



Overseas Development
Institute

Annual Report 2007

Transitions in
international
development

About ODI



ODI's Mission



ODI is Britain's leading independent think tank on international development and humanitarian issues. Our mission is to inspire and inform policy and practice which lead to the reduction of poverty, the alleviation of suffering and the achievement of sustainable livelihoods in developing countries. We do this by locking together high-quality applied research, practical policy advice, and policy-focused dissemination and debate. We work with partners in the public and private sectors, in both developing and developed countries. ODI's work centres on its research and policy groups and programmes.

Research groups

- Humanitarian Policy
- International Economic Development
- Poverty and Public Policy
- Research and Policy in Development
- Rural Policy and Governance

Research programmes

- Business and Development Performance
- Centre for Aid and Public Expenditure
- Chronic Poverty Research Centre (ODI is a major partner)
- European Development Cooperation
- Forest Policy and Environment
- Protected Livelihoods and Agricultural Growth
- Rights in Action
- RIPPLE – Research-inspired Policy and Practice Learning in Ethiopia and the Nile Region
- Strategic Policy Impact and Research Unit (hosted by ODI)
- Tourism
- Tsunami Evaluation Coalition (secretariat based at ODI)
- VERIFOR – Options for Forest Verification
- Water Policy Programme

International networks and cross-cutting programmes

- Active Learning Network for Accountability and Performance in Humanitarian Action (secretariat based at ODI)
- Civil Society Partnerships Programme
- Forum on the Future of Aid (hosted by ODI)
- Humanitarian Practice Network
- Partnership Brokers Accreditation Scheme (PBAS)

Fellowship Scheme

The ODI Fellowship Scheme places young economists on attachment to the governments of developing countries. Read more about the Scheme on page 38.

Outputs

Publications

ODI produces publications aimed at a wide range of audiences. Outputs include books, *Research Reports*, *Working Papers*, *Briefing Papers*, *Opinions*, *Background Notes*, *Project Briefings*, practitioner-focused toolkits and meeting reports. The monthly ODI e-newsletter provides an update on the work of the Institute – events, blogs, news and research – and provides links to key publications. In addition, *Briefing Papers* are posted to subscribers without internet access. This year, news feeds have been added to the site: these allow subscribers to see when new content has been added without visiting the website.

ODI produces two international peer-review journals, *Development Policy Review* and *Disasters*. They are published by Wiley-Blackwell online and in print. Find out more on page 42.

Events

ODI holds regular public discussion meetings, workshops and seminars on development topics of both general and specialist interest, addressed by speakers from the UK and overseas. ODI also organises public meetings with APGOOD, the UK's All-Party Parliamentary Group on Overseas Development, as well as other relevant All-Party Groups. Informal background briefing sessions are also provided for MPs, for colleagues working at international agencies, and for journalists. Reports from public events are posted on the website and audio clips are made available.

Media

ODI's press office is in regular contact with a wide range of internationally-based journalists. It provides the media with resources including news releases, media roundtables, informal background briefings, thematic web portals and blog alerts (journalists are alerted to new ODI blog postings that may be of particular interest, and/or link to international affairs). In addition to media appearances by research staff, many researchers spend time providing background information for programme-makers and writers. Read more about the impact of this work on page 23. For events and media enquiries, please contact:

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Cover image: Malawi, woman with a seedling. Mikkel Ostergaard/Panos.
Contents image: Nepal, farm worker. Mikkel Ostergaard/Panos.

The Council

Those marked with an * are also Board members.

Those marked with a > are newly elected Council members

Tony Baldry Conservative MP, chaired the International Development Select Committee from 2001 to 2005.

Andrew Barnett* Director of Policy Practice Limited, an economist with extensive experience of both energy and technology policy analysis in developing countries.

Hugh Bayley Labour MP and member of the International Development Select Committee. Member of the NATO Parliamentary Assembly and the Commonwealth Parliamentary Association, and Chair of the Westminster Foundation for Democracy.

> **Professor Jo Beall** Professor of Development Studies at the London School of Economics; former director of Development Studies Institute, London School of Economics.

> **Alan Beattie** World Trade Editor of the *Financial Times*. Former Bank of England economist.

Andrew Bennett Executive Director of the Syngenta Foundation for Sustainable Agriculture and President of the Tropical Agricultural Association (UK).

Malcolm Bruce Liberal Democrat MP and Chair of the International Development Select Committee. Also Chair of Globe UK and President of Globe International.

Dominic Bruynseels* Senior Executive Director for Emerging Markets for Barclays Bank South Africa. Executive Director and member of the board of Absa Group, South Africa's leading retail bank.

Tony Colman Associate Director of the Africa Practice, African Investment Advisory and Africa Venture Capital Association. Former Labour MP.

William Day* Chairman of Water and Sanitation for the Urban Poor (WSUP). Special Advisor to the UNDP and Senior Associate, University of Cambridge Programme for Industry.

Richard Dowden Director of the Royal African Society. A journalist, he has worked for The Times, and was Africa Editor of both *The Independent* and *The Economist*.

Larry Elliott Economics Editor at *The Guardian*.

> **Professor Frank Ellis** Professor in agricultural economics at the School of Development Studies, University of East Anglia.

> **Professor Diane Elson** Member of the Department of Sociology and the Human Rights Centre, University of Essex. Former member of the Millennium Project Task Force on MDG3 to Promote Gender Equality and Women's Empowerment.

Nik Gowing Main Programme Anchor for BBC World, the BBC's 24-hour international TV news and information channel.

> **Ann Grant** British High Commissioner to South Africa 2000–05. Joined Standard Chartered Bank as Vice Chairman, Standard Chartered Capital Markets Ltd in 2005.

Lord Holme Chairman of GlobeScan and advises Standard Chartered Bank and BG Group on sustainable development. Also Chairman of the Select Committee on the Constitution, the Royal Africa Society and LEAD International, and Chancellor of the University of Greenwich.

Isobel Hunter* Independent Human Resources consultant. Particular focus on international organisations in the not for profit and public sector.

Baroness Margaret Jay* Chair of ODI. Non-executive Director of British Telecom and the Independent Media Group. Member of the House of Lords since 1992 and Minister for Health (1997–8), member of the Cabinet as Leader of the House of Lords, and Minister for Women (1998–2001).

Sir Richard Jolly Director of IDS (1972–81) before joining UNICEF as Deputy Executive Director for Programmes (1982–95). Architect of UNDP's Human Development Report for five years. Since 2000, back at IDS, has been working on an intellectual history of the UN.



Richard Laing* Chief Executive of CDC Group, a leading investor in private equity funds in the emerging markets of Africa, Asia and Latin America.

Michael Lipton* Research Professor at the Poverty Research Unit, University of Sussex. Fellow of the British Academy, Advisory Committee of HarvestPlus and board of International Development Enterprises (UK).

Professor Anne Mills Professor of Health Economics and Policy, London School of Hygiene and Tropical Medicine. Head of the Health Economics and Financing Programme and the Public Health and Policy department.

Baroness Lindsay Northover Liberal Democrat Lords Spokesperson on International Development. Has served on the European Union Foreign Affairs, International Development and Defence Select Committees and is an officer of the Aid, Debt and Trade All-Party Parliamentary Group (APPG).

Avinash Persaud* Chairman of Intelligence Capital, member of the Councils of the London School of Economics and Royal Economic Society, and Co-Chair of the OECD Emerging Markets Network.

Saili Shetty Director, UN Millennium Development Goals Campaign and former Chief Executive of ActionAid.

Professor Diane Stone* Chair, Marie Curie. Professor of Public Policy, Central European University, Budapest. Professor, Politics and International Studies, University of Warwick. Chair, Researchers Alliance for Development.

Tidjane Thiam Managing Director of Aviva International and a member of the Commission for Africa.

> **Lord Adair Turner** Chairman of the Economic and Social Research Council. Non-executive Director of Standard Chartered PLC, Siemens Holdings plc, United Business Media plc, and Paternoster Ltd. Visiting Professor at the London School of Economics and CASS Business School.

Sue Unsworth* Research Associate with the Governance Team at IDS, University of Sussex. Principal with The Policy Practice. Formerly Regional Director for Asia and subsequently Chief Governance Adviser at the Department for International Development.

Stewart Wallis* Executive Director of nef (the new economics foundation). Previously spent seven years at the World Bank before joining Oxfam as International Director in 1992.

Bowen Wells Former Conservative MP and founding Chairman of the International Development Select Committee (1997–2001).

Baroness Janet Whitaker* Vice-Chair of the All-Party Parliamentary Groups on Overseas Development and on Ethiopia, and of the Parliamentary Labour Party International Development Committee. Currently Labour Party International Development Liaison Peer.

Ngairé Woods Fellow in Politics and International Relations, Dean of Graduates and Director of the Global Economic Governance Programme at University College, Oxford.

< **Anuradha Vittachi**, Co-director of WorldWorld UK, stood down this year – many thanks for her invaluable advice and support.

Introduction



**Margaret Jay,
ODI Chair**

This has been the first full year of operation of the new governance structure at ODI. We now have a small executive Board and a larger advisory Council. It is working well, and I am grateful to Council and Board members for the time they have given and all their efforts on behalf of ODI. Everyone will now be engaged in the current Strategic Review, which will help shape the Institute for the period to 2013.

Dominic Bruynseels has continued to work mainly in South Africa, and has had to stand down from the position of Chair of the Finance Committee. His responsibilities have been taken by Avinash Persaud. I am very grateful indeed to Dominic, who has been a member of the ODI Council since 1999 and has acted as *de facto* Deputy Chair; I am delighted he will remain a member of Council. I am equally grateful to Avinash for taking on an important responsibility in the financial area. The year 2005/2006 was a difficult one, and we were concerned about financial stability. There was again a small operating deficit this year,

but it was smaller. It is imperative, of course, that the improvement be sustained.

Simon Maxwell has continued to lead the Institute with energy and flair. His great contribution to development studies was publicly recognised this year when he became a CBE in the New Year Honours List.

ODI's institutional reputation rests on the quality of its research, and the way it uses research to engage with policy. But, as we all know, policy change does not 'just happen' on the basis of research and evidence: ODI staff need to publish in academic journals, but also engage in many other ways, from *Briefing Papers* and policy workshops, to public meetings, articles in the press, and blogs. We ask a great deal of our staff, and the term 'researcher' barely covers the range of skills required for true policy entrepreneurship. I am grateful to them all for their work this year. The Annual Report again illustrates the admirable range and quality of ODI, and I hope you will both enjoy and be impressed by reading it.

'The term "researcher" barely covers the range of skills required for true policy entrepreneurship. This Report illustrates the range and quality of ODI's work.'



**Simon
Maxwell,
ODI Director**

ODI is currently thinking about its own future, in our latest five-year review. We need to identify emerging themes and reflect on our place in the world.

My overview overleaf identifies urbanisation, climate change and the impact of China on the global economy as topics where we need a voice. The interface with foreign policy will also loom large, as will the institutions and incentives for improved global governance. These topics all feature already in our programme, albeit on a small scale. The decision will be about growth, and about the overall size and content of our programme.

I think it unlikely that we will want to vacate our niche as the leading London-based think tank on international development and humanitarian issues. Our combination of research, policy advice and public affairs has served us well and is of value. Our reach is growing, in readership, attendance at meetings, parliamentary work and media engagement. We have also scored some notable successes – for example, winning a £4m research programme on water policy in Ethiopia, led by Alan Nicol, and a £4m programme on politics, led by David Booth; both are funded by DFID and are in partnership with research institutes in Africa. These grants bring to five the number of large, funded programmes at ODI, providing a core around which much else can be developed. In the next five

years, a priority will surely be to strengthen further our partnerships overseas. The RAPID programme, Research and Policy in Development, provides a strong foundation in its new Evidence-Based Policy in Development Network.

In 2006/2007, we reorganised our management structure and created five posts of Director of Programmes. These are filled by James Darcy, Alison Evans, Andrew Shepherd, Christopher Stevens and John Young. We also introduced a new performance management system and restructured the finance office. We have a new three-year communication strategy, and have invested significantly in improved knowledge management.

There has also been a substantial increase in the number of research staff based at ODI, including doubling the number working on international trade, finance and business partnerships, in the International Economic Development Group led by Christopher Stevens. There are now, by the way, 26 different nationalities working at ODI.

It was a great pleasure to learn, as this Report went to press, that Tony Killick had been awarded an OBE for services to economic development in Africa. Tony has been associated with ODI since 1979 and was Director from 1982–7. He is now a Senior Research Associate, a source of inspiration and a mentor.

