that the latter knew where they stood. Partnership was intended to be more than a byword and, while the respective parties may not have been equal partners, DFID reached agreement on objectives with recipients and resulting DFID country strategies have been made publicly available. These strategies state the policy commitments and responsibilities of both DFID and the recipient government. Arguably, DFID interpreted partnership as building a strong relationship based on mutual respect. In terms of an operational aid programme, this is a reasonable approach and it does seem to be taking effect in those countries in which DFID is building a strong programme (see section 3 for a discussion of how bilateral aid is becoming increasingly focussed on selected countries).

The approach to partnership has been reinforced by the increase in the number of DFID local offices. In 1999 only three countries had their own local office (Bangladesh, India and Nepal); no African country was listed as having a local office, although there were overseas offices serving Southern, Eastern and Central Africa (DFID, 1999: 130). Two years later local offices had been established in Uganda, Nigeria and Tanzania (DFID, 2001: 128), such that the Eastern office became in effect the Kenya office, and by 2002 there were offices in Ghana and Rwanda. This understates the overseas staffing levels as it is a moot point whether a number of DFID staff in the British High Commission constitutes a local office or DFID requires a separate (part of the) building. The important point is that, relative to the ODA, the number of DFID employees based overseas increased. There was also an increase in the number of DFID staff working essentially on policy issues, whether international economics, social development or more recently governance. Consequently, DFID combined a greater policy orientation in head office with greater local engagement and experience overseas. One result was increased respect for DFID as a donor, both amongst other donors and among recipient countries.

The third element, political expectations of delivery rather than administration, was a feature of 'New Labour' rather than specific to DFID. There was a technocratic element, and strong central control overtones, in the focus of government on measurable results. Britain saw a proliferation of 'public sector league tables' ranging from performance of primary schools to University research, from response times of ambulance crews to the number of deaths in surgery in different hospitals, and DFID was not exempt. Acronyms proliferate and we will be brief (see, e.g., DFID, 1999: 26-28). A Performance Reporting and Information System for Managers (PRISM) was introduced in 1998 since when all projects above £500,000 are evaluated and given a score. The aid programme has stated objectives and targets, with progress monitored against both the Policy Information Marker System (PIMS) and the Policy Objective Marker (POM). The former assesses bilateral spending against objectives and the latter links spending to specific objectives or targets. One should give credit for transparency – much of the information on performance and assessment is on the DFID website and the annual Departmental Reports are informative.

This target or result-oriented approach to evaluating civil service performance has affected the way in which DFID operates, and in some respects this appears to have been an improvement. While DFID officials cannot guarantee that any specific target will be met, they know what they are working towards. Targets do help to focus the mind and encourage one to think about the most effective way to move towards the target. In the context of partnership, agreed targets can have a positive effect as both parties know where they should be heading. If targets are not met judgements will have to be made regarding whom, if anybody, was at fault, or whether external circumstances changed, and how severe the achievement deficit is. Agreed targets are nevertheless preferable to imposed conditions, the traditional approach to conditionality, and DFID are providing leadership on donor-recipient relations. We return to the importance of targets and partnerships in the final section.

Vereker (2002: 139) suggests three characteristics that capture the 'national identity' of British civil servants - horizontal co-ordination (officials talk to each other and share information relatively freely across and within departments), collegiality and professionalism. While these may be characteristics of British officials, they do not fully capture the identity DFID has established as a bilateral donor. Two distinguishing features of DFID are a policy focus on poverty reduction and a local commitment to strong partnership (even if the parties are inherently unequal). It is a donor that has contributed to thinking about aid effectiveness in development policy, and that has supported its own approach to partnership by establishing local offices to sustain relationships. However, professionalism has been essential to implementing the new purpose of DFID, and collegiality may have smoothed the experience of transition for those involved. Horizontal co-ordination has been important in determining the relationship between DFID and other departments. The relationship with Her Majesty's Treasury (HMT) has become close, partly because Chancellor Gordon Brown has been committed to debt relief and helping the poorest countries (and DFID's budget has been increasing), and partly because HMT established its own International Poverty Reduction Team that worked with DFID on policy issues. The relationship with the Department for Foreign Affairs may have been made easier when DFID became independent of the Foreign and Commonwealth Office. It is likely, however, that the relationship with the Department of Trade and Industry (DTI) became more strained as DFID was strongly committed to untying aid and not using aid to support British exporters (this is discussed below).

3 TRENDS IN AID AND ALLOCATION

The 1990s were a 'bad' decade for aid, real volumes fell and most donors allowed the share of national income devoted to aid to decline. For DAC donors, aid as a percentage of national income on average fell from about 0.33 per cent in 1990 to about 0.22 per cent by 1997, remaining below 0.25 per cent in 2000. The corresponding figures for Britain were 0.27 per cent, 0.26 per cent and 0.31 per cent (IDC, 2002: 30-1). While the May 2002 commitment to increase aid to 0.4 per cent of income in 2006 is positive, it is worth noting that this falls a long way short of the 0.5 per cent share of the late 1970s, which was more than halved during 18 years of Conservative government. The DFID years have witnessed a significant increase in aid and, perhaps more importantly, a significant shift in the pattern of allocation. In the early 1990s about 70 per cent of aid went to the poorest countries but by 2002 some 80 per cent of aid went to low income countries and this is projected to rise to 90 per cent by 2006.

Table 1 provides data to compare the allocation of aid in 1997/98 against 2000/01 (although the latter figures are estimates, they capture the pattern); data for 1990/91 is included for comparison to capture the situation at the end of the Thatcher years. A number of trends are evident. First, more aid was allocated directly to countries. While total aid increased by 40 per cent between 1997 and 2001, the bilateral country programme increased by 47 per cent. However, this was lower than the share of bilateral aid in 1990 (largely because contributions to the EU only grew in the 1990s). Second, within the country programme, there were dramatic increases to parts of sub-Saharan Africa (SSA), and Africa's share of country aid rose from 40 per cent to 55 per cent (compared to some 33 per cent in 1990). This is discussed in more detail below. There were significant declines in nominal aid allocations to Eastern Asia and the Overseas Territories, and a decline in aid to Russia (accounting for most the reduction in aid to Former Soviet Union states).[1] Third, while the share of multilateral aid in the total rose dramatically from 1990, it remained fairly constant after 1997 although the share going to IFIs fell significantly. Finally, the share of 'Bilateral other' fell slightly after 1997, largely accounted for by the Commonwealth Development Corporation being made independent of DFID and Chevening Scholarships being taken out of the DFID budget (from 1999 these were paid from the budget of the Department of Foreign Affairs).

1 The major reduction to East Asia was a more than halving of spending on the Aid and Trade Provision (ATP), although the allocation to China more than doubled; these account for almost 90 per cent of the regional total. Almost all of the reduced spending on Overseas Territories is attributable to Monsterrat.

