

***PUSS SPEECH TO ODI/APGOOD ON 26 JAN***

***“A RETROSPECTIVE ON 2005 AND THE CHALLENGES FOR 2006”***

I want to reflect on the power of politics,  
Why we should back governments more,  
The need for a White Paper  
And then, looking forward, point you  
to the joy of Europe  
and the similarities between football and the UN.

But let me say by way of beginning that I am genuinely delighted to be kicking off this latest series of ODI and All Party-Group seminars.

Allow me the luxury of taking you back to the beginning of 2005 –

Imagine that we were in this same room, and I was predicting for you what we would achieve, for example:

- an agreement by 15 EU Member States to increase their aid to 0.7% of national income by 2015;
- G8 aid pledges that, with the EU commitments, should result in an extra \$50 billion per year in global aid flows by 2010, with half earmarked for Africa – doubling current levels;
- a commitment to get as close as possible to universal aids treatment by 2010;

Would you have believed me? I doubt it.

I don't think that you would have had that much faith in the ability of the political process to deliver change.

And by the political process, I don't just mean world leaders meeting in a room.

I mean a white band march around the streets of Edinburgh.

I mean hundreds of thousands of people at Live8 concerts.

One of the lessons of 2005 is in fact a reminder of a very old lesson –

It's that the only way to change things for the better is through political activity.

That political action delivered, for the first time on Friday, cross-party support for a Bill (Tom Clarke's Bill) that writes the commitment to achieving the 0.7% goal into the statute book.

That is remarkable political progress.

One of the other big lessons from 2005 is a reminder of the good Europe can do collectively,

providing real political leadership on development.

As well as the agreement on 0.7 targets, we saw EU support for the G8 multilateral debt initiative

and innovative financing such as the IFFIm.

We saw 40% more cash for the next European Development Fund.

And a new Strategic Partnership with Africa

2005 showed Member States, the Commission and the Presidency speaking with one voice when it matters, and sharing a common goal: progress on eliminating global poverty.

It was this unified voice that allowed the EU to play a pivotal role in negotiating the reforms and commitments agreed at the UN World Summit in September.

The UN World Summit served as a reminder of the central importance the UN plays, despite its critics, in development:

191 heads of state endorsed the agreements reached by the G8 at Gleneagles – a reminder of the political support for fighting poverty.

And they went further –

the Peace Building Commission and the Responsibility to Protect will make a real difference in delivering better security for poor countries.

But – and it's no secret – the one area on which we made disappointingly slow progress this year was trade.

The major WTO players did not make substantial progress, as hoped, in negotiations at Hong Kong.

The meeting was not a failure –

for example:

- conditional agreements were reached on ending export subsidies and similar equivalent measures;
- there were new disciplines on food aid and, following the EU's lead, more money for Aid for Trade;
- and developed countries agreed to provide duty and quota free access for the world's Least Developed Countries for most, though not all products.

But the key areas of agricultural market access and trade distorting domestic support were not resolved.

In short,

with little movement on the Common Agricultural Policy in Europe,

all sides failed to give ground,

and the real potential for trade to support development has not yet been realised.

As I said earlier, one of the most important reminders that last year gave us

collectively was the power of politics

and in particular the benefits of political pressure –

of citizens and civil society on governments,

of governments on themselves and each other,

to change things for the better.

One of the challenges for us going forward into 2006 is how the momentum built up in 2005 can be sustained.

We hope that the consultation and debate around the new White Paper will help a little to do this.

Our public opinion research tells us that more than 70% of people in the UK say they are concerned about the levels of poverty around the world.

However, when we dig a little deeper, we discover that the level of public understanding about what is being done on development is very limited.

Perhaps more worrying still is the public's perception that aid is often wasted due to corruption and that governments (in Africa in particular) have little hope of solving their own problems.

I don't think this is true but this cynicism could undermine our ability to make progress in 2006.

So, in my view, we must show that we are as much about improving governance as we are about delivering anti-retroviral drugs.