Ten steps to a new development agenda

By Simon Maxwell, ODI Director

This is a time of transition in politics and policy. What contribution can ODI make?

We are always careful not to be party political and not be tarred as advocates or campaigners. Nor do we have an institutional view which might constrain researchers. ODI's reputation rests on its ability to privilege high-quality research, and use evidence to inform policy debates.

Nevertheless, it is incumbent on us to be useful. How can we help new leaders in the UK, France, the World Bank, the United Nations, and elsewhere? As we reported last year, and in a continuing series of public events, we have been debating: 'What's Next in International Development?' Good question. What's the answer?

Of course there is no single institutional answer. The mandate of researchers is specifically to challenge consensus. What follows, therefore, is a personal prospectus.

The key question is whether the Millennium Development Goals provide sufficient purchase for current development policy. The 'poverty reduction paradigm' has been a powerful driver of both thinking and action in international development – certainly since the publication of the 1990 *World Development* and *Human Development Reports*. The dominant paradigm has never been uncontested nor risk free, but it has been remarkably successful in focusing the minds of donors and recipients, especially on the purpose and use of aid.

The agenda is changing, however, in three important ways. China is reshaping the global economy, especially through its impact on the manufacturing prospects of poor countries. Security issues are

everywhere rising up the agenda. And the focus on national development strategies is being supplemented in different ways by regional and global issues: climate change is the obvious example, but there are many others.

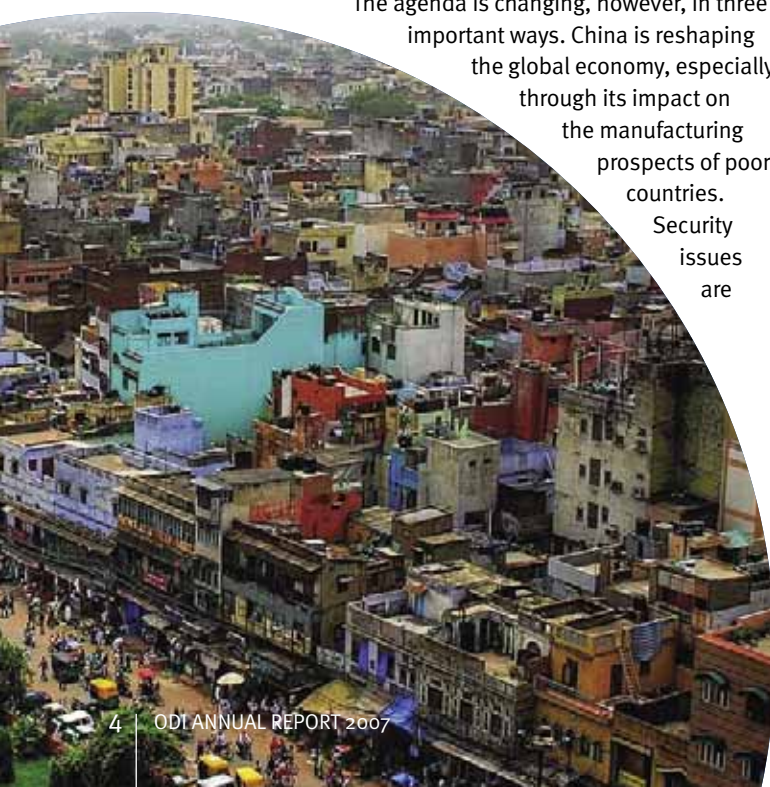
Much else is changing too. Urbanisation is spreading fast. Supply chains are being reconfigured as globalisation proceeds. And, interestingly, social policy debates are being re-cast. For example, inequality is becoming a more prominent issue.

We miss all this at our peril. An analogy I have drawn is with a visit to a game park. All eyes and lenses are focused on the lioness and her cubs on one side of the car. Meanwhile, on the other, unnoticed, a large bull elephant advances...

Ten steps to a new development agenda

What should be our response? There are ten key elements:

1. A vision of social justice, which extends beyond simple measures of poverty. A useful formulation emphasises equal citizenship, equality of opportunity, and a reasonable fairness in the distribution of outcomes. If this is applied at a global scale, it challenges policy-makers: global inequality becomes an immediate barrier to global well-being.
2. An approach to growth which recognises the impact of globalisation. Supply chains, including in agriculture, have become more highly integrated and more geographically specialised, requiring higher standards and greater timeliness. Furthermore, the entry of China's large labour force into the world economy has halved the global capital-labour ratio, driven the price of manufactures down and of primary commodities up. Africa is growing, on average faster than Organisation for Economic Cooperation and Development (OECD) countries, but mainly on the back of a commodity boom with relatively low prospects for job creation. Aid for trade is one response, but other supply-side measures will also be needed.
3. Recognition that delivering a 'social minimum' is a priority, whether in the form of humanitarian aid or social protection. The imperative is founded in international jurisprudence on economic and social rights, but also in the self-interest of developed-country governments worried about migration pressure and security risks.
4. A commitment to joined-up thinking in government. The current debate about the dissolving boundary between development and foreign policy is not simply a manufactured



‘The poverty reduction paradigm has been a powerful driver, but the agenda is changing... An analogy I have drawn is with a visit to a game park. All eyes and lenses are focused on the lioness and her cubs on one side of the car. Meanwhile, on the other, unnoticed, a large bull elephant advances...’

response by ministries of foreign affairs to the sight of development budgets rising; nor a simplistic counter to terrorism. There are many regions of the world – the Horn of Africa is one – where complex patterns of conflict interact with poverty, and where an integrated approach is necessary. Yet governments are not often well-equipped to think and act as one.

5. Global challenges need governments to work together better than they currently do. Institutional reform, in the UN and elsewhere, needs to be driven by a better understanding of the conditions for successful collective action. As a recent UK Government policy paper, ‘Britain in the World’, observed, ‘the strength of governments in the future will be as much to do with their ability to harness the power of others as their own direct power and influence’.
6. The effort to increase aid must continue. Though some argue that absorptive capacity is limited and that aid can decapitate political accountability in developing countries, the scale of need is such that the argument needs to be reconfigured: the question researchers must answer is how to increase capacity and simultaneously preserve domestic accountability.
7. A major effort to simplify and multilateralise aid. At present, two-thirds of aid is bilateral, only one-third multilateral – and the bilateral share is growing. The proliferation of aid agencies imposes high costs on poor countries. Donors have concentrated on improving aid effectiveness by aligning behind government plans and harmonising procedures among themselves. They should in addition take a more systematic look at the overall aid architecture, including the role of the UN, the European Union (EU) and the multilateral development banks.
8. UN reform is a priority, in aid and more widely. The various High-level Panels have delivered only modest improvements so far, constrained by lack of trust as much as by differences of view. The alternatives to a better-functioning and more accountable UN are all problematic: ‘multilateralism minus one’, ad hoc ‘coalitions of the willing’ or new, special purpose formations.
9. The EU is an essential pillar of a new development architecture. It has the great advantage of bringing together aid, trade and foreign policy, and has mechanisms in place to improve the accountability of rich countries to poor ones. Continued reform is needed here also.



Above: Issues of inequality are returning to the agenda. Opposite: Urbanisation is spreading at an unprecedented rate.

10. Independent evaluation as an essential component of mutual accountability. Many countries and agencies have strengthened evaluation and made it more independent. The next step must be to internationalise, and enable comparative data to be assembled. This will raise standards and help developing countries make informed choices.

None of the above is especially controversial. It does, however, have implications for the way governments and aid agencies manage their business. Some countries maintain separate aid or development ministries; others do not. In either case, it seems clear that the evolving agenda will need cross-government working on a new scale. Furthermore, the skills needed in development ministries will need to expand.

In the past, such departments contained many people with sectoral skills in different aspects of country-level development policy – civil engineers, for example, or agricultural specialists. In more recent years, new cadres have been added, for example with expertise in public finance and international trade. In the future, while elements of the current skill mix will need to be retained, there will also need to be expertise in managing global negotiations and in influencing the change process in international organisations. This is why I have talked about the need to ‘re-vision’ aid.

The MDGs do not become irrelevant in the new policy environment. Reducing absolute poverty by half by 2015 remains a necessary – and minimal – ambition. Nevertheless, the MDGs were always somewhat selective from the range of targets set by the UN Conferences of the 1990s. We can now see clearly how the context is changing and what needs to be added to the policy mix.

EPAs and the Lisbon Summit on a collision course

By Christopher Stevens, Director of Programmes, International Economic Development

The Economic Partnership Agreements (EPAs) negotiated between the EU and the Africa, Caribbean and Pacific group (ACP) offer a good example of the difference that ODI can make by combining rigorous research with policy relevance. The overlap of the December 2007 formal deadline for EPA deals to be in place with the Lisbon Euro-Africa summit, has been a source of potential tension since Portugal announced its intentions for the latter.

EPAs are highly contentious – but much of the comment is ill-informed, simply because the devil is in the detail and the detail has been very slow to emerge. The ACP will have to remove tariffs on ‘substantially all’ imports from the EU over a period of two decades or more. By June 2007 none of the six regional negotiating groups had reached the stage of specifying which goods would be liberalised when.

During 2006, ODI worked directly with some of the EPA groups, and undertook workshops, training sessions and research to help prepare development-friendly liberalisation schedules. This continued in 2007 – but with the deadline looming and so much still to do an even more urgent task arose: to make sure (through researched-based public affairs work) that the EU did not impose new barriers to ACP exports from January 2008.

The problem: a WTO waiver justifying the EU’s current trade preferences for the ACP set to expire in December 2007; most of the six EPAs too far from completion for them to be finalised before this deadline; no ‘off the shelf’ EU trade regime to

offer from 2008 other than the Generalised System of Preferences (GSP). ODI research showed that the GSP would be catastrophic for the ACP, resulting in major revenue and job losses. Namibia, for example, would find itself paying four times as much in taxes to the EU on its exports than it receives as aid from EuropeAid! (See extract right.)

EPAs: A bluffer’s guide

The EU has had a special trade and aid relationship with the (77-strong) ACP group since 1975. This has been effected through a set of Lomé Conventions and, since 2000, the Cotonou Partnership Agreement (CPA) which provides a special aid budget, trade preferences and a set of joint institutions available equally to all ACP states.

Until recently, the trade preferences were ‘non-reciprocal’, i.e. in return for favourable access to the EU market the ACP were obliged to do no more than treat imports from Europe no less favourably than from other extra-regional suppliers. This was to change from 2008 if the ACP agreed to join EPAs which would be ‘reciprocal’: all parties to liberalise trade with their partners. Another major change was that the ACP group was to be split between six EPAs.

Both changes were controversial – as were other items on the EU’s agenda, which also covered services, competition policy, government procurement and investment. Some ACP states accepted some of these items; others did not. At the time this Annual Report went to press (July 07), the final scope of the EPAs was not clear.

Will EPAs undermine regionalism?

Supporters of EPAs have argued they would foster regional integration among the ACP. This could be true if the EC achieved its objective of negotiating a single liberalisation schedule to be applied to all ACP states in each EPA so that they have identical regimes for imports from the EU. But this has from the outset been far from certain.

Given the differences in initial positions, harmonisation of ACP states’ approaches will take a good deal of time. If regional partners do not have identical tariffs towards the EU, the effect would be to give new impetus to maintaining border controls between them – to intercept European goods entering an EPA state with a low tariff and being transhipped to one with a high tariff. This applies with particular force to countries that stay outside an EPA because they reject reciprocity: their self-exclusion would achieve nothing unless they monitored trade with their regional partners rigorously, making integration less likely.

The end of EU preferences for Namibia

By Mareike Meyn, Research Officer,
International Economic Development

Extract from ODI Project Briefing

Europe is Namibia's most important export destination for beef, fish and grapes – its only agricultural exports. The European Union market is particularly attractive because it offers preferential access to a high-priced market. Namibia's preferential access is, however, under threat because there may not be an agreed negotiated alternative to the current trade regime by the time it expires on 31 December 2007. If no equivalent is in place on 1 January 2008, Namibia could not only lose its preferences but also face discrimination compared to its competitors in the EU market.

Given that the GSP is the only certain alternative for Namibia's exports from January 2008 onwards, ODI has analysed:

- The immediate costs that would arise if Namibia exported its major agricultural products to the EU on GSP terms or, in the case of meat, on most-favoured-nation terms.
- The current competitive situation for Namibia's agricultural exports in the EU market and the likely consequences if its access were downgraded.
- The contribution of current EU preferences to domestic value added and the possible social implications of losing current preferences for meat and grapes.