Table 1: Allocation of British Aid, 1997/98 and 2000/01

	1990/91	1997/98		2000/01		change
	% *	£m	%	£m	%	97-01 %
Country Programme						
Africa Greater Horn		34.6	4.7	66.9	6.2	93.4
Central Africa		67.2	9.2	156.1	14.4	132.3
Eastern Africa		111.1	15.1	194.0	17.9	74.6
Southern Africa		39.2	5.3	41.0	3.8	4.6
West and North Africa		42.0	5.7	132.2	12.2	214.8
Total Africa [a]	*35.2*	*297.3*	*40.5*	*594.5*	*55.0*	*100.0*
India	12.9	75.1	10.2	104.0	9.6	38.5
Bangladesh	5.4	36.5	5.0	74.2	6.9	103.3
Nepal	1.7	16.4	2.2	17.0	1.6	3.7
South East Asia	+	24.2	3.3	35.5	3.3	46.7
Eastern Asia & Pacific	6.3	66.6	9.1	48.7	4.5	-26.9
Western Asia	3.4	37.4	5.1	34.9	3.2	-6.7
Total Asia [b]	*33.1*	*256.1*	*34.9*	*319.1*	*29.5*	*24.6*
Caribbean	4.2	16.4	2.2	20.5	1.9	25.0
Latin America	2.0	23.0	3.1	23.4	2.2	1.7
Overseas Territories		54.0	7.4	37.7	3.5	-30.2
C&SE Europe [c]	+	38.2	5.2	39.1	3.6	2.4
Former Soviet Union [d]	1.9	48.7	6.6	46.8	4.3	-3.9
BILATERAL [e]	*1020*	*733.8*		*1081.0*		*47.3*
	%					
Aid Total (nominal)	**1883**	**1996.5**		**2800.6**		**40.3**
Bilateral Country	54.2	733.8	36.8	1081.0	38.6	47.3
Bilateral other	12.8	286.5	14.4	365.0	13.0	27.4
Multilateral	33.0	976.2	48.9	1354.6	48.4	38.8
European Union	16.8	542.5	27.2	760.0	27.1	40.1
IFIs [f]	10.2	264.1	13.2	276.3	9.9	4.6

Notes: Figures are out-turn for 1990/91 and 1997/98 and estimates for 2000/01, and percentages are region's share of Bilateral Country Programme. Lower panel is composition of total aid budget. The percentage change in nominal aid value between 1997/98 and 2000/01 is expressed relative to the 1997/98 (starting) value.

* classification in 1990/91 is slightly different: Africa divided into North and south of Sahara, combined Asia Far East (+) and combined Europe (+).

[a] includes Africa Policy and Economics Department
[b] includes Asia Regional Economics and Policy Department
[c] Central and South East Europe includes Baltics and Balkans
[d] includes Russia, Ukraine and Central Asia
[e] total for Bilateral Country Programmes
[f] International Financial Institutions includes regional development banks.

Sources: DFID (2001: 159-65), for 1990/91 ODA (1992: Table A3 and A12).

It is clear that the major changes in aid allocation were the increased flows to SSA regions. Total aid to Africa doubled in (nominal) value terms between 1997 and 2001, whilst Africa's share in bilateral aid increased by 56 per cent between 1991 and 2001. Often, this reflected increased focus on specific countries, in particular those moving in the right policy direction (e.g. Ghana) and/or emerging from conflict (e.g. Rwanda). The largest proportional increase was the more than 200 per cent increase in nominal aid to West and North Africa. This was accounted for by three countries: aid to Ghana increased from £15m to £67m, aid to Sierra Leone increased from £3m to almost £39m (reflecting conflict-prevention activities), and aid to Nigeria increased from £7m to £17m. The only significant allocations to North Africa actually fell, for Egypt and the Aid and Trade Provision (ATP, see below).

The next largest increase in allocation was to Central Africa, a more than doubling of aid so that the region's share of the country programme increased from less than ten per cent to almost 15 per cent. Aid to Zambia more than quadrupled to £51.5m, aid to Malawi almost trebled to £62m, aid to Mozambique increased by some 50 per cent to £29m while the allocation to Zimbabwe remained about £11m. When Mozambique adopted economic policy reform to promote reconstruction DFID was one of the donors to provide commitment, financial and in terms of technical support, and the relationship has been sustained. Similarly, DFID has shown commitment to the (faltering) attempts of Malawi to reform and stabilise the economy, with an especially strong focus on support for the health sector.

Eastern Africa is the region that gets the largest share of bilateral aid and has seen an increase from 15 per cent to 18 per cent of the country programme. Although precise shares vary from year to year, the broad pattern is that Kenya gets a quarter of the regional allocation and Tanzania and Uganda each get just under 40 per cent. All now have sizeable local DFID offices. Uganda, since the mid 1990s, and Tanzania more recently are reaping the benefits of demonstrating commitment to economic reform. It is fair to say that Kenya has exhibited no such commitment, but it is politically important to Britain and the aid relationship is as important to Britain as it is to Kenya (see Cumming, 2001).

The other region that saw a large increase in aid, it almost doubled, was the rather misleadingly named 'Africa Greater Horn' Department that includes Angola, Indian Ocean islands and Eastern Africa Regional. Almost all of the increase and half of the aid under this department went to Rwanda, a country that received no British aid in 1997 but almost £33m in 2000. After the genocide, Britain was one of the first donors to commit to supporting the regime of Paul Kagame and is one of the major donors in Kigali. It has increased the aid allocation quickly, with a special focus on the education sector, and reinforced the relationship by publishing a country strategy that is essentially an agreed partnership commitment between the two governments. The only other significant country allocations for this department in 2000/01 were £6m to Ethiopia and just under £3m to Angola.

Overall, DFID's aid to Africa is quite concentrated, with only ten countries planned to receive more than £25m in 2001/02 (and accounting for almost 80% of all aid to Africa), and South Africa is the only one of these that is not low-income. In order of importance they are: Malawi, Tanzania, Uganda, Ghana, Zambia, Kenya, Mozambique, Rwanda, South Africa and Sierra Leone.[2] Using 2001/02 plans as the benchmark, India (£150m), Bangladesh (£75m), China and Russia (about £25m each) plus Nepal (£20m) are the five major recipients outside of SSA.[3] While some reallocation among countries will occur, South Asia is likely to account for just under 20 per cent of British aid. Table 1 shows a clear trend away from East Asia, the middle-income countries that have seen not only a reduction in their share but also in the level of aid. There seems also to be a general tendency for the share of aid going to Latin America and the Caribbean and to transition economies to decline, from a combined share of about 25 per cent in 1997/98 to 15 per cent in 2000/01.

Along with these shifts in the pattern of allocation have been some observable shifts in the type of aid given. Morrissey (1999) shows that in the early 1990s project aid and technical co-operation each accounted for about 45 per cent of bilateral aid. The mixed credits scheme, the Aid and Trade Provision (ATP), accounted for almost nine per cent

2 Seven of these were also among the 15 largest recipients in 1990/91. The three that were not were Rwanda, South Africa and Sierra Leone (whereas Nigeria, Zimbabwe and Sudan were among the 'top 15').

3 Compared to 1990/91, Nepal and Russia could be said to have 'replaced' Pakistan and Indonesia among the major recipients.

of bilateral aid in 1992 but had declined to five per cent by 1996. The ATP was a scheme where aid was specifically used to support British exporters, mostly to middle-income countries, and was heavily criticised (see Morrissey, 1991). The 1997 *White Paper* announced that ATP would be abolished (see discussion in the next section), and it was for new projects from November 1997. As can be seen in Table 2, however, ongoing ATP commitments accounted for almost three per cent of bilateral aid in 1999/2000, although this was highly concentrated in Far East Asia (almost all in China and Indonesia).