We must explain that while the best governance is political pluralism,

It is respect for human rights

It is action against corruption,

it is also about building a strong civil service,

it is employing the teachers and nurses a country needs,

it is developing an effective police service and a strong judiciary.

Good governance is impossible to achieve just through funding NGOs or UNICEF – important as their role is.

Good governance has obviously to come firstly from leaders and parliaments themselves, but secondly, and crucially, donors have to have the confidence and courage to fund governments.

We need to explain better how aid can help build effective states *and* provide basic services for people; explain how aid helps combat corruption by promoting transparency and accountably.

We need to explain better what budget support is, why it's important, what the safeguards are, and what results it can achieve; that it creates an incentive for countries to improve links between their policies, their budgets and public financial management.

Clearly, we can't afford have such trust in all governments, and in those where we do but that trust is breached, as in Ethiopia, we will respond accordingly and have done so.

This is as much about backing commitment to change as it is about guarding against misuse of the taxpayer's money.

And backing governments is a difficult message to get across.

There must continue to be proper safeguards on how we spend the taxpayer's money –

which means not funding the Zimbabwe of this world –

but we are and should be willing to back the governments that are committed to reform.

This is part of why, for example, 70% of our aid to Afghanistan goes through the government.

That aid is helping to put in place basic administration, revenue collection, policing and other basic services.

As a result of aid being delivered through the government of Afghanistan, lives are being saved;

jobs are slowly being created,

And economic growth is beginning to happen.

Budget Support has helped Uganda to abolish user fees in health, resulting in over a doubling of outpatient attendance.

Budget support in India from the EC and the UK has helped India dramatically improve access to education, helping to get an additional ten million children into primary education in the past two years.

The public must hear these messages.

They should hear the good stories as well as the bad.

But above all,

they need to *know* that aid works,

rather than just *believe* that it is morally right.

And too into 2006, we need to focus on delivering the things that we promised in 2005.

We need to ensure that the money committed arrives on time.

We need to get more people on anti-retroviral drugs and more health workers in place to support this and other health needs.

And we must continue to push for a world trade deal that will give substantial help to poor countries.

It is therefore vital in 2006 that the public debate about development continues in the UK and around the world.

To ensure that development stays at the top of the political agenda.

But I think the debate must be broadened –

The public should know that while we need to maintain a focus on Africa, there are large numbers of poor people living elsewhere in the world, and particularly in Asia.

I think we need to broaden the focus and I hope that the Asia 2015 conference will help raise awareness of Asia's challenges too.

It is for these reasons that Hilary announced last Thursday our plans for a third White Paper, building on 2005.

This will be the first major reframing of UK government development policy for five years,

and we want to hear from you,

all of you,

on how we should be focusing our efforts as we move forward over the coming years.

The White Paper will focus on three main issues:

- how to deliver development more quickly;
- how policies beyond aid in the UK and internationally can create a global environment better suited to reducing poverty;
- and how the international system should be reformed.

I think this third area is particularly important, and would like to conclude my speech here today by picking up two issues under reform of the international development system.

I want to talk a little further about the EU and the UN –

for if we are to turn promises into reality, the UK cannot do it on its own.

First, the EU must continue to set an example by following through on its commitments.

By helping to provide global leadership on this, we will put pressure on others to follow suit.

The EC has already come a long way on improving the way it delivers aid.

It is no longer the case, as Claire Short put it in 2000, that the EC is the worst aid agency in the world.

I think it is fundamentally different to 2000.

The EC now has a much clearer policy framework, it provides a far larger proportion of its aid through budget support, I think rightly, and it has substantially strengthened its staffing and country offices.

As a pro-European committed to social justice, I believe we can be proud of the difference EU aid is making in the fight against poverty.

EU Member States and the Commission were founding members of the Global Fund to tackle aids, TB and malaria,

and committed 60% of the 3.7 billion dollars of new money pledged last September.

But we need to work quickly and constructively to agree the details of the 10<sup>th</sup> European Development Fund.