The analysis shows that the results of the EU applying the GSP are devastating. The taxes that the EU would impose on these exports if current levels of preferences were to cease at the end

GSP: An alternative to EPAs

There are three tranches to the Generalised System of Preferences (GSP) – a system of EU trade preferences.

- The 'Standard GSP' that is available to all developing countries and which offers the least liberal of the three regimes (in terms of the number of products covered and the extent to which tariffs are reduced).
- The GSP+, introduced in 2005 and available to all countries that apply, that meet two criteria of 'vulnerability' and that also ratify and implement 27 international conventions on human and labour rights and on the environment and governance; all ACP states would appear to meet the vulnerability criteria.
- The Everything But Arms (EBA) initiative, which comes fully into force in 2009 when it will offer duty- and quota-free market access to all exports from Least Developed Countries (LDCs).



In EPA negotiations, if the devil is in the detail and the details have been so slow to emerge, what is next for ACP states?

of this year would total €45.15 million. As this is unsustainable, it would probably lead to the collapse of meat exports, with severe social consequences.

It is in the hands of the EU (with the Commission holding the initiative) either to support the meat, fish and grapes industry (giving it at least the chance to adjust to preference erosion as and when this occurs) or to bring these sectors to an untimely end by imposing import controls. Whichever it decides, there will be social consequences.

Resources

Events

EPAs 2006 – Progress and challenges on the negotiation of Economic Partnership Agreements between the EU and ACP

Books

Regional Integration and Poverty, edited by Dirk Willem te Velde

Research Reports and Briefings

The costs to the ACP of exporting to the EU under the GSP

The end of current EU preferences for Namibia: Economic and social impacts by Mareike Meyn (extract above)

Briefing Papers and Project Briefing

EPAs: What happens in 2008? by Christopher Stevens

EPAs: Where we are by Christopher Stevens

The potential effects of Economic Partnership Agreements: What quantitative models say by M. Calí and D.W. te Velde

The 'Development Dimension': Matching problems and solutions by Edward Anderson and Christopher Stevens

Web

Resources on trade, trade policy and institutions:
www.odi.org.uk/iedg/research_areas

Climate change and development: Threat *and* opportunity?

Overview by Leo Peskett, Research Officer, Rural Policy and Governance

A series of landmark reports has punctuated an important year for climate change. The Stern Review, published in October 2006, secured the attention of policy-makers by assessing the economic impacts of climate change and setting an upper global price tag for inaction at around \$7 trillion annually. The Fourth Assessment Report of the Intergovernmental Panel on Climate Change followed, outlining a consensus view from leading scientists on the scientific basis, projected impacts and response options for climate change. It presents a bleak picture for developing countries, with projections that between 75 and 250 million people in Africa will be exposed to increased water stress by 2020 and that rain-fed cereal yields will be reduced in some areas by up to 50% in the same timeframe.

Mitigation of climate change still dominates the international agenda, with much effort focused on the future of the Kyoto Protocol and a number of separate initiatives, including US-led proposals using voluntary emissions targets, and a potentially more ambitious G8 process pushing for 50% emissions cuts by 2050. But debates about adaptation in developing countries are also coming to the fore, as observed impacts become more apparent. Much thinking on how development efforts should incorporate climate change impacts aims to reconcile differences in approach between development and climate

change communities. ODI's work indicates a tendency to approach adaptation from a scientific and technical standpoint, with results that are hard to translate within development policy processes.

What does this mean for developing countries? Climate change adaptation does pose a number of new challenges. How, for example, can we design mechanisms that increase financial and technical capacity to develop and assess new policies in climate change terms? In many cases, however, the challenges are not new and just exacerbate existing policy issues, such as high levels of vulnerability to shocks and stresses among poor households. But climate change can provide an opportunity for an increased push on these challenges – for example, by reinforcing arguments for increased investment in agriculture, to ensure sustainable and resilient rural livelihoods.

Initiatives to tackle climate change are also creating large new markets, for example in carbon and biofuels. ODI research indicates these have some, albeit fragile, potential to reduce poverty, through increased employment or wider growth multipliers. Again, they raise many of the policy issues already familiar to agriculture and forestry policy-makers. But they also raise the prospect of new pressures on the poor, such as increased conflict over land and natural resources. These could be further exacerbated by decreases in the quality – or increases in the scarcity – of such assets, because of climate change impacts.

Climate change: Endangering the MDGs?

Extract taken from an ODI Blog 'Millennium Development Goals, agriculture and climate change' by Martin Prowse, Leo Peskett and Tim Brauhnoltz.

With July 7th 2007 designated the official mid-point of the MDGs, the time is ripe to assess challenges to meeting these goals, and to look beyond them... how do the physical impacts of climate change affect the prospects for achieving the first goal, to halve world poverty? There might be a limited window of opportunity for current strategies for agricultural growth and poverty reduction to 'trigger' rural growth processes in sub-Saharan Africa. If climate change impacts are greater and sooner than previous models have suggested, it may only be a matter of two or three decades before it becomes much harder for agricultural growth and poverty reduction to be achieved using the approaches currently available. If this is the case, it is a clear reason to double and redouble efforts at stimulating smallholder-driven rural growth processes and poverty reduction immediately. The implication of this is that governments and aid agencies must start to think beyond 2015... if poverty is not reduced substantially in sub-Saharan countries by, say, 2025, then can poverty reduction using current strategies be achieved at all?

Food security and biofuels: Growing our way out of poverty?

By Leo Peskett, Rachel Slater, Christopher Stevens and Annie Dufey

Extract from *Biofuels, agriculture and poverty reduction*, an ODI Natural Resource Perspective

Debate about the effects of biofuels on developing countries is divided between those concerned about their impact on land use, food prices and aid, and those arguing that they create rural jobs, increasing incomes and thereby improving food security:

- **Land for food or fuel?**

If land is diverted away from growing food for people to growing fuel for cars, biofuels could cause food insecurity. Increasing land and labour productivity to avoid competition with the use of land for food staples may be crucial.

- **What impacts on food prices is likely?**

As many poor people are net consumers of food, prices are often as important as availability. At present, evidence that biofuels are leading to price increases is only circumstantial. Analysis of variation in world grain prices suggests that they have continued to decline in real terms (World Bank, 2006), and, of the three main staples – rice, wheat and maize – only maize is currently used for ethanol production.

- **How might biofuel production affect food aid from the US?**

Increased demand for fossil fuels from rapidly-growing economies (China, India) is putting pressure on the US's cheap energy policy. One response has been to provide financial incentives for supplying 25% of US energy use from renewable resources by 2025. Currently, agricultural surplus production is used to manage domestic surpluses and stocks, and food therefore plays a major role in the US foreign aid programme. The use of maize for biofuels could result in a switch to monetary aid and more flexible approaches to aid programming – or simply a decrease in overall levels of aid.



Above: Will maize for food become maize for fuel? Opposite: The 14 waterfalls in Thika, Kenya, merge into one flood during heavy rain.

Though context specific, some policy goals include:

- A reduction in agricultural support regimes for biofuels by OECD countries, to avoid penalising developing countries who already have restricted access to OECD markets.
- An end to policy, regulatory and investment constraints affecting agricultural production in developing countries.
- Efforts to make staple markets work better, to enable switching between the main staples (maize, rice and wheat).
- Investment in improved land administration systems to deal with conflicting claims emerging under biofuels expansion.
- Priority investment for biodiesel, as it generates more labour, has lower transportation costs and uses simpler technology.
- Identifying additional, non-seasonal, sources of work.
- Improving infrastructure to lengthen the processing season.
- Striking a balance between centralised processing units with greater economies of scale and smaller, decentralised units.

What are biofuels?

Biofuels are organic primary and/or secondary fuels derived from biomass and used for the generation of thermal energy. Two types of liquid biofuels are produced from purpose-grown crops:

- Bioethanol – an alcohol derived from sugar or starch crops (e.g. sugar beet, sugar cane or corn) by fermentation. It can be used in either neat form in specially designed engines, or blended with petroleum fuel.
- Biodiesel – derived from vegetable oils (e.g. rapeseed oil, jatropha, soy or palm oil) by reaction of the oil with methanol. It can either be burnt directly in diesel engines or blended with diesel derived from fossil fuels.

Resources

Events

Development horizons: Future directions for research and policy – Climate change. With IIED and the IDS.

Briefing Papers and Opinions

Biofuels, agriculture and poverty reduction, Natural Resource Perspectives 107

Making voluntary carbon markets work for the poor: The case of forestry offsets, Forestry Briefing 11

Web and blogs

'Millennium Development Goals, agriculture and climate change', by Martin Prowse, Leo Peskett and Tim Brauholtz www.odi.org.uk/rpgg/areas/climatechange.html

Social protection: Tackling risk and vulnerability

Overview by Rebecca Holmes, Research Officer, Rural Policy and Governance

Social protection continues to rise up the policy agenda. Global conferences and new networks have brought together policy-makers, implementers and researchers to share experiences and lessons across continents. Numerous pilot and full-scale programmes have recently been established. This reflects a commitment at both international and national levels to tackle risk and vulnerability faced by the poor, especially the chronically poor.

Cash transfers remain a hot topic, as policy-makers consider their appropriateness and affordability in different contexts. An evidence base is emerging that will improve decision-making on when to implement cash and/or food transfers and on how different programme designs can enable cash transfers to meet twin objectives of protecting and promoting household livelihoods. Cash transfers can help to: address food insecurity; increase incomes; protect assets and enable asset-building at the household level; and improve health and education of the poorest families. We still need to explore the types of complementary services and capacities needed to ensure maximum impacts; the influence of politics in decisions to invest public resources in cash transfers; and the role that rights-based approaches can play in enabling investments in social protection.

In sub-Saharan Africa alone, ODI's social protection programme has recently worked in Ethiopia, Zambia, Malawi, Uganda and Sierra Leone. These activities include two major studies in the appraisal of Ethiopia's Productive Safety Nets

Programme, the design of a cash pilot in Uganda, and a review of social protection in Malawi. In September 2006, ODI published simultaneous joint special issues of its journals *DPR* and *Disasters*, exploring experience with cash transfers across emergency and development contexts.

The focus of ODI research over the coming year will broaden to consider how politics and governance influence the commitment to and delivery of social protection, and to develop methodologies for better understanding the impact of different social protection instruments on economic growth and equity.

Uganda cash transfer pilot programme

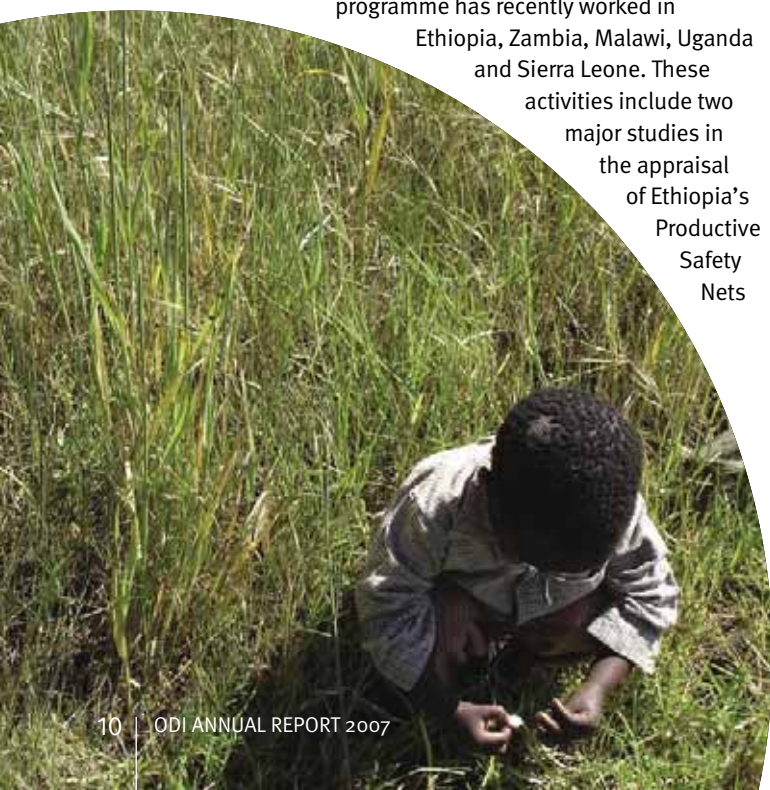
The revised Ugandan Poverty Eradication Action Plan recognised that nearly one in five Ugandans are not only poor but probably chronically poor. Social protection is being considered as one approach to address the issue. The Chronic Poverty Research Centre (an international partnership of universities, research institutes and NGOs, of which ODI is a major partner), was approached to support the Government's Social Protection Task Force in designing a Cash Transfer Pilot Programme, and the design phase is now in its final stages. The project is led by the CPRC lead in Uganda, Charles Lwanga-Ntale of Development Research and Training, Kampala.