Table 2: British Bilateral Aid by Type, 1997/98 and 1999/2000

	Aid £m	Prog %	Proj %	TC %	ATP %	H&E %
1990/91						
Bilateral aid *	945.5	16.1	18.4	51.5	9.9	4.0
1997/98						
Africa Total	344.7	21.5	9.3	57.2	2.2	6.9
South of Sahara	332.4	22.3	9.6	56.1	2.2	7.1
America Total	100.0	10.0	7.0	62.4	0.7	13.5
Central	7.9	-	-	88.6	5.1	2.5
Caribbean	69.3	14.4	10.1	49.2	-	17.9
South	21.5	-	-	93.0	1.4	4.2
Asia Total	288.4	0.3	16.5	60.0	17.4	3.3
South	178.9	-	25.9	69.9	0.4	2.5
Far East	82.7	-	1.3	36.2	59.5	1.8
Central	3.5	-	-	98.6	-	1.4
TOTAL AID	1045.9	5.9	8.3	64.6	5.9	8.6

1999/2000	Aid £m	Prog %	Proj %	TC %	ATP %	H&E %
Africa Total	498.9	26.5	18.2	32.3	0.5	6.4
South of Sahara	484.7	27.3	18.7	34.2	0.5	6.5
America Total	96.6	8.5	10.9	45.6	0.5	7.3
Central	6.8	-	-	42.6	2.9	14.7
Caribbean	65.9	12.4	15.9	35.7	-	7.7
South	21.6	-	-	*72.7*	1.4	5.1
Asia Total	325.5	-	22.9	42.4	8.7	9.5
South	224.0	-	31.9	44.1	0.3	5.0
Far East	70.4	-	2.6	32.8	39.3	17.1
Central	3.0	-	-	93.0	-	-
TOTAL	1326.2	10.6	13.3	40.1	2.6	16.7

Notes: Total is total bilateral aid. Other categories are: Programme (Prog), Financial Aid, Project and Sector (Proj), Technical Cooperation (TC), Aid and Trade Provision (ATP) and humanitarian assistance and emergency relief (H&E). The omitted category is debt relief (in 1999/2000 a category of 'Grants and other Aid in Kind' is listed, accounting for 12% of the total, but that is omitted). Regional totals include some aid unallocated to sub-regions.
* refers to the bilateral aid programme; project aid refers to financial aid.

Sources: DFID (1999: 153-6), DFID (2001: 169-72), for 1990/91 ODA (1992: Table B1).

Table 2 compares the composition of bilateral aid in 1997/98 and 1999/2000 (with comparative data for 1990/91) and a number of trends are evident. First, as noted, ATP has been abolished and its share of aid halved over the two years (this also accounts for much of the reduction in aid to middle-income countries), declining significantly from its peak of ten per cent in 1990. Second, technical assistance (TC) is a declining share of the total (although it increased in the early 1990s), falling from almost two-thirds to 40 per cent. In SSA, TC has fallen from over half to about a third of bilateral aid, and in South Asia from 70 per cent to 40 per cent. In 1997/98, Far East Asia (where ATP was a large share) was the only region where TC accounted for less than half of bilateral aid. In 1999/2000, Central Asia and South America were the only regions in which TC accounted for more than half (almost all in the former case), and both were minor recipients in terms of the aid volume.

Third, there was an increase in programme aid and a reduction in aid allocated to projects (although both diminished in importance compared to 1990). This shift is partly understated in the table as sector aid is included under projects. As sector aid is mostly (dedicated) budget support, it is closer to programme aid than to conventional projects. Britain gives an increasing share of bilateral aid as budget support, usually linked to the existence of IMF or World Bank approved adjustment programmes. As sector aid could count as budget support, this may account for 15 per cent of bilateral aid in 2000. This is most pronounced in the low-income countries in SSA where aid is being concentrated. Programme and project aid accounts for 46 per cent of bilateral aid to SSA (up from 32 per cent in 1997) reflecting the fact that the DFID commitment to a country is conditional on the government reaching agreement with the IFIs. Although programme aid also appears important in the Caribbean in 1999, all of this refers to aid to Monsterrat.

Finally, the share of humanitarian aid in the total has almost doubled over the two years, although the trend varies by region (and, by definition, varies from year to year). The large increase in H&E as a share of aid to Central America is accounted for by Honduras and Nicaragua (hit by severe hurricanes), and that to the Far East is mostly East Timor. In both regions, also, the value of aid fell. The reduced share to the Caribbean reflects reduced needs in Monsterrat. While bilateral aid to SSA increased by almost half, the H&E share was maintained. Similarly, aid to South Asia increased by about a quarter but the H&E share doubled.

The DFID years have witnessed an increasing concentration of British aid. To some extent this is following a trend initiated by Lynda Chalker, the last Conservative ODA Minister, but her motivation was how to best use a diminishing budget. The 'Fundamental Expenditure Review published in 1996 pledged to ensure that all but a fraction of bilateral assistance would be devoted to 20 [countries] primarily in Africa' (Whaites, 1998: 205). DFID has retained the concentration, but has a larger budget and uses different considerations to determine allocations. Bilateral country aid is absorbing an increasing share of the total and is being allocated specifically towards selected poor countries in SSA and South Asia. Excluding South Africa, more than half of British aid in 2002 will go to nine SSA and three South Asian countries, all low-income. India is the single most important in volume terms but, like China, poses a peculiar problem: both are low-income countries with many millions of poor people, but are also large important economies. In terms of the importance of British aid to the country and the influence of DFID, the SSA recipients are of greater importance, and SSA is at the top of the British aid agenda. Furthermore, the composition of aid is changing, with a lower share for technical assistance and traditional projects, and an increasing share for programmes and sector-wide projects. The share of aid for humanitarian purposes is also increasing.

4 POLICY EVOLUTION THROUGH TWO WHITE PAPERS

Aid policy emerges from a policy-making process where, typically, development interests are weak relative to donor political (strategic) and economic (commercial) interests. Business lobbies have been quite effective in capturing aid as an instrument of trade policy, and Britain was no exception (Morrissey, 1993). Historically, British aid policy has been incremental, with no major changes in the allocation or composition of aid following changes of government since the 1960s (Morrissey *et al*, 1992). The major legacy of the Conservative governments of the 1980s and 1990s was a significant reduction in the volume of aid. On two of the major 'policy innovations' regarding aid, economic conditionality in the 1980s and political conditionality in the 1990s (see Stokke, 1995), the British tended to adopt and follow the lead of the World Bank (Cumming, 2001). We have detailed in the previous two sections how the organisational structure of the aid agency and the allocation of aid did change under the Blair government (arguably, the latter continues an incremental trend). Policy has also seen some significant changes under the new government, and these are considered by reference to the two White Papers. We limit attention to three issues – tied aid, the global economy, and partnerships.