The EDF is another example of progress made over the last five years, it has a strong poverty focus to its resource allocation –

90% of its aid goes to Low Income Countries –

we want to build on that to make EDF 10 even more effective and build on the improved disbursement rates achieved in recent years.

We should also continue to discuss the possibility of Member States, if they want to, putting more resources through the EDF.

We need to ensure that the European Consensus on Development, the new development strategy, gets the teeth that it needs.

The new Development Cooperation Instrument, as part of the EU's financial framework, must be a more poverty-focused tool, based on best development practice, capable of delivering the support needed, particularly in the Least Developed and Low Income Countries, but also Middle Income Countries.

The European Commission will have a key role to play in monitoring implementation of these commitments.

We do want a Commission that continues to work in genuine partnership with Member States, taking account of different roles of Member States, different competences and looking at how to add value.

That continues to build on the improvements it has made in the last five years.

And lastly, Commissioners committed to facilitating EU coordination where it makes sense;

that will work with Member States to improve the quality of aid across the EU;

and that will lead the way on adopting international best practice.

Simon Maxwell has called for us to invest more in making the EU the 3rd pillar of the international development system behind the IFIs and the UN.

I'm sure the Commission would be delighted by this idea.

It is an idea I am instinctively attracted to as well.

But we need to think about what that would involve in practice.

How much do you think DFID should work through the EU as a major partner for achieving our development goals?

How do we overcome scepticism about the efficiency and effectiveness of the EU, despite recent progress with reform?

Second, the UN must fully realise the central role it could have in the international development system.

I am instinctively an internationalist, I believe the UN has a fundamental role.

It has a unique combination of neutrality, legitimacy and capacity;

it is the global standard setter on human rights.

This gives it a unique and potentially pivotal role.

We recognise its many advantages and in fact we put more money through the UN than the World Bank – not something that is commonly realised.

The UN is not, however, as effective as it could be.

The UN development system can sometimes be like a football team where each player has their own manager, where each player wears their own colours and has their own plan for playing the match -

there are some brilliant individual performances on occasion but it is not the set up of true champions.

There are just too many agencies and too many overlapping mandates.

For example, there are 26 different UN agencies responsible in some way for water.

In Vietnam, there are 11 separate UN agencies in operation, all competing for financing from donors, while collectively delivering just 2 per cent of total ODA – that is a recipe for fragmentation and duplication.

The entire UN system can also be tiresomely bureaucratic and slow to react to challenges.

And in addition to its own structural and organisational problems, the UN system is frequently hamstrung by its members.

The net result is a system which is not geared up to maximise its support to developing countries.

It has got to change.

And there *is* appetite for reform we know – both within the UN and outside.

But we need to balance building a consensus on reform with the risk that some donors may see the reform agenda as an opportunity to reduce their funding.

This is not what we want.

Funding is one of the levers for influencing change and DFID will use its funding decisions over the next 12 months to continue our push for wider UN reform.

As the Financial Times reminds us today, the time when we will see a new Secretary General is approaching fast.

It will be important to ensure that he or she has an appetite for reform of the development system.

The current SG has called for action on radical, longer-term reform including the potential for UN agency mergers and acquisitions around three tightly managed humanitarian, development and environment pillars.

He is in the process of setting up a high level panel to further that agenda.

We support the SG's efforts in this.

We want that panel to be radical and will help where we can.

And we should not shirk from the challenges that our appetite for reform throws up –

we should demand a legitimate, well structured and fully financed international system that is greater than the sum of its parts, rather than the other way around

–

the world, we think, deserves nothing less.

This is one of the key themes for the new White Paper and we are keen to have your views about how the UK might use its influence to support such change.

My conclusion then, is let us recognise the power of politics and politicians to make a difference as was graphically brought home last year, let us trust developing country governments with our money whilst challenging their imperfections.

Let us celebrate what Europe is achieving but push for more from the Commission and Member States.

Let us take the Secretary General's opportunity to challenge the United Nations to be the radical champion for the world's poor that it could be.

We look forward to your comments on the White Paper.

Thank you very much.