The programme will pilot a cash transfer in six districts to the poorest 10% of households, with a basic monthly transfer (18,000 Uganda Shillings – about £6 – enough to raise consumption levels of the average person in the bottom 10% up to the next decile), plus supplementary transfers for children and older people (2,000 UgSh per person up to a limit of five people per household).

Half the recipients will receive the supplementary payments if they adhere to conditions that school-age children are in school, vaccinations are completed and illnesses are treated at health centres, where these facilities are accessible. The other half will receive the transfer unconditionally. Sensitive issues such as dependency and the impact on gender relationships will also be explored. The project will be accompanied by a policy engagement process to broaden support for social protection.

During the planning phase, the Director of the Uganda Parliament's Budget Office, Samuel Wanyaka, announced that in the forthcoming budget he would propose that an additional 0.5 billion Uganda Shillings be allocated for both the Cash Transfer Pilot and to support the social protection agenda in the country. Though a small amount, this parliamentary buy-in is an important boost for the scheme.

For more information on the Chronic Poverty Research Centre see page 36 or www.chronicpoverty.org



The politics of what works in tackling chronic poverty

Extract taken from Chronic Poverty Research Centre (CPRC) Policy Brief 5

The role that politics plays in shaping efforts towards poverty reduction has received growing recognition within international development over the past decade, from the 'good governance' agenda to attempts to encourage the formation of 'developmental states'. Nonetheless, there is as yet little firm evidence concerning what sorts of political systems or practices might be more likely to produce pro-poor outcomes. By focusing on the politics of 'what works', i.e. on policies and programmes that have been successful in terms of reducing extreme forms of poverty, a study undertaken by CPRC has sought to shed light in this area. Although the first finding is that context matters – it is difficult to find any general conclusions that can offer adequate explanations for every success – it is possible to draw out some general tendencies regarding the key dimensions of politics that have shaped some successful examples of poverty reduction.

- **Events matter.** The 'politics of crisis' – moments of political upheaval where elites need to respond to new pressures – can provide more fertile ground than 'politics as usual' for the introduction of pro-poor policies. These cannot be manufactured, but need to be monitored and responded to.
- Building sustainable programmes of support for the poorest groups involves **extending the 'political contract'** between states and citizens. Many social protection programmes are characterised by new or renewed acknowledgements of state responsibility for previously excluded citizens (e.g. social pensions in South Africa, Namibia).
- Donor agencies need to: identify emerging political contracts; crucially, avoid undermining them; and support them where possible. This will require the **stronger use of political and historical analysis**, and better engagement with political society and broad national discourses.
- Elections might be opportunities to re-draw such contracts. However, **the quality of political institutions is critical.** Dominant political parties operating in non-fragmentary political systems were often vital to success in our cases.
- **Civil society organisations do not emerge as critical** to the uptake of pro-poorest policies, although they may play a valuable role in forming a constituency of support for policies and ensuring accountability in implementation.
- Certain policies that reach the poorest rely on productive synergies with patron-client forms of politics, suggesting that **trade-offs between the priorities of 'good governance' and poverty reduction may need to be considered.**
- There is **little evidence that programmes targeted at the chronically poor are politically unsustainable.**



Above: A pensioner identifies himself at a mobile paypoint in South Africa. Opposite: Social protection targets the vulnerable.

- **Existing policies** can provide fertile grounds on which to promote new and expanded poverty reduction initiatives, even where they have discriminatory or colonial roots and need reform (e.g. the social pension in South Africa).
- Within government, **social sector ministries often provide a 'natural' home for pro-poorest policies, but require the political backing of key ministries** (e.g. finance, planning).
- Ideas about poverty matter. **Elites need to be convinced** that the poor face significant constraints requiring public action.

Resources

Events

Cash Transfers: Launch and discussion of the joint special issues of *Development Policy Review* and *Disasters*

Briefing Papers and Opinions

Social protection transfers for chronically poor people, CPRC Policy Brief 2 by Rachel Marcus

Tackling obstacles to social protection for chronically poor people, CPRC Policy Brief 3 by Rachel Marcus

Cash transfers: Mere 'Gadaffi Syndrome', or serious potential for rural rehabilitation and development? Natural Resource Perspectives 97

Journals

Joint theme issues of *Development Policy Review* and *Disasters*, September 2006

Web and blogs

'Cash and vouchers in emergencies', HPG: www.odi.org.uk/hpg/Cash_vouchers.html

'Food security and social protection', PLAG: www.odi.org.uk/plag/foodsecurity

Global health: A prescription for politics

Overview by Kent Buse, Research Fellow, Poverty and Public Policy

With unprecedented levels of interest in global health and a massive scaling up of international health assistance, it is deeply troubling that the health MDGs are off track.

The organisational and financing reforms of the 1990s did not live up to expectations, often because of limited implementation which sometimes reflected interest-group opposition. Sector-wide approaches led to more rational resource allocation and donor coordination in some countries but are no panacea – in part because they have often been sidelined by more recent initiatives that crave quick wins and attribution. These initiatives, which leverage health improvements through performance-related financing – using a proliferating number of mechanisms such as the GAVI Alliance or the Global Fund to fight AIDS, Tuberculosis and Malaria – have improved access to immunisation and antiretroviral drugs, but have tended to neglect domestic systems for health planning and accountability. Clearly, it is time for some new prescriptions.

One of ODI's key planks is to elevate exploration of the political dimensions of health sector policy. Too often, evidence-informed policies are not formulated or implemented because of a failure to better understand and engage in the politics associated with change. This is not surprising, given the limited attention and resources that the political dimensions of health policy have received. Consequently, ODI has spearheaded an

effort to raise the profile of health policy analysis and undertaken research to understand how development partners can begin to see policy engagement as a new and legitimate aid modality.

We have also been

exploring the challenges and opportunities of the global health initiatives. Evaluation work has led to a set of best-practice principles for such partnerships. ODI researchers advised the Global Fund to support programmatic approaches through better aligned and harmonised grant-making.

The year was also marked by change in key leadership posts in international health organisations. ODI took this window of opportunity to coordinate *Leadership in International Health*, a series of articles published in the *Journal of the Royal Society of Medicine* to propose agendas for the World Health Organization, the Global Fund, the World Bank, the UK's Department for International Development and the US Agency for International Development.

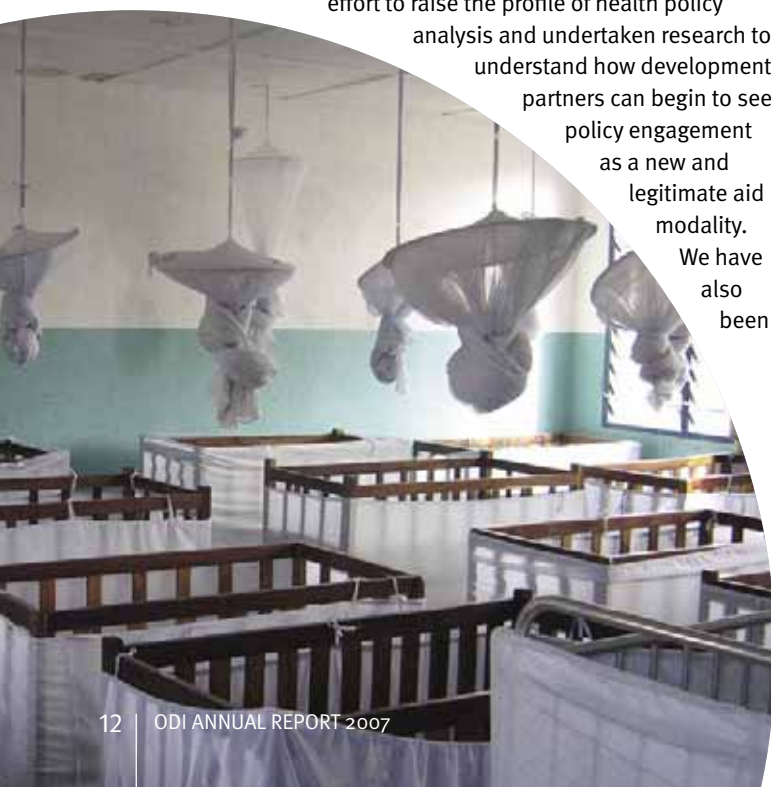
Warning: Politics with a small 'p' can seriously harm your MDGs

Extract taken from an ODI Blog by Kent Buse

Progress towards the health MDGs is lagging and the reasons for lack of progress are many: insufficient resources, in many contexts weak capacity, lack of operations research, and more controversially, inappropriate development assistance and technical support. While money, capacity and poorly spent public resources, including aid, are part of the problem, what is less often explicitly addressed are the ways in which a wide range of actors both deliberately and unintentionally block, resist and subvert evidence-informed policy change processes. Yet, a limited amount of research confirms what most people intuitively grasp – namely, that evidence is not enough by itself to bring about policy and systems change. Wider strategies are also required to address and offset the opposition to change.

Such opposition is based on various factors. While the benefits of pro-poor health reform are dispersed among the weak and powerless, the opportunity costs of policy change are most often concentrated on the well-organised groups that can and do block such change. These groups include commercial actors such as those in the insurance and pharmaceutical industry, cadres in the civil service who, for various reasons, might lose from reform, some medical profession groupings, and some political elites. Indeed, research reveals that some interest groups have been successful in crafting strategies to stymie evidence-informed policy – consider the tobacco industry or the anti-abortion lobby in places such as Nicaragua.

The good news is that careful consideration of the small 'p' political dimensions of introducing and sustaining evidence-informed change, can lead to reform 'despite the odds' as argued by Merilee Grindle based on case studies from Latin America.



Scaling up the AIDS response: From alignment and harmonisation to mutual accountability

By Kent Buse

Extract taken from ODI Briefing Paper 9

The international community's commitment to universal access to AIDS prevention, treatment, care and support by 2010 is in jeopardy. The 'Three Ones' principles (see box below), which address the prevailing dysfunctions in coordinating the national response, are necessary, but have proven elusive in practice in the absence of a robust framework for mutual accountability.

In June 2005, the 'Global Task Team on Improving AIDS Coordination among Multilateral Institutions and International Donors' (GTT) took a step towards building such a framework. But while the GTT monitoring mechanism holds all stakeholders accountable for progress on alignment and harmonisation, follow-up has not spread beyond the UN and Global Fund. This will follow only if global social movements take up the cause and if the GTT's scorecard assessment process actually fosters the conditions necessary for mutual accountability.

The scorecard accountability tool has been developed to examine the performance of national partners in creating a strong AIDS response and international partners in providing support to GTT recommendations. The scorecard is being piloted by UNAIDS in a number of countries. The GTT proposed that these assessments be discussed in the context of annual, nationally-led, multi-stakeholder HIV/AIDS programme reviews. In line with the proactive approach to accountability, the aim of the review is to identify where real or perceived blockages lie and to use the analysis to focus attention and foster change.

Experience suggests that alignment and harmonisation are critical to scaling up. Yet tensions clearly exist within the aid effectiveness agenda. For example, there is tension between national ownership and donor concerns about accountability. There may be further tensions between Paris-type commitments at the macro level and the 'Three Ones' commitments which are thematic in scope.

The GTT mainly addresses the first type of challenge. It places emphasis on building capacity for developing robust action plans, linking these to PRSP and expenditure frameworks, and

The 'Three Ones' principles

- One agreed AIDS action framework that provides the basis for coordinating the work of all partners.
- One national AIDS coordinating authority, with a broad-based multi-sectoral mandate.
- One agreed AIDS country-level monitoring and evaluation system.



Above and opposite: In the fight to tackle HIV/AIDS and malaria, ODI has been exploring the political dimensions of health sector policy.

strengthening procurement and supply management. It also deals with monitoring and evaluation frameworks through improvements in the volume and quality of technical support...