The Untying of British Aid

The 1997 White Paper (DFID, 1997) was the incoming government's statement of international development policy, with the aspiration in the title of 'eliminating world poverty'. The policy objective was to improve the quality of life of the majority of people in developing countries. Aid should be guided by the interests of the poor in developing countries, and should be targeted at the poorest countries with the objective of promoting development. It was interesting that an aid agency accepted, so early and openly, that donor practices, especially tied aid, affected aid allocation and undermined the potential to promote development. In many respects the White paper aimed to present a clear break with Conservative policy, that despite the rhetoric had been strongly influenced by business interests (see Morrissey *et al*, 1992).

The proposal to abolish the Aid and Trade Provision was unambiguous: 'no more applications will be accepted for ATP assistance, and the scheme will be closed' (DFID, 1997: 45). Morrissey (1998) argues that the actual commitment to untying aid was less clear cut as the commitment to abolish ATP 'does not preclude deploying development assistance in association with private finance, including in the form of mixed credits' (DFID, 1997: 45). The section of the White Paper on 'Partnerships in Britain' appeared something of a euphemism for business interests (Morrissey, 1998). In fact, Britain has gone further than almost any other donor in untying its aid such that by 2002 Clare Short could safely claim that British aid is effectively fully untied. This compares to about 60 per cent of bilateral aid being tied in the early 1980s and just over a quarter by the mid-90s (Morrissey, 1999).

An anecdote demonstrates the change in policy, the case of the Tanzanian decision to purchase an air traffic control system from British Aerospace (BAe). The BAe system was a military specification, twice as expensive as the civil system Tanzania actually required. In the 1980s few would have raised an eyebrow if this was funded by tied aid. However, this project had not been supported by British aid, and DFID could not stop it by withdrawing funding. Clare Short believed strongly that Tanzania should not spend its money in this way, and argued, loudly and publicly, that the British government should refuse an export license to BAe. The cabinet approved the licence, on the basis that the exports supported British job (the standard argument for tied aid, lead as usual by the DTI). Short then argued that the Tanzanians should terminate the contract (they argued it was legally binding), and if not she would withhold aid to the value of the money she believed Tanzania was wasting. This is compelling evidence of the sincerity of her views against tied aid.

Tanzania could have been financially punished, but the reason was not so much the implied fungible use of aid but rather the lack of transparency. Tanzania had not allocated the contract in a publicly transparent manner (in Britain, one can observe that BAe was not asked to explain its behaviour). When later in 2002 President Mkapa announced his intention to purchase a jet for government use, Short defended Tanzania, against objections from the World Bank amongst others, *because* this decision had been justified to Parliament. There is a consistency in the DFID approach: the cornerstone of partnership is transparency, it is explaining and justifying spending rather than what (with reasonable limits) the spending is on.

The Global Economic Environment

Both White Papers contain substantial sections on international trade and capital flows, with the general premise that trade and private capital are ultimately more important than aid for ensuring development and poverty reduction. Comparing the two, one notices variations in tone and nuance rather than any change in substance. The 1997 paper reflected the time – the Uruguay Round had been completed, the WTO was in full flow and the East Asian crisis had not fully hit (at the time of writing). It is not too surprising that the tone was buoyant regarding the benefits of trade and capital flows. By 2000 reality had set in: the East Asian crisis was still fresh in the mind and confidence in private capital had been undermined, and serious questions were being asked of the global trading system in the run-up to Seattle. The influence of these circumstances can be seen, between the lines at least, in the second paper.

Section 3 of the first White Paper (DFID, 1997: 58-67) considers international development policy in relation to economic policies, specifically trade, agriculture and investment. In many respects the views expressed appear naïve, especially in respect of multilateral liberalisation of investment (see below). The views expressed are strongly in favour of liberalisation. Further multilateral liberalisation can 'encourage and assist developing countries to become more fully integrated into the multilateral system ... [and help] developing countries build their own capacity to take advantage of globalisation' (DFID, 1997: 58). There is some recognition that liberalisation can impose costs on developing countries, but usually this is only noted in respect of agriculture or loss of trade preferences for certain countries. Adjustment costs of trade liberalisation can be quite high, and some developing countries can reasonably expect to be net losers from multilateral trade liberalisation (Morrissey, 2000). At the least, the White Paper failed to appreciate the inequities of global trade.

Thinking had clearly evolved by the second White Paper: 'support for open trade is not to be confused with unregulated trade [and] there are substantial inequities in the existing international trading system' (DFID, 2000: 69). The whole tone of this paper was, as stated in the title, 'making globalisation work for the poor'. Rather than simply advocating liberalisation, attention was given to the constraints facing poor countries and how donors could help in removing these constraints. For example, high transport costs, poor infrastructure and limited access to markets were all recognised as major barriers to increasing exports from poor countries. Rich countries had to do more in opening up their markets, they should also assist poor countries (through aid and technical assistance) in improving infrastructure and providing information on marketing and the product standards required. This has had practical influences on aid decisions. For example, in 2002 DFID initiated a substantial programme to assist trade policy capacity-building in SSA. The Africa Trade and Poverty Programme and related projects encompassed Botswana, Ghana, Kenya, Malawi, Tanzania and Uganda. These amount to a new form of technical co-operation where the project is demand-led (i.e. it should be requested by the recipient government as an active participant) and the emphasis is on establishing local capacity to design and implement trade policy (especially the legal and administrative requirements of meeting WTO commitments).

Agricultural trade, despite being the single most important issue in multilateral trade liberalisation for the poorest countries, gets surprisingly little attention – about one page in DFID (1997), mostly on EU reform, and scattered paragraphs amounting to perhaps a page in DFID (2000). The first White Paper recognises that developed countries must remove protection of their agricultural markets, but says very little beyond this; if there is multilateral liberalisation, developing countries will benefit. The second White Paper reiterates the same points but does go further and addresses what developing countries should do so that they can benefit from trade opportunities – liberalise agricultural markets, improve transport and infrastructure, and export diversification. The major difference in DFID policy as revealed by the two White Papers is a realisation that the poorest countries, for a variety of reasons, are the least able to benefit from liberalisation. As both are statements of development policy, a major criticism is that they did not have more explicit and strong statements on the absolute necessity of genuine liberalisation of trade in agricultural commodities and removal of price and production subsidies in developed countries. On a more positive note, DFID (2000) showed a greater awareness of the realities of the international trading environment.

There are a number of respects in which DFID (1997) reflects its timing. Most of the discussion of trade, standards, intellectual property and even environment is in the context of the WTO and related international negotiations. This is most apparent in the almost unconditional support for liberalisation of foreign direct investment (FDI) through advocating the Multilateral Agreement on Investment (MAI) that was being negotiated within the OECD at the time. The MAI is supported as being 'based on the principles of non-discrimination against foreign investors, open investment regimes and investor protection (DFID, 1997: 62). There seems to be a complete lack of recognition that FDI is not always beneficial to developing countries and that multinational companies have tendencies to engage in anti-competitive practices. Morrissey (1998) is very critical of the assessment of liberalisation of investment and the MAI in DFID (1997). As it happened, the MAI failed.