Governments may wish to defer actions that oblige them to confront vested interests and donors may wish to think quick and visible returns are best achieved through parallel systems. Yet the reality is that lack of progress on the 'Three Ones' principles is likely to cost human lives. Universal Access depends on doing the right things right – namely strengthening underlying processes upon which results are delivered.

Resources

Events

Health policy analysis: An international workshop to extend the field

Briefing Papers and Opinions

Global health: Making partnerships work by Kent Buse

Scaling-up the HIV/AIDS response: From alignment and harmonisation to mutual accountability by Kent Buse

Articles

Leadership in International Health series in the *Journal of the Royal Society of Medicine*

'Seven habits of highly effective global public-private health partnerships: Practice and potential' in *Social Science and Medicine* by Kent Buse and Andrew Harmer

'Management of the politics of evidence-based sexual and reproductive health policy' in *The Lancet* by Kent Buse, Adriane Martin-Hilber, Ninuk Widyantoro, Sarah Hawkes

Web

www.odi.org.uk/pppg/politics_and_governance/what_we_do/Politics_Global_Health

China in Africa: The new kid on the block

Overview by Lauren Phillips, Research Fellow, International Economic Development

Discussion of Chinese trade with and investment in Africa, the implications of Chinese labour and environmental norms, and the implications of Chinese engagement in Africa on domestic governance have become major topics of discussion in both foreign policy and development circles. But is this attention warranted? Is China's interest in Africa transformative, either for the continent itself or for the international system?

The impact of China on Africa is potentially very large. Its rapid domestic growth is altering world prices for the goods Africa buys and sells. Its surge in manufactured exports has placed a large question mark over received wisdom about the link between industrialisation and development. In addition, as a lender and aid donor it has widened options for African states dependent on Western support. China (along with other middle-income powers) is affecting the power distribution in global institutions of financial and trade governance in ways that affect Africa both directly and indirectly.

The limited evidence to date suggests, however, that the actual impacts have been large only for some African economies – particularly those that export natural resources. Direct Chinese investment in some resource-rich African economies has helped to increase demand and therefore push up prices.

It has also contributed to signs of Dutch Disease. Those resource-rich African economies that are not selling directly to China have felt indirect impacts as Chinese demand has helped push commodity prices to new levels. However, in non-commodity exporting African countries, the presence of

Chinese investment and lending has not radically transformed the economy, but has simply provided some new and not necessarily unwelcome financing options.

Relatively few African economies have suffered as their manufactured exports (for example textiles) have become less competitive vis-à-vis China. At first glance, the nervous hand-wringing that has surrounded the debate on China in Africa to date seems unwarranted.

China and the politics of development in Africa

Extract from an *ODI Opinion* by Diana Cammack

It is no wonder that African leaders who visited Beijing for the Third Ministerial Meeting of Forum on China-Africa (November 2006) were inspired to adopt the 'Beijing model' of development. After all, 30 years ago China's GDP per capita was a third of Zambia's and today it is three times larger. Three decades of economic growth have resulted from China becoming a 'developmental state', with a strong state apparatus that has established its own pragmatic policies, 'shaping [a] national consensus of modernisation', ensuring stability, learning the lessons of others (e.g. the role of the market), setting its own sequencing and priorities, and following a gradual approach to reform.

China is also stepping up its role as a donor. At the Beijing meeting it announced it is doubling its assistance to Africa by 2009 – providing \$5 billion in loans and credits to Africans and establishing a \$5 billion development fund to encourage Chinese companies to invest in Africa and support them.

While Western nerves may jangle at China's growing and muscular presence in Africa, the 48 (out of 52) African heads of State who shot off to Beijing to see what was on offer have fewer qualms. Western development actors have much they can share in terms of lessons learnt from the past – so it is time to talk.

Resources

Events

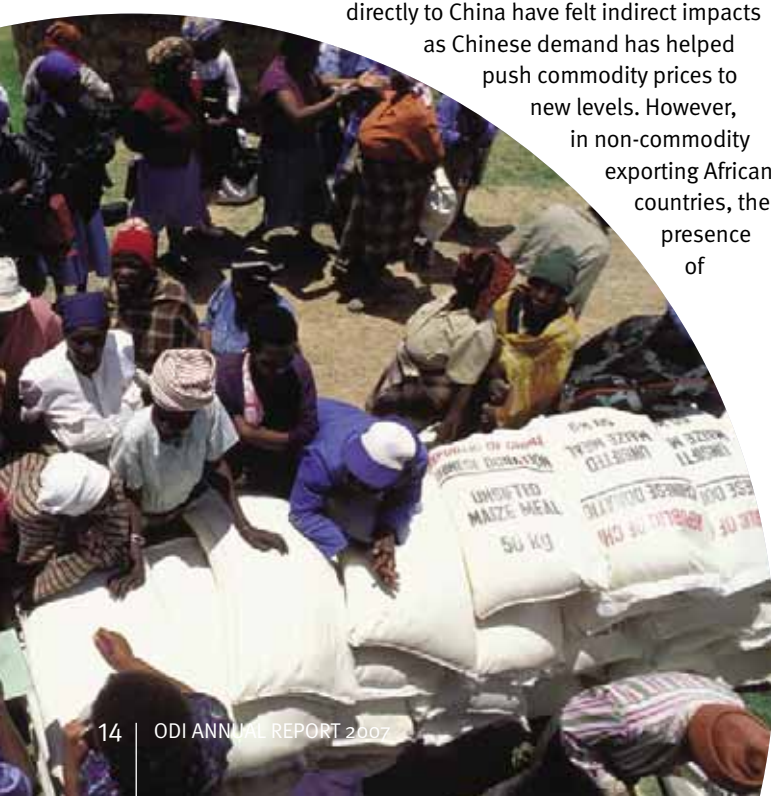
The long-term impacts of project aid: Evidence from China

Briefing Papers and Opinions

China and the politics of development in Africa by Diana Cammack

Web and blogs

'China and Africa: The debate continues...' by Paolo de Renzio



Fighting poverty on a sun-bed

By Jonathan Mitchell, Research Fellow,
Tourism Programme

The aim of using tourism to reduce poverty in developing countries is at a critical point. Behavioural changes amongst tourists, the mainstream industry, researchers and development organisations suggest a consensus is emerging that offers the prospect of new pathways to prosperity for the poor.

First, many tourists from European markets are showing increasing concern about their impact on the destination, and the tourist industry is responding to this change. After a sluggish industry response a few years ago, the pace of positive change is striking. Almost all major UK-based tour operators have established Corporate Social Responsibility (CSR) units. The Federation of Tour Operators (FTO), which sent 13 million of the 19 million UK package tourists abroad last year, has an active programme to disseminate their sustainable supplier handbook throughout key mainstream destinations, with the aim of enhancing environmental and socio-economic performance. 'Best practice' is rapidly spreading through the industry, and the FTO is working closely with counterparts in the Netherlands and Germany to adopt the same approach to industry self-regulation and performance enhancement. The rate of change is also accelerating. Initiatives that were innovative 18 months ago (for instance, implementing an 'opt out' contribution system to finance the Travel Foundation), are now old hat. The systematic monitoring of destination performance may be the next trend upon which our industrial vanguard is focusing.

Second, with a greater focus on the potential of tourism as a tool of poverty reduction, tourism research has begun to re-join the development mainstream after a 30-year holiday from reality. Making the long-overdue conceptual and methodological advances to bring pro-poor tourism towards the mainstream development discourse is not easy, but is a challenge from which we cannot hide. Together with a team comprising the World Bank, the International Finance Corporation, SNV and GTZ, ODI has been contributing to this challenge, undertaking several stand-alone research studies and a review of how tourism affects the poor.

Third, in response to these changes, some development finance organisations are thinking, again, of supporting pro-poor tourist development, as well as research. This reflects the imperative to deliver poverty reduction at scale in economies where tourism is often the only sector with serious competitive advantage. This is huge progress from a sector that has generally spent the last couple of decades regarding tourism development projects as either politically incorrect or as too flippant to warrant serious attention.



Above: How can developing countries benefit from tourism?

Opposite: China has committed to doubling its assistance to Africa.

As interests coalesce around the idea of developing tourism in a way that counts for local communities and the poor, pro-poor tourism has a 'window of opportunity'. Responding to such disparate factors as changes in tourist attitudes, progressive leadership in parts of the mainstream industry, innovative research and the urgent need for shared growth in developing countries, there is a chance now to provide a lasting force for sustainable change.

Resources

Events

Pathways to prosperity? Mainstreaming pro-poor approaches in tourism

Briefing Papers and Opinions

Can tourism offer pro-poor pathways to prosperity? ODI Briefing Paper by Jonathan Mitchell and Caroline Ashley

Assessing how tourism revenues reach the poor, ODI Briefing Paper by Caroline Ashley and Jonathan Mitchell

'Leakage' claims: Muddled thinking and bad for policy? ODI Opinion by Jonathan Mitchell and Caroline Ashley

'Pro-poor tourism': What's gone right and what's gone wrong? ODI Opinion by Caroline Ashley and Harold Goodwin

Toolkits

How can governments boost the local economic impacts of tourism? Options and tools by Caroline Ashley

Working Papers

Participation by the poor in Luang Prabang tourism economy: Earnings and opportunities for expansion by Caroline Ashley

Web

www.odi.org.uk/tourism

The future of aid?

Overview by Alison Evans, Director of Programmes, Poverty and Public Policy

A business-as-usual approach to the international aid system is no longer tenable. First, the impact of changes in the global economy, the China 'effect' and issues around global security and climate change are changing the landscape for aid, and challenging the poverty reduction/MDG paradigm as a basis for future development assistance.

Second, huge complexity in the aid system continues, despite widespread acknowledgement of the costs of proliferation for recipient countries. The Paris Declaration on Aid Effectiveness is vital for addressing endemic problems of disharmony and disrespect for poor country policies and systems, but can it deliver a system fit for purpose? There are still too many actors and, arguably, too little regulation. The call for a new aid architecture is only partially addressed through UN reform. More needs to be done, in terms of the number of organisations operating and the way they are governed. Closer to home, the challenge is to think carefully about what kind of aid agency is needed in the next decade.

Third, a prising open of the consensus around aid quantity and quality is happening. The focus is on what lies behind the ability of countries to make effective use of aid. Attention is turning to the influence of institutions on the ability of countries to absorb and spend large aid flows. Most of this is grounded in politics; what difference aid-giving countries can make to

institutional and political development in poor countries is now a critical theme and one for which business-as-usual is an inadequate response.

The aid debate: Three high-profile ODI events

William Easterly, former economist at the World Bank, launched his book *The White Man's Burden – Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good*.

'We are all aware of the extreme hunger and poverty that afflict the world's poor. While I recognise the energy and compassion behind the campaign to make poverty history I argue that grand plans and good intentions are a part of the problem not the solution. Giving aid is not enough, we must ensure that it reaches the people who need it most and the only way to make this happen is through accountability and by learning from past experiences.'

Stephen Browne, a Director at the UN, launched *Aid and Influence – Do Donors Help or Hinder?*

'There are two major things wrong with the aid enterprise. First, aid is not paid for by the recipient, and second, it is always delivered by bureaucracies. Debt should be written off and no more money lent; financing should be in the form of grants instead.'

Roger Riddell, Principal of the Policy Practice, asked *Does Foreign Aid Really Work?*

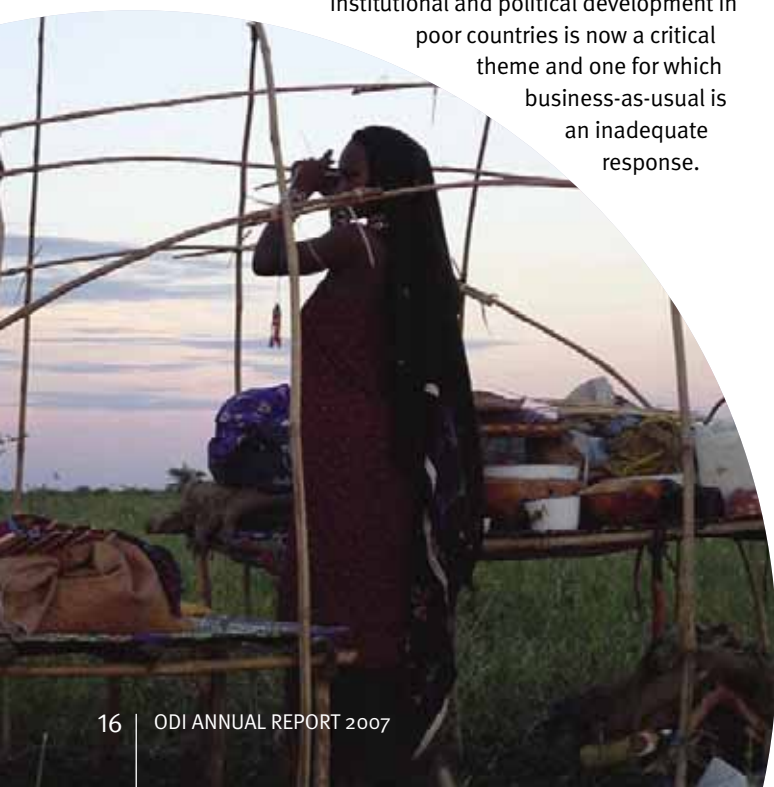
'Improving the effectiveness of aid will involve a huge change, away from reform based on the lowest common denominator, and the pace of reform will only be at the speed of the slowest donor. We need to move from voluntary to compulsory giving, pooling aid funds, and divorcing aid from short-term political objectives by establishing an international aid commission to think through how aid can be provided more effectively.'