A different approach to investment is evident in DFID (2000). It is still considered important that developing countries attract FDI and private inflows, and the need for appropriate domestic policies (sound macroeconomic management, financial sector liberalisation and competition policy) is stressed. As in the case of trade liberalisation, the emphasis is on how countries can ensure they benefit from FDI and encourage domestic investment. 'The challenge is to maximise the benefits of increased foreign investment, including that from transnational corporations, by creating strong links to the domestic economy' (DFID, 2000: 49). Similarly, private capital is to be encouraged but the Asian crisis has 'shown that there are risks associated with rapid capital account liberalisation' (DFID, 2000: 51). Considerable attention is devoted to the role of the international financial system in ensuring financial stability. Overall, the White Paper shows considerable awareness that achieving development and poverty reduction requires action at a global level rather than simply appropriate policies by developing countries themselves.

Another feature of the second White Paper is that considerable attention is devoted to the role of multilateral agencies, including the WTO and OECD, and especially the need to reform aid practices of the EC, World Bank and United Nations. The EC aid programme is heavily criticised because it is very inefficient and not focussed on poor countries, while the World Bank is urged to improve its co-operation with regional development banks and bilateral donors (DFID, 2000: 95-7). Britain is dissatisfied with the performance of the EC on aid policy, and is prepared to say so publicly (see below).

Development partnerships

Partnership was the big phrase in the 1997 White Paper – section 2 (some 28 pages) was entitled 'Building Partnerships', although only four pages were devoted to 'partnerships for development' and almost twice as many pages to 'partnerships in Britain'. The sentiment is clear: 'genuine partnership between poorer countries and the donor community are needed if poverty is to be addressed effectively and in a coherent way' (DFID, 1997: 37). What this may mean in practice is also set out. To be partners, recipients have to demonstrate commitment to poverty reduction through pursuing policies that promote pro-poor economic growth and 'responsive and accountable government' and have to 'want' Britain as a partner (DFID, 1997: 39). Britain is then committed to providing 'an enhanced level of resources' with some flexibility in how they are used in a long-term term agreement.

Commentators on the White paper welcomed this commitment to partnership while expressing concerns and reservations about how effectively it would be implemented. The obvious concern is how donors can be transparent in demonstrating how recipient governments can qualify as partners (Maxwell and Riddell, 1998). It is not sufficient that partners are revealed *ex post* as being those with which an aid agreement is signed. There must be a mechanism for announcing in advance how recipients can demonstrate their suitability as partners, and this implies empowering recipient governments. Whaites

(1998) sees the emphasis on partnership as 'enabling the state' because recipient governments that satisfy the requirements for partnership will be given greater control over their budgets and decisions. Kayizzi-Mugerwa (1998) draws interesting comparison between the White Paper and a Swedish proposal on 'partnership with Africa' that also appeared in 1997. He also saw an element of enabling the state in both proposals. 'African governments should, at a minimum, be able to defend their programmes before their domestic constituencies (as indeed the donor governments do theirs) on the basis of their own convictions' (Kayizzi-Mugerwa, 1998: 222). What emerged is that recipients, by revealing commitment to good government (including reasonable economic policies), could earn the entitlement to a partnership.

The second White Paper does not use the language of partnership (the word does not even appear in any of the chapter headings or sub-headings), but the sentiment remains. The emphasis of this paper is on what Britain will do to help achieve the international development targets, not only as an aid donor but also through exerting influence on other donors and multilateral agencies. There is also considerable emphasis on the responsibilities of developed countries to 'make globalisation work for the poor' and Britain reveals a willingness to take an international leadership role. Developing countries too are given responsibility. 'Progress is dependent on developing country leadership but some of the resources needed will have to be provided by the international community' (DFID, 2000: 14). In this White Paper, developing countries can reveal their commitment by adopting poverty reduction strategies, and DFID can in effect declare an objective criterion to determine which countries are eligible for a partnership agreement. This is the current guiding principle for DFID.

5 CONCLUSION: BRITISH AID POLICY IN 2002

The New Labour government has been in power in Britain for just over five years, and significant changes in aid policy have been implemented. The aid agency is now a department lead by a Secretary of State with a seat on cabinet. The real value of the aid budget (as a share of gross national income) has been increased by about one third. The allocation of aid has become increasingly concentrated on the poorest countries, especially in Africa. Most importantly, however, the guiding purpose of aid has changed. British aid is no longer part guided by supporting commercial interests and given only to countries that implement specified economic policy reforms. Under DFID, aid is directed at serving the development needs of the poorest countries provided their government demonstrates a commitment to poverty reduction, typically by initiating a poverty reduction strategy. In recent years DFID has acquired an identity as a donor committed to providing the resources to tackle poverty in poor countries that show the willingness to enter into a transparent partnership. The signs are that DFID will continue to have the resources to fulfil this role.

To assess how DFID is likely to evolve over the next few years, the targets recently set out provide some guidance. The Comprehensive Spending Review announced in July 2002, which included the dramatic increase in planned aid spending to 2006 alongside large increases in public spending on other sectors (especially, transport, health and education), was tied to a Public Services Agreement (PSA, 2002). All Departments signed up to the PSA and this document set out the objectives and performance targets for the Department. In principle, these targets have to be met if the Department is to secure in full the planned increase in spending. In practice, 'satisfactory attainment' would be sufficient. The important point is that DFID has specific targets to aim for and these are set out in the public domain. These targets are linked to one of five objectives for DFID (PSA, 2002: 23-4):

- *Reduce poverty in SSA*. The main target is to achieve a sustained reduction in the poverty headcount to below 48 per cent across the region. Specific targets (to be demonstrated for 16 key countries) include increasing primary school enrolment from 58 per cent to 72 per cent and reducing the proportion of 15-24 year old pregnant women with HIV below 16 per cent on average.
- *Reduce poverty in Asia*. In this case targets should be demonstrated for four key countries, and were similar to, but more ambitious than, those for SSA. Headcount poverty is to be reduced to ten per cent in East Asia and 32 per cent in South Asia. Examples include increasing primary school enrolment from 95 per cent to 100 per cent and reducing the prevalence rates of HIV among vulnerable groups below five per cent on average.
- *Reduce poverty in other regions* (no specific targets).
- *Increase the effectiveness of multilateral agencies in poverty reduction and responding to humanitarian crises*. Specific targets were to increase the proportion

of EC aid going to low-income countries, and to ensure that 75 per cent of the HIPC countries that show a commitment to reducing poverty do receive debt relief by 2006.

- *To develop innovative approaches to international development that are based on evidence* (no specific targets).

Obtaining value for money in the aid budget is also listed, although not as a specific objective, and the associated targets are increasing the proportion of bilateral aid going to the poorest countries to 90 per cent by 2006 and increasing the proportion of projects evaluated as successful. In identifying DFID aid policy from this, two issues can be highlighted. First, regarding British bilateral aid, the targets are all specified in terms of reducing poverty and improving indicators of well-being (such as health and education), and targeting aid to the poorest countries. Clearly, recipient commitment is essential if these targets are to be met, so effective partnerships are important. Second, the complementary role of multilateral agencies in ensuring poverty reduction is recognised.

Arguably, too little emphasis is given to the role of multilateral agencies, and there are no targets identifying specific agencies other than the target on allocation of EC aid. Perhaps DFID is clever in recognising that while the overall aim may be to increase the poverty reduction effectiveness of the international system, targets should be limited to the EC allocation and HIPC over which Britain has some influence. On both of these issues DFID works quite closely with the Treasury, and the HIPC target is joint for DFID and HMT. The week after the announcement of the results of the spending review, Clare Short published a piece in *The Guardian* (29 July) arguing that reform of the EC aid programme was essential. She argued that the reforms being implemented were, rather like disbursement of EU aid, too slow and cumbersome and that far too small a share of EC aid was being allocated to the poorest countries. This may well have been the first broadside in what will become a campaign by Britain (DFID and HMT) to ensure a reallocation of EC aid away from Central and Eastern Europe and Mediterranean states and towards the poorest countries, especially SSA and South Asia. It seems likely that Britain will adopt a strong position and, on criteria of recipient needs allocation of aid, should get support from NGOs and development lobbies and some of the other member states.

The wording of one target is particularly interesting, especially in the context of the two White Papers. A joint target with DTI is to 'secure agreement by 2005 to a significant reduction in trade barriers leading to improved trading opportunities for the UK and developing countries' (PSA, 2002: 24). It would not be easy to identify specific trade barriers that if removed would improve trading opportunities of *both* the UK and developing countries. One could even argue, mischievously perhaps, that tied aid is a trade barrier and DFID untying reduced opportunities for the UK. The two departments may not have to co-operate. Presumably the DTI will advocate the reduction of barriers where there are gains to the UK, and DFID will lobby on behalf of developing countries; together, they will promote multilateral liberalisation. In fact, DFID is assisting African countries in trade policy through the capacity-building programme mentioned above. This includes assistance in participating in trade negotiations. This is an example of the DFID approach to partnership that is based on helping developing countries to make their own policy decisions.

British aid policy has changed in the past five years, and Clare Short is the single most important reason that DFID has become the organisation it now is. The presence of financial and policy support, from the Chancellor and the Prime Minister, for the goals of international development have given Short the base from which to drive change in DFID. However, all will acknowledge that she provided strong leadership, intellectual and moral, and in negotiations with recipient governments personified DFID's approach to partnership. Donors and recipients can never be equal partners, and donors will set out requirements of the types of economic and governance policies they want to see. DFID has done this without being over-prescriptive, relying on demonstrations of commitment to poverty reduction rather than specific economic liberalisation policies, and has shown transparency by publishing country strategy papers and fully documenting DFID policy. DFID is likely to continue this way for the foreseeable future, and will encourage other donors, especially the EC, to follow a similar policy of using aid to assist the poor in the poorest countries.

REFERENCES

Cumming, G. (2001), *Aid to Africa: French and British Policies from the Cold War to the New Millenium*, Aldershot: Ashgate.

DFID (1997), *Eliminating World Poverty: A Challenge for the 21st Century*, White Paper on International Development, London: The Stationary Office.

DFID (1999), *DFID Departmental Report 1999*, London: The Stationary Office.

DFID (2000), *Eliminating World Poverty: Making Globalisation Work for the Poor*, White Paper on International Development, London: The Stationary Office.

DFID (2001), *DFID Departmental Report 2001*, London: The Stationary Office.

IDC (2002), *Financing for Development: Finding the Money to Eliminate World Poverty*, 2 volumes, House of Commons International Development Committee, Fifth Report of Session 2001-02, HC 785-I and II, London: The Stationary Office.

Kayizzi-Mugerwa, S. (1998), 'Africa and the Donor Community: From Conditionality to partnership', *Journal of International Development*, 10:2, 219-226.

Maxwell, S. and R. Riddell (1998), 'Conditionality or Contract: Perspectives on Partnership for Development', *Journal of International Development*, 10:2, 257-268.

Morrissey, O. (1991), 'An Evaluation of the Economic Effects of the Aid and Trade Provision', *Journal of Development Studies*, 28:1, 104-129.

Morrissey, O. (1993), 'The Mixing of Aid and Trade Policies', *The World Economy*, 16: 1, pp. 69-84.

Morrissey, O. (1998), 'ATP is Dead. Long Live Mixed Credits', *Journal of International Development*, 10:2, 247-256.

Morrissey, O. (1999), 'Aid and Trade Policy (In)Coherence' in J. Forster and O. Stokke (eds) *Policy Coherence in Development Cooperation*, London: Frank Cass, pp.373-388.

Morrissey (2000), 'Foreign Aid in the Emerging Global Trade Environment', chapter 16 in F. Tarp (ed) *Foreign Aid and Development: Lessons Learned and Directions for the Future,* Routledge, pp. 375-391.

Morrissey, O., B. Smith and E. Horesh (1992), *British Aid and International Trade*, Buckingham: Open University Press.

ODA (1992), *British Aid Statistics 1987/88-1991/92*, Government Statistical Service: Overseas Development Administration.

PSA (2002), *Public Services Agreement White Paper*, published by The Stationary Office and at http://www.hm-treasury.gov.uk/mediastore/otherfiles/psa02.

Stokke, O. (1995), 'Aid and Political Conditionality: Core Issues and State of the Art' in O. Stokke (ed), *Aid and Political Conditionality*, London: Frank Cass for EADI, pp. 1-87.

Vereker, J. (2002), 'Blazing the Trail: Eight Years of Change in Handling International Development', *Development Policy Review*, 20:2, 133-140.

Whaites, A. (1998), 'The New UK White Paper on International Development: an NGO Perspective', *Journal of International Development*, 10:2, 203-214.

CREDIT PAPERS

00/1 **Robert Lensink,** "Does Financial Development Mitigate Negative Effects of Policy Uncertainty on Economic Growth?"
00/2 **Oliver Morrissey,** "Investment and Competition Policy in Developing Countries: Implications of and for the WTO"
00/3 **Jo-Ann Crawford and Sam Laird,** "Regional Trade Agreements and the WTO"
00/4 **Sam Laird,** "Multilateral Market Access Negotiations in Goods and Services"
00/5 **Sam Laird,** "The WTO Agenda and the Developing Countries"
00/6 **Josaphat P. Kweka and Oliver Morrissey,** "Government Spending and Economic Growth in Tanzania, 1965-1996"
00/7 **Henrik Hansen and Fin Tarp,** "Aid and Growth Regressions"
00/8 **Andrew McKay, Chris Milner and Oliver Morrissey,** "The Trade and Welfare Effects of a Regional Economic Partnership Agreement"
00/9 **Mark McGillivray and Oliver Morrissey,** "Aid Illusion and Public Sector Fiscal Behaviour"
00/10 **C.W. Morgan,** "Commodity Futures Markets in LDCs: A Review and Prospects"
00/11 **Michael Bleaney and Akira Nishiyama,** "Explaining Growth: A Contest between Models"
00/12 **Christophe Muller,** "Do Agricultural Outputs of Autarkic Peasants Affect Their Health and Nutrition? Evidence from Rwanda"
00/13 **Paula K. Lorgelly,** "Are There Gender-Separate Human Capital Effects on Growth? A Review of the Recent Empirical Literature"
00/14 **Stephen Knowles and Arlene Garces,** "Measuring Government Intervention and Estimating its Effect on Output: With Reference to the High Performing Asian Economies"
00/15 **I. Dasgupta, R. Palmer-Jones and A. Parikh,** "Between Cultures and Markets: An Eclectic Analysis of Juvenile Gender Ratios in India"
00/16 **Sam Laird,** "Dolphins, Turtles, Mad Cows and Butterflies – A Look at the Multilateral Trading System in the 21st Century"
00/17 **Carl-Johan Dalgaard and Henrik Hansen,** "On Aid, Growth, and Good Policies"
01/01 **Tim Lloyd, Oliver Morrissey and Robert Osei,** "Aid, Exports and Growth in Ghana"
01/02 **Christophe Muller,** "Relative Poverty from the Perspective of Social Class: Evidence from The Netherlands"
01/03 **Stephen Knowles,** "Inequality and Economic Growth: The Empirical Relationship Reconsidered in the Light of Comparable Data"
01/04 **A. Cuadros, V. Orts and M.T. Alguacil,** "Openness and Growth: Re-Examining Foreign Direct Investment and Output Linkages in Latin America"
01/05 **Harold Alderman, Simon Appleton, Lawrence Haddad, Lina Song and Yisehac Yohannes, "**Reducing Child Malnutrition: How Far Does Income Growth Take Us?"