Aid recipients and aid effectiveness

ODI is investigating how multilateral donors are viewed by key stakeholder groups in Ghana, South Africa, Tanzania, Zambia, India and Bangladesh. Samples of 'well-informed' persons in government, parliament, the civil service, civil society and business have reported their views by questionnaire. A proposed second phase will see ODI working in each country to help build debate about multilateral effectiveness with each of the stakeholder groups.

This year, ODI has focused on reinvigorating the 'Forum on the Future of Aid', an online community dedicated to research and opinions about how the international aid system works and where it should go next. The site focuses on making research from the global South available online. Members receive a fortnightly bulletin with the latest resources.

www.futureofaid.net



Aid effectiveness and absorptive capacity: Which way aid reform and accountability?

By Paolo de Renzio, Research Associate,
Poverty and Public Policy

Extract taken from an ODI blog 'A more careful approach to scaling up is called for'

While large amounts of additional aid have so far failed to materialise, there is little doubt that in the near future aid will play an important part in efforts to assist African countries in reaching the MDGs. Yet, how and when scaling up happens is likely to be as important as how much additional aid is actually given.

At 'Africa after the Africa Commission: What priorities for the German G8', a high-level policy forum co-hosted by ODI, IDS and the DSA (2 May, London), participants in the session on 'Aid effectiveness and absorptive capacity' had a lively discussion on these issues, and agreed that things are not as easy as they may seem. Donors should keep in mind that concerns over the quality (and not just the quantity) of aid and over governance and accountability issues in recipient countries are likely to determine whether (more) aid is effective or not. Current donor agendas focused on narrow conceptions of ownership, harmonisation and alignment, and the resurgence of the geo-politics of aid-giving (linked to the 'war on terror') constitute major impediments.

In particular, participants focused on four key recommendations for the German G8 (held on 6-8 June, 2007):

1. Donor countries should provide more credible, longer-term commitments, given that many of the challenges faced by African countries require a long-term perspective, including in the area of basic social services and macroeconomic management.
2. Deliver aid through modalities that strengthen domestic institutions and accountability. General Budget Support, where appropriate, should be the preferred modality, as it allows for priorities to be set by the recipient government, and for domestic accountability actors such as parliaments and civil society to play a larger role.
3. Recognise the governance challenges African countries face and support domestic accountability actors. This is probably the most difficult area, as donors often don't recognise the inherently political role that they play in recipient countries, and risk undermining the role of domestic politics.
4. Manage expectations in donor countries about what aid can realistically achieve. Public opinion should be better informed about the difficulties and tensions inherent in aid giving, in order to ensure long-term public support for aid, even in the face of short-term challenges.



Above: A focus on absorptive capacity for recipients of aid is key.
Opposite: Aid support structures are context-specific.

In summary, we need a more careful approach to scaling up, if G8 countries are to deliver on their promises in the next few years... While these issues may not be easily translatable into political sound bites and campaign slogans, they are very important in ensuring that aid plays a positive role in the promotion of African development.

Resources

Events

The macroeconomics of scaling up aid
UK development assistance to Latin America: Lessons from Peru
The DAC peer review of the UK

Working Papers

Reforming the international aid architecture: Options and ways forward by S. Burall and S. Maxwell with A. Rocha Menocal

Briefing Papers and Opinions

Budget monitoring and policy influence by Paolo de Renzio
Promoting mutual accountability in aid relationships by Paolo de Renzio and Sarah Mulley
What would doubling aid do for macroeconomic management in Africa? by Paolo de Renzio and Sarah Mulley

Web and blogs

www.odi.org.uk/pppg/cape
www.odi.org.uk/whats_next_portals/aid_architecture
www.futureofaid.net
'A more careful approach to scaling up is called for' by Paolo de Renzio
'The global development agenda in 2007' by Simon Maxwell
'General Budget Support: What next?' by Paolo de Renzio

Governance: Work in progress

Overview by Verena Fritz, Research Fellow, Poverty and Public Policy

The fact that ‘governance matters’ for development has become universally accepted. However, the development of effective strategies, policies, analytical tools and operational approaches is still very much ‘work in progress’. Through its research for the Advisory Board of Irish Aid during 2006/2007, ODI has addressed how donors work across a range of governance themes, especially on anti-corruption, decentralisation and democratisation. ODI also carried out analysis of donor approaches to strengthening voice and accountability for a group of OECD donors.

The emerging picture is that on many governance issues there are important gaps: there is no established ‘state of the art’ on how to approach change. Coherence in the analytical work is still under development. *Ex-post* evaluations have been more project-focused than thematic so are of limited value in building a body of knowledge. Donors do not agree on how to react when high-profile corruption cases erupt in partner countries. The research for the Advisory Board of Irish Aid provided an opportunity to begin addressing some of these gaps.

Our research work has been complemented by our engagement around governance indices and assessment tools. ODI is one of the institutions hosting the World Governance Assessment and organised a learning workshop on governance assessments in February 2007 (see box above right).

The Politics and Governance team at ODI has been taking shape over the course of the year, providing a focus for work on this theme (see box right).

Worldwide governance indicators: Governance matters 2006

At this joint ODI and World Bank event, Daniel Kaufmann, Director of Global Governance at the World Bank Institute, presented the world’s largest available governance data source and the new *Governance Matters 2006: Worldwide Governance Indicators* report, which was launched in Singapore during the IMF/World Bank Annual Meetings.

The worldwide governance indicators have been applied to over 200 countries and measure six components of good governance:

1. Voice and accountability
2. Political stability and absence of violence
3. Government effectiveness
4. Regulatory quality
5. Rule of law
6. Control of corruption

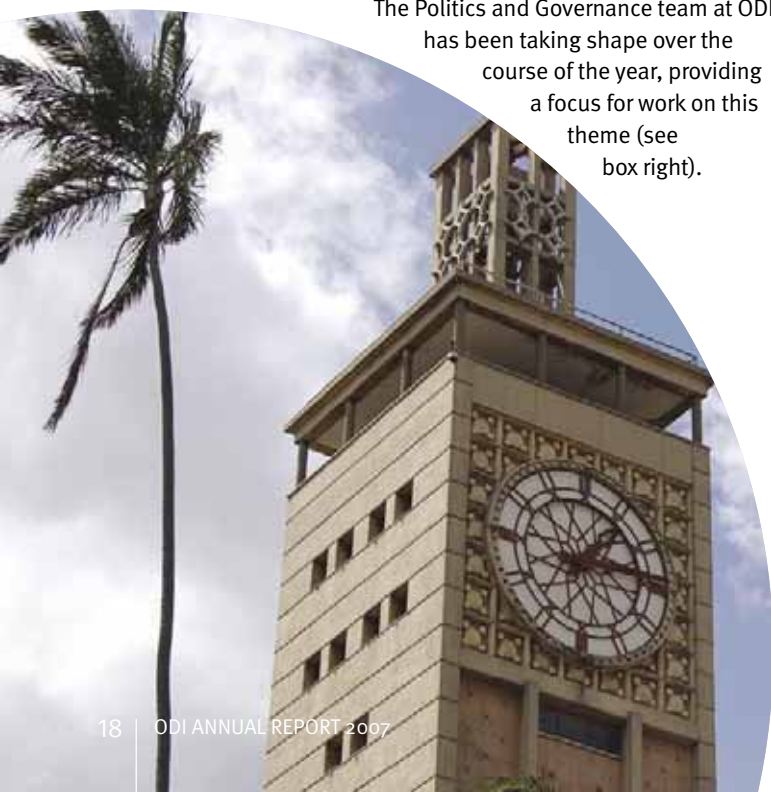
The worldwide governance indicators demonstrate that governance can be measured, that it is not only the developing world that suffers from poor governance, and that improvements in governance and in tackling corruption can be made in a short amount of time.

Politics and Governance

The Politics and Governance team believes that a solid understanding of developmental states, governance and accountability, aid policy and politics is critical to development. Certainly donors – such as DFID with its 2006 White Paper devoted to governance, and the World Bank with its new Governance and Anti-Corruption Strategy – would agree with us that ‘politics matters’. Figuring out how governance matters for development, and improving strategies, policies, tools and operational approaches for delivering aid, especially to poorly governed countries, has kept us busy this year.

We have continued to work across a wide range of themes, from anti-corruption, decentralisation and democratisation, to policy coherence and sector programmes. New work-streams are emerging as old ones grow, e.g. on issues related to global health policy (see page 12), human rights and development (see page 36), the role of parliaments in poverty reduction (see page 22), the politics of climate change, China in Africa (see page 14), and the developmental state.

www.odi.org.uk/pppg/politics_and_governance



Combating corruption in Africa: What can donors do?

By Alina Rocha Menocal, Research Fellow,
Policy and Public Policy

Extract from an ODI Opinion specially commissioned for 'Africa after the Africa Commission: Priorities for the German G8', a high-level policy forum co-hosted by ODI, IDS and the DSA

The *Report of the Commission for Africa* (CFA, 2005) diagnosed poor governance as the single most significant development challenge facing the region. 'Without progress on governance', it stressed, 'all other reforms will have limited impact'. The report also identified corruption as a central concern: the widespread prevalence of corruption undermines efforts to improve governance, and yet improved governance is essential to reduce the scope for corruption to begin with.

Donors should remember that, while many actors may not like corruption, not liking it and being able to do something about it are two very different things. With this in mind, below are a few reflections on some dos and don'ts for donors:

Don't adopt a dogmatic approach towards the fight against corruption. This involves developing a more nuanced understanding of corruption. Significantly, not all forms of corruption are equally corrosive to developmental efforts, and corruption in itself does not pose an insurmountable obstacle.

Don't neglect the political factors underlying corruption. There is a growing awareness among donors that they need to develop a deeper understanding of local political processes and of the frameworks of incentives within which stakeholders operate. Studies like DFID's Drivers of Change and Sida's Power Analysis aim to do just that. Nevertheless, in general, donors tend to shy away from grappling with political factors more directly.

Be aware of the challenges as well as the opportunities of democratisation. In principle, there are good reasons to believe that greater democracy will lead to improved governance. Regular elections, a system of checks and balances, and a society free to organise provide important mechanisms and/or incentives for politicians to deliver and be held accountable for their actions. In practice, however, these assumed benefits of democracy do not emerge naturally.

Building on the above, **develop a holistic and long-term approach to anti-corruption efforts** that is based on increased accountability and transparency. Oversight institutions and checks and balance mechanisms play an essential role in the fight against corruption because they can and do help to keep the behaviour of political leaders under check. Especially in democratic systems, citizens can vote politicians out of office if they are dissatisfied with their performance. However, as highlighted above, in the African context democratic structures



Above: A road sign on the way from Sierra Leone's International Airport.
Opposite: Kenya's Parliament building.

are still incipient and institutions promoting horizontal as well as vertical accountability remain weak.

In addition, **establish simple standards of transparency** that require recipients of aid to make public information about how much assistance they have received and what that assistance will be used for. As the *Report of the Commission for Africa* highlights, '[o]penness makes it more likely that resources will be used efficiently'.

Finally, **evaluate more rigorously and systematically what works**, in terms of both anti-corruption initiatives and democratisation efforts more broadly.

Resources

Events

Worldwide governance indicators: Governance matters 2006

Working Papers

(Re)building developmental states: From theory to practice by Verena Fritz and Alina Rocha Menocal

Briefing Papers, Opinions and Background Notes

Central Asia: Governance, geopolitics and development challenges by Verena Fritz

Combating corruption in Africa: What can donors do? by Alina Rocha Menocal

China and the politics of development in Africa by Diana Cammack

How to move forward on governance and corruption by Verena Fritz

Malawi: The politics of hunger by Diana Cammack

Corruption and anti-corruption efforts by Verena Fritz

Web and blogs

'Much ado about... conditionality? Corruption?' by Verena Fritz

State failure, insecurity and the protection of civilians

Overview by James Darcy, Director of Programmes, Humanitarian Policy

The recent international focus on ‘fragile states’ is driven by one overriding concern: to prevent fragile states from turning into failed ones. A defining feature of failed states is the breakdown of security coupled with a more general collapse of state functions. Such states are politically dysfunctional, combining weak or abusive governance with a breakdown of the basic contract between government and people. The list is familiar: it includes Afghanistan, DR Congo, Somalia, Haiti – and now Iraq. But state failure is not an absolute condition. In some cases (Sudan, Uganda), the failure extends to certain regions or state functions, rather than to the state as a whole. In other cases (North Korea, Zimbabwe), it is repression and state-sponsored violence which partly define the failure.

How do such states feature in international policy? From a developmental point of view they are outliers. From a strategic point of view, their perceived significance has tended to revolve around the threat they pose to international peace and security, through the spread of conflict and displacement across borders, the harbouring of terrorism, or the spread of criminality and trafficking. It is largely this that has brought them onto the UN Security Council’s agenda as well as the post-9/11 agenda of the US and its allies. But since the end of the Cold War, the *protection of civilians* has increasingly been cited as a central plank of interventionist policies. This is reflected in the 2005

World Summit adoption of the ‘responsibility to protect’ doctrine, but how this is interpreted continues to be much debated and the consensus around it threatens to unravel in the

Has the endorsement of ‘Responsibility to Protect’ been borne out in practice?

Civilians in conflict – An ODI/HPG meeting series

Speaker: Nicholas Grono, Vice-President for Advocacy and Operations, International Crisis Group

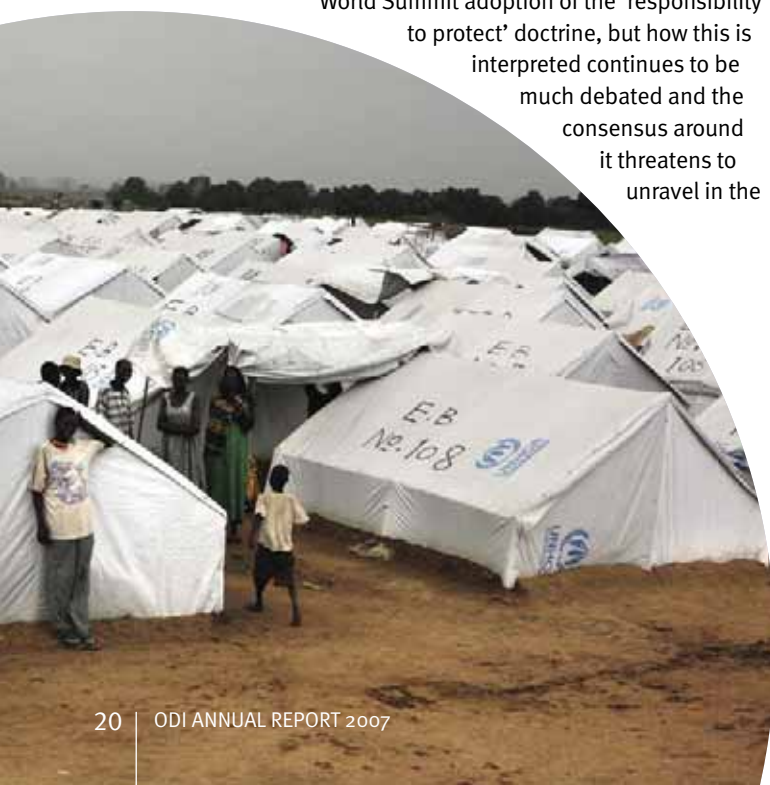
[Despite] the recognition by the 2005 World Summit of the doctrine of Responsibility to Protect (RtoP), little substance has changed in the past decade or so in terms of real protection. The question inevitably comes back to the willingness of states to expend military, financial, diplomatic or domestic political capital in addressing conflicts and humanitarian disasters in far away lands.

These dilemmas will continue until we introduce structural changes to operationalise RtoP. These may include: a stronger early warning coordination and response machinery at the centre; more effective diplomatic capacity; and effective preparedness to mount military operations for civilian protection purposes – with the consent if at all possible of the government in question. However, in really extreme cases, if there is no other way of protecting the people in question, then military operations should proceed without that consent.

wake of events in Iraq and in Darfur.

Important though it is to resolve the political, strategic and operational problems associated with international protection by force, experience to date suggests that external forces often cannot substitute effectively for the protective role of the state. Despite the emphasis on ‘hard’ power, it is in the realm of politics and diplomacy that progress appears most likely. Persuading states to accept their sovereign responsibility to protect – and creating incentives to ensure compliance – remains the necessary core of international protection efforts.

Two sets of principles should inform such efforts. First, the Geneva Conventions and related protocols, which set limits on the use of force. Crucially, they stipulate that civilians must not be targeted, that the use of force must be proportionate, and that due precautions must be taken to avoid collateral damage. Any attempt to protect populations by force must itself be judged against these basic principles. Second, the basic principles of asylum must be re-asserted. The recent tendency towards containment of refugee flows, restrictive asylum policy and closure of borders sits oddly with the professed commitment to international protection. Given the problems of protecting people *in situ*, helping them flee to safety is often the best thing we can do for them.



Providing aid in insecure environments: Trends in policy and operations

By Adele Harmer, Research Fellow,
Humanitarian Policy

By any measure, international aid work is a dangerous profession. As for soldiers and others who work in war zones, the risk of death or serious injury is ever-present. Rising numbers of attacks against aid workers in Darfur, Sudan and Sri Lanka made 2006 one of the deadliest years in a half-decade that has already seen unprecedented levels of violence against humanitarian operations in Iraq and Afghanistan.

While militaries are able to mitigate the consequences of these risks, a serious incident against a civilian aid organisation can shake the confidence and disrupt the operations of the entire aid community. Our research, which was undertaken in partnership with the Center on International Cooperation (CIC), provides the first comprehensive empirical analysis of violence against aid workers relative to their numbers in the field and examines related trends in security policy and operations over the last decade. Its findings are as follows:

- There has been a marked increase in violence against aid workers in absolute terms.
- When the number of victims is compared to the increasing population of aid workers in the field, the global incidence trend appears to have risen by only a small amount.
- While the number of violent incidents against UN and ICRC staff has decreased, those against NGOs and the Red Cross and Red Crescent societies have increased.
- The majority of aid worker victims (78%) are nationals of the host country, and their casualty rates per staff member in the field are rising compared to their international counterparts.
- Aid worker violence does not correlate with the intensity of conflict, or the presence of specific political/military actors.
- In the vast majority of incidents, aid workers were deliberately targeted, for political and/or economic purposes, rather than being randomly exposed to violence.
- Despite Afghanistan and Iraq experiencing relatively high numbers of security incidents, in both absolute and relative terms, Somalia and Sudan remain the most violent places for aid operations.

The research makes a series of recommendations to strengthen operational security and aid management in insecure environments. It provides an outline of what good 'remote management' practices might look like, and argues that the development of local capacity and the security of national as well as international staff should be central to future aid programming at global, regional and local levels.



Above: An NGO vehicle leaves a compound in Monrovia, Liberia (2005).
Opposite: A first step towards security, refuge from displacement.

The report has received significant press coverage since its release, with articles featuring in *The Economist*, *International Herald Tribune*, *The Guardian*, *The Globalist*, IRIN and *Forced Migration Review*, as well as various security blogs. In addition, live interviews have been conducted with BBC World and Deutsche Welle. The findings have also had some immediate policy impact. The report was quoted in the UN Secretary General's report on safety and security of aid personnel, and the data has been drawn on for the forthcoming Secretary General's report on protection of civilians. In addition, our recommendations have inspired the first donor government dialogue on aid worker security issues, and have been the topic of inter-agency security meetings.

Resources

Events

Humanitarian liaison working group

UN safety summit

Interaction forum

Donor government and NGO meeting hosted by the Canadian High Commission

Research report

Providing aid in insecure environments: Trends in policy and operations, HPG Report 23 by Abby Stoddard, Adele Harmer and Katherine Haver

Briefing Papers

Providing aid in insecure environments: Trends in policy and operations, HPG Briefing Paper 24, by Abby Stoddard, Adele Harmer and Katherine Haver

Providing aid in insecure environments: A summary of quantitative analysis, CIC Briefing Paper by Abby Stoddard, Adele Harmer and Katherine Haver

Parliaments, governance and accountability

Overview by Alan Hudson, Research Fellow, Poverty and Public Policy

Effective governance and accountability – particularly governments' accountability to their citizens – are essential for sustainable development and poverty reduction. Well-functioning parliaments are an important part of effective governance, providing a link between governments and their citizens. But in many developing countries, not to mention some developed countries, parliaments are weak and ineffective. Donors have not helped, as until recently they have tended to see parliaments as part of the problem – inefficient, corrupt and unaccountable.

During 2006/2007, ODI research has explored the range of factors which shape parliamentary performance. MPs bear some responsibility for poor parliamentary performance but in large part, parliamentary performance is shaped by the context in which parliaments and MPs operate. Parliamentarians can lack incentives to hold the executive to account. Some parliaments are missing the most basic of resources: no committee rooms, no computers, and even, in some cases, no furniture. The political system constrains what parliaments can achieve. In addition, the social and cultural environment can adversely shape how MPs and parliaments operate. And less than transparent aid relationships, which sometimes undermine domestic accountability in developing countries, can also marginalise parliaments. If donors and others

are to support the emergence of more effective parliaments in developing countries, they need to understand that the performance of parliaments is shaped by the context in which they

operate. Most importantly, donors must ensure that their support to parliaments responds to local demands and does not seek to transplant inappropriate models of how parliaments function. Westminster just won't work in Kinshasa!

In 2007/2008, ODI will seek to ensure that donors' decisions about whether and how to support parliaments in developing countries are informed by sound evidence about what works. To generate this evidence, ODI will work more closely with other organisations with expertise in this area, as well as getting more closely involved in parliamentary strengthening in specific developing countries. Work will focus on topics including the role of parliaments in enhancing aid effectiveness, and civil society engagement with parliaments.

Parliamentary strengthening: A guide for donors

- Respond to what parliaments and other development stakeholders say they need in terms of parliamentary strengthening.
- Address the causes of poor parliamentary performance, rather than solely the symptoms.
- Take full account of the local context – including the political context – within which parliaments function.
- Involve a range of local organisations.
- Use issues such as budget oversight or anti-corruption as entry-points for improving parliamentary performance.
- Coordinate activities with other agencies, and ensure that activities are appropriate to the objectives of parliamentary strengthening.
- Provide long-term sustainable support.

Resources

Events

Parliaments and development: How can parliaments in developing countries contribute to poverty reduction?

Workshop at CIVICUS World Assembly about civil society organisations' engagement with parliaments

Presentation at DFID/UNDP/World Bank Institute donor consultation on parliamentary development and financial accountability

Report

Parliamentary strengthening in developing countries by Alan Hudson and Claire Wren

Briefing Paper

Parliaments and development by Alan Hudson

Web

www.odi.org.uk/parliaments



Making ideas stick

By Kirsty Cockburn, Head of Communications

For a few weeks this year ODI's Director kept stopping communication team members in the corridor, enthusiastically waving a lurid orange book at them. Simon's zeal was for *Made to Stick*, by Chip and Dan Heath. With a large and acknowledged nod to *The Tipping Point* (Malcom Gladwell's best-seller on social epidemics), the book focuses on why some ideas catch on – their 'stickiness'. Useful grist for millers in ODI's communication team. As a leading think tank our work centres on policy influence and practical advice, and with a steady stream of research being produced, which ideas persist and shape behaviour, and why do these ideas succeed?