01/06 **Robert Lensink and Oliver Morrissey,** "Foreign Direct Investment: Flows, Volatility and Growth"

01/07 **Adam Blake, Andrew McKay and Oliver Morrissey,** "The Impact on Uganda of Agricultural Trade Liberalisation"

01/08 **R. Quentin Grafton, Stephen Knowles and P. Dorian Owen,** "Social Divergence and Economic Performance"

01/09 **David Byrne and Eric Strobl,** "Defining Unemployment in Developing Countries: The Case of Trinidad and Tobago"

01/10 **Holger Görg and Eric Strobl,** "The Incidence of Visible Underemployment: Evidence for Trinidad and Tobago"

01/11 **Abbi Mamo Kedir,** "Some Issues in Using Unit Values as Prices in the Estimation of Own-Price Elasticities: Evidence from Urban Ethiopia"

01/12 **Eric Strobl and Frank Walsh,** "Minimum Wages and Compliance: The Case of Trinidad and Tobago"

01/13 **Mark McGillivray and Oliver Morrissey,** "A Review of Evidence on the Fiscal Effects of Aid"

01/14 **Tim Lloyd, Oliver Morrissey and Robert Osei,** "Problems with Pooling in Panel Data Analysis for Developing Countries: The Case of Aid and Trade Relationships"

01/15 **Oliver Morrissey,** "Pro-Poor Conditionality for Aid and Debt Relief in East Africa"

01/16 **Zdenek Drabek and Sam Laird,** "Can Trade Policy help Mobilize Financial Resources for Economic Development?"

01/17 **Michael Bleaney and Lisenda Lisenda,** "Monetary Policy After Financial Liberalisation: A Central Bank Reaction Function for Botswana"

01/18 **Holger Görg and Eric Strobl,** "Relative Wages, Openness and Skill-Biased Technological Change in Ghana"

01/19 **Dirk Willem te Velde and Oliver Morrissey,** "Foreign Ownership and Wages: Evidence from Five African Countries"

01/20 **Suleiman Abrar,** "Duality, Choice of Functional Form and Peasant Supply Response in Ethiopia"

01/21 **John Rand and Finn Tarp,** "Business Cycles in Developing Countries: Are They Different?"

01/22 **Simon Appleton,** "Education, Incomes and Poverty in Uganda in the 1990s"

02/01 **Eric Strobl and Robert Thornton,** "Do Large Employers Pay More in Developing Countries? The Case of Five African Countries"

02/02 **Mark McGillivray and J. Ram Pillarisetti,** "International Inequality in Human Development, Real Income and Gender-related Development"

02/03 **Sourafel Girma and Abbi M. Kedir, "**When Does Food Stop Being a Luxury? Evidence from Quadratic Engel Curves with Measurement Error"

02/04 **Indraneel Dasgupta and Ravi Kanbur,** "Class, Community, Inequality"

02/05 **Karuna Gomanee, Sourafel Girma and Oliver Morrissey,** "Aid and Growth in Sub-Saharan Africa: Accounting for Transmission Mechanisms"

02/06 **Michael Bleaney and Marco Gunderman, "**Stabilisations, Crises and the "Exit" Problem – A Theoretical Model"

02/07 **Eric Strobl and Frank Walsh,** "Getting It Right: Employment Subsidy or Minimum Wage? Evidence from Trinidad and Tobago"
02/08 **Carl-Johan Dalgaard, Henrik Hansen and Finn Tarp,** "On the Empirics of Foreign Aid and Growth"
02/09 **Teresa Alguacil, Ana Cuadros and Vincente Orts,** "Does Saving Really Matter for Growth? Mexico (1970-2000)"
02/10 **Simon Feeny and Mark McGillivray,** "Modelling Inter-temporal Aid Allocation"
02/11 **Mark McGillivray,** "Aid, Economic Reform and Public Sector Fiscal Behaviour in Developing Countries"
02/12 **Indraneel Dasgupta and Ravi Kanbur,** "How Workers Get Poor *Because* Capitalists Get Rich: A General Equilibrium Model of Labor Supply, Community, and the Class Distribution of Income"
02/13 **Lucian Cernat, Sam Laird and Alessandro Turrini,** "How Important are Market Access Issues for Developing Countries in the Doha Agenda?"
02/14 **Ravi Kanbur,** "Education, Empowerment and Gender Inequalities"
02/15 **Eric Strobl,** "Is Education Used as a Signaling Device for Productivity in Developing Countries?"
02/16 **Suleiman Abrar, Oliver Morrissey and Tony Rayner,** "Supply Response of Peasant Farmers in Ethiopia"
02/17 **Stephen Knowles,** "Does Social Capital Affect Foreign Aid Allocations?"
02/18 **Dirk Willem te Velde and Oliver Morrissey,** "Spatial Inequality for Manufacturing Wages in Five African Countries"
02/19 **Jennifer Mbabazi, Oliver Morrissey and Chris Milner,** "The Fragility of the Evidence on Inequality, Trade Liberalisation, Growth and Poverty"
02/20 **Robert Osei, Oliver Morrissey and Robert Lensink,** "The Volatility of Capital Inflows: Measures and Trends for Developing Countries"
02/21 **Miyuki Shibata and Oliver Morrissey,** "Private Capital Inflows and Macroeconomic Stability in Sub-Saharan African Countries"
02/22 **L. Alan Winters, Neil McCulloch and Andrew McKay,** "Trade Liberalisation and Poverty: The Empirical Evidence"
02/23 **Oliver Morrissey,** "British Aid Policy Since 1997: Is DFID the Standard Bearer for Donors?"

SCHOOL OF ECONOMICS DISCUSSION PAPERS

In addition to the CREDIT series of research papers the School of Economics produces a discussion paper series dealing with more general aspects of economics. Below is a list of recent titles published in this series.

00/1 **Tae-Hwan Kim and Christophe Muller,** "Two-Stage Quantile Regression"

00/2 **Spiros Bougheas, Panicos O. Demetrides and Edgar L.W. Morgenroth,** "International Aspects of Public Infrastructure Investment"

00/3 **Michael Bleaney,** "Inflation as Taxation: Theory and Evidence"

00/4 **Michael Bleaney,** "Financial Fragility and Currency Crises"

00/5 **Sourafel Girma,** "A Quasi-Differencing Approach to Dynamic Modelling from a Time Series of Independent Cross Sections"

00/6 **Spiros Bougheas and Paul Downward,** "The Economics of Professional Sports Leagues: A Bargaining Approach"

00/7 **Marta Aloi, Hans Jørgen Jacobsen and Teresa Lloyd-Braga,** "Endogenous Business Cycles and Stabilization Policies"

00/8 **A. Ghoshray, T.A. Lloyd and A.J. Rayner,** "EU Wheat Prices and its Relation with Other Major Wheat Export Prices"

00/9 **Christophe Muller,** "Transient-Seasonal and Chronic Poverty of Peasants: Evidence from Rwanda"

00/10 **Gwendolyn C. Morrison,** "Embedding and Substitution in Willingness to Pay"

00/11 **Claudio Zoli,** "Inverse Sequential Stochastic Dominance: Rank-Dependent Welfare, Deprivation and Poverty Measurement"

00/12 **Tae-Hwan Kim, Stephen Leybourne and Paul Newbold,** "Unit Root Tests With a Break in Variance"

00/13 **Tae-Hwan Kim, Stephen Leybourne and Paul Newbold,** "Asymptotic Mean Squared Forecast Error When an Autoregression With Linear Trend is Fitted to Data Generated by an I(0) or I(1) Process"

00/14 **Michelle Haynes and Steve Thompson,** "The Productivity Impact of IT Deployment: An Empirical Evaluation of ATM Introduction"

00/15 **Michelle Haynes, Steve Thompson and Mike Wright,** "The Determinants of Corporate Divestment in the UK"

00/16 **John Beath, Robert Owen, Joanna Poyago-Theotoky and David Ulph,** "Optimal Incentives for Incoming Generations within Universities"

00/17 **S. McCorriston, C. W. Morgan and A. J. Rayner,** "Price Transmission: The Interaction Between Firm Behaviour and Returns to Scale"

00/18 **Tae-Hwan Kim, Douglas Stone and Halbert White,** "Asymptotic and Bayesian Confidence Intervals for Sharpe Style Weights"

00/19 **Tae-Hwan Kim and Halbert White,** "James-Stein Type Estimators in Large Samples with Application to the Least Absolute Deviation Estimator"

00/20 **Gwendolyn C. Morrison,** "Expected Utility and the Endowment Effect: Some Experimental Results"

00/21 **Christophe Muller,** "Price Index Distribution and Utilitarian Social Evaluation Functions"

00/22 **Michael Bleaney,** "Investor Sentiment, Discounts and Returns on Closed-End Funds"
00/23 **Richard Cornes and Roger Hartley,** "Joint Production Games and Share Functions"
00/24 **Joanna Poyago-Theotoky,** "Voluntary Approaches, Emission Taxation and the Organization of Environmental R&D"
00/25 **Michael Bleaney, Norman Gemmell and Richard Kneller,** "Testing the Endogenous Growth Model: Public Expenditure, Taxation and Growth Over the Long-Run"
00/26 **Michael Bleaney and Marco Gundermann,** "Credibility Gains and Output Losses: A Model of Exchange Rate Anchors"
00/27 **Indraneel Dasgupta,** "Gender Biased Redistribution and Intra-Household Distribution"
00/28 **Richard Cornes and Roger Hartley,** "Rentseeking by Players with Constant Absolute Risk Aversion"
00/29 **S.J. Leybourne, P. Newbold, D. Vougas and T. Kim,** "A Direct Test for Cointegration Between a Pair of Time Series"
00/30 **Claudio Zoli,** "Inverse Stochastic Dominance, Inequality Measurement and Gini Indices"
01/01 **Spiros Bougheas,** "Optimism, Education, and Industrial Development"
01/02 **Tae-Hwan Kim and Paul Newbold,** "Unit Root Tests Based on Inequality-Restricted Estimators"
01/03 **Christophe Muller,** "Defining Poverty Lines as a Fraction of Central Tendency"
01/04 **Claudio Piga and Joanna Poyago-Theotoky,** "Shall We Meet Halfway? Endogenous Spillovers and Locational Choice"
01/05 **Ilias Skamnelos, "**Sunspot Panics, Information-Based Bank Runs and Suspension of Deposit Convertibility"
01/06 **Spiros Bougheas and Yannis Georgellis,** "Apprenticeship Training, Earnings Profiles and Labour Turnover: Theory and German Evidence"
01/07 **M.J. Andrews, S. Bradley and R. Upward,** "Employer Search, Vacancy Duration and Skill Shortages"
01/08 **Marta Aloi and Laurence Lasselle,** "Growing Through Subsidies"
01/09 **Marta Aloi and Huw D. Dixon,** "Entry Dynamics, Capacity Utilisation, and Productivity in a Dynamic Open Economy"
01/10 **Richard Cornes and Roger Hartley,** "Asymmetric Contests with General Technologies"
01/11 **Richard Cornes and Roger Hartley,** "Disguised Aggregative Games"
01/12 **Spiros Bougheas and Tim Worrall,** "Cost Padding in Regulated Monopolies"
10/13 **Alan Duncan, Gillian Paull and Jayne Taylor,** "Price and Quality in the UK Childcare Market"
01/14 **John Creedy and Alan Duncan,** "Aggregating Labour Supply and Feedback Effects in Microsimulation"

Members of the Centre

Director

Oliver Morrissey - aid policy, trade and agriculture

Research Fellows (Internal)

Simon Appleton – poverty, education, household economics
Adam Blake – CGE models of low-income countries
Mike Bleaney - growth, international macroeconomics
Indraneel Dasgupta – development theory, household bargaining
Norman Gemmell – growth and public sector issues
Ken Ingersent - agricultural trade
Tim Lloyd – agricultural commodity markets
Andrew McKay - poverty, peasant households, agriculture
Chris Milner - trade and development
Wyn Morgan - futures markets, commodity markets
Christophe Muller – poverty, household panel econometrics
Tony Rayner - agricultural policy and trade

Research Fellows (External)

David Fielding *(University of Leicester)* – investment, monetary and fiscal policy
Ravi Kanbur (*Cornell*) – inequality, public goods – <u>Visiting Research Fellow</u>
HenrikHansen *(University of Copenhagen)* – aid and growth
Stephen Knowles *(University of Otago)* – inequality and growth
Sam Laird (*UNCTAD*) – trade policy, WTO
Robert Lensink *(University of Groningen)* – aid, investment, macroeconomics
Scott McDonald *(University of Sheffield)* – CGE modelling, agriculture
Mark McGillivray *(WIDER, Helsinki)* – aid allocation, aid policy
Doug Nelson *(Tulane University)* - political economy of trade
Shelton Nicholls *(University of West Indies)* – trade, integration
Eric Strobl *(University College Dublin)* – labour markets
Finn Tarp *(University of Copenhagen)* – aid, CGE modelling