A number of communications initiatives took shape this year that will help us channel those 'sticky' concepts. Our three-year communication strategy is now well in place, with the **goal** of maximising ODI's capacity to inspire and inform development policy and practice. The **purpose** is to ensure that ODI staff are encouraged and empowered to maximise the impact of their research on policy and practice. There are five output areas to deliver this:

- Incentives for researchers to engage in policy work have been strengthened, with multidisciplinary teams now working together to develop engagement strategies. These new teams are hubs for high-quality communications advice and knowledge management, and provide financial resources for research staff to work on communications issues.
- New processes and roles are in place to ensure exemplary editorial, design and targeting of products.
- Linked to this, audience research is underway (as part of the ODI strategic review) to ensure ODI knowledge is accessible, useful and responsive to all audiences. We are improving the topical and regional relevance of our work through better dialogue with Northern and Southern audiences.
- Innovative approaches to communication and engagement are being explored and deployed.
- And how will we assess how successful we have been? We are beefing up mechanisms to measure impact, to examine lessons learned, and provide empirical evidence of the value of our work.

ODI public affairs

- 69 public events, 40 as part of a series, 29 individual events
- 4,000 people attended our meetings across the year
- 61 radio, TV and newspaper interviews, 40 background media briefings, and 79 ODI mentions and citations of ODI work.
- 400 new registrants signed up for the ODI e-newsletter each month. Over 14,000 people receive the newsletter.
- The website attracts an average of 301,260 visits a month (or 6,276 per day), with 187,700 downloads per month.
- 18 ODI *Briefing Papers* were sent by mail to 6,200 recipients across the world; 12 web *Opinions*
- 16 Working Papers

STATISTICS REFER TO THE FINANCIAL YEAR

Below: London calling? Communication work places emphasis on dialogue with the South. Opposite: Election day at the polling station.

A few statistics above illustrate the growth and impact of our communications efforts. We are constantly on the look-out for new channels: this year we introduced video-conferencing facilities, compiled our first podcasts, posted video clips to YouTube, and shared images on Flickr. ODI's blog is now very well-established, popular with ODI contributors and readers alike. And just as we were about to send this year's Annual Report to the printers we were awarded Public Affairs News Think Tank of the Year.





Poverty and Public Policy Group

Our goal is to contribute to policy and practice for effective, sustainable poverty reduction. We provide high-quality applied research and advice to policy-makers, political actors and the public.

Group overview

**By Alison Evans, Director of Programmes,
Poverty and Public Policy**

2006/2007 witnessed a rekindling of the debate around the role of institutions and politics in international development, marked here in the UK by the publication of DFID's *Making Governance Work for the Poor* White Paper and in Europe by a Communication on Governance in the European Consensus on Development. Concerns about how recipient countries use additional aid and worries about the limits of the MDG paradigm for long-term development are prompting new conversations in development about politics and institutional transformation. During 2006/2007, PPPG has contributed to the development of effective strategies, analytical tools and operational approaches to the problem of supporting institutions through our work on aid (see page 16) and governance (see page 18).

Governance work has examined the role of parliaments (see page 22) and continuing work on health reform processes and governance challenges in global health partnerships has been particularly timely given the volumes of aid going into the global health sector and the focus on the mid-point of the MDGs (see page 12). A significant prize in 2006 was winning leadership of the new DFID Research Programme Consortium on Power, Politics and the State which will start in mid-2007 (see box right).

Aid continues to be a key focus. Our 2006/2007 work laid the foundations for the coming year's focus on what the future aid agenda brings. We've contributed to thinking on the impact of 'beyond-aid' policies in developing countries and considered alternative aid-allocation principles for addressing long-term poverty reduction. We have also deepened our political-economy perspective on aid through specific work on general budget support, public finance reforms and the role of civil society budget monitoring.

Underpinning PPPG's work is our continuing focus on chronic poverty, empowerment and how to support poor peoples' livelihoods in protracted crises. We ran a highly successful HIV/AIDS public meeting series with work feeding into the Toronto AIDS Conference (see box right) and have contributed to deeper understanding about the inter-generational transmission of poverty. Sharing lessons on poverty and exclusion North-South featured prominently in 2006/2007, with a speech by Hilary Benn, the then Secretary of State for International Development, in February 2007 to a packed hall at the ODI/APGOOD/Fabian Society event 'The challenge of reducing poverty: Comparing developed and developing countries'.

Main research areas



In February nearly 800 people – an ODI record – registered to hear the Rt Hon Hilary Benn MP compare poverty North and South.

Power, politics and the state

This large new research programme will focus on low-income Africa and grapple with the issue that although the way power is exercised in parts of Africa needs to change, we do not know enough about what types of power structures may be capable of providing governance that is 'good enough' for poverty reduction. An integrated programme, it will combine research, research training, organisational capacity strengthening, and policy influence and policy development. The research will be carried out in a way that helps to create constituencies for the needed changes in thinking and practice.

The research will be carried out by a consortium led by ODI and including partner institutions in Benin, France, Ghana, Niger, South Africa and the US.

HIV/AIDS

In August, Research Fellows Fiona Samuels and Kent Buse attended the 16th International AIDS Conference in Toronto. Fiona has been working on the link between nutrition, food security and livelihoods and the effectiveness of anti-retroviral treatment in sub-Saharan Africa. She wrote 'Unlike other conferences, there were many presentations on vulnerable, marginalised and silent populations including indigenous populations, mobile populations and refugees. Discussions were around how to reach them for both prevention and treatment purposes. This remains a relatively un-researched area and one in which ODI may consider being involved.'

Paris Declaration

ODI analyses the implementation of the Declaration on Aid Effectiveness

By David Booth, Research Fellow,
Poverty and Public Policy

During 2006/2007, a baseline survey was carried out to enable the signatories of the 2005 Paris Declaration on Aid Effectiveness to monitor its implementation. The Paris commitments cover country ownership of development efforts, aid alignment and harmonisation, management for results, and mutual accountability. The 52 specific actions have been reduced to 12 indicators, with agreed targets to be achieved by 2010. An ODI team helped to analyse the results and draft the survey report, which includes an overview and chapters on 34 countries.

As well as documenting the many changes in country systems and donor behaviour that will need to take place if Paris is to make a real difference, the report reveals a lack of real consensus on many issues. Across donor agencies and between HQ and field staff within agencies, there are different views on how to achieve the combined objective of country ownership and better development results. This is natural and healthy. But it makes robust monitoring difficult. Definitions are contested, and respondents give answers that are sometimes hard to interpret. The ODI team has made recommendations for adjustments when the survey is repeated in 2008. A progress report will be considered by a High-level Forum to be held in Accra in September 2008.

The Paris Declaration recognises issues in aid effectiveness going well beyond what is now being monitored. For example, it includes a commitment to reform the internal incentive structures within donor agencies, which tend not to reward cooperative working or the use of country systems. The recent survey results confirm this is a problem. At the moment, the degree to which donors use country systems for public financial management varies quite independently of the quality of those systems. Some agencies are following up on this, as reflected in ODI commissions during the year for the World Bank and for the Governments of Denmark and Norway.

ODI contributed to the *2006 Survey on Monitoring the Paris Declaration – Overview of the results*. To read the report, visit www.oecd.org/document/20/0,3343,en_2649_15577209_38521876_1_1_1_1,00.html

Resources

See also pages 12-19 and 22 for more on the work of PPPG

Events

Scaling up on HIV/AIDS: People and promises, opinions and reality

Working Papers

Bringing community-learnt knowledge into the policy debate: The case of legal aid centres by Ursula Grant, Ingie Hovland and Zaza Curran

Aid and the MDG poverty target: How much is required and how should it be allocated? by Edward Anderson and Hugh Waddington

Learning from experience? A review of recipient-government efforts to manage donor relations and improve the quality of aid by Alina Rocha Menocal and Sarah Mulley

A new equity agenda? Reflections on the 2006 World Development Report, the 2005 Human Development Report and the 2005 Report on the World Social Situation by Edward Anderson and Tammie O'Neil

Briefing Papers and Opinions

Aid allocation and the MDGs by Edward Anderson

Understanding HIV/AIDS and livelihoods by Fiona Samuels

Food, nutrition and HIV: What next? by Fiona Samuels

The 'Development Dimension': Matching problems and solutions by Edward Anderson and Christopher Stevens (IEDG)

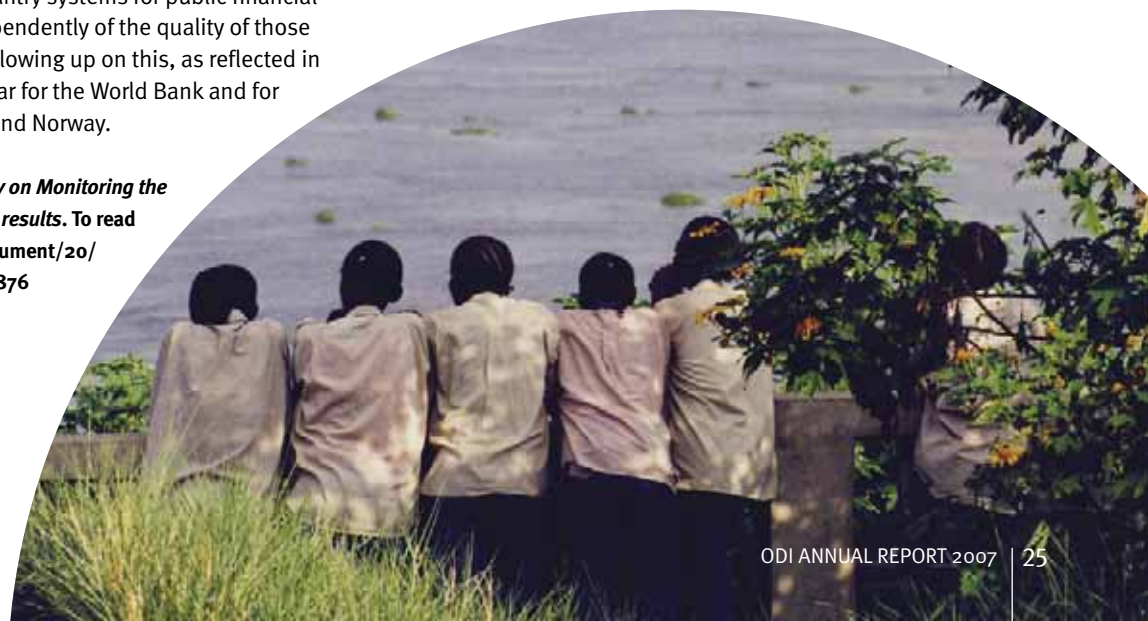
Web and blogs

'Beyond-aid issues: Is DFID's response to Parliament sufficient?' by Alan Hudson

'Much ado about... conditionality? Corruption?' by Verena Fritz

'ODI at 16th international AIDS conference' by Fiona Samuels

'Arms to Africa? Policy coherence for development and power' by Alan Hudson





Protected Livelihoods and Agricultural Growth

The Protected Livelihoods and Agricultural Growth Programme in the Rural Policy and Governance Group aims to inform and inspire debates on rural poverty reduction and natural resource management, raising their profile by drawing on new thinking and analysis of best practice.

Programme overview

By Steve Wiggins, Research Fellow,
Protected Livelihoods and Agricultural Growth

While agriculture remains the single largest employer in most rural economies, rural non-farm activity is increasingly important across the developing world. It seems an increasing fraction of the rural poor are working for wages. In addition, migration, often seasonal and temporary, and including commuting in areas close to cities, is ever more prevalent. In some cases these changes are driven by desperation, as people without land and jobs scramble to find some way to earn a livelihood. But equally, switching from farming at home to a non-farm job, or just adding an additional income source, can be a step up and away from poverty. Researchers in PLAG have been investigating these processes and what lessons they hold for policy-makers looking to tackling poverty in rural areas, where most of the poor still live and poverty is deepest.

- Small rural businesses – as well as farms – typically run into difficulties in obtaining credit, inputs and marketing produce. Business ‘transaction costs’ are frequently high, driving down returns and deterring enterprise and investment. **Institutions** that would lower such costs are weakly developed or absent. In Bolivia and Peru, the Institutions and Pro-Poor Growth research consortium is examining the role of institutions in supply chains, the obstacles faced by small-scale businesses, and their sources of competitiveness.
- **Risk** is another factor hindering investment in small businesses. Social protection, appropriately designed, may underwrite risks of small-scale investments for the poor.
- **Migrants** often need more information on jobs and conditions in destination areas. Sometimes sending remittances home is difficult for lack of reliable financial systems. Above all, migrants need protection from abuse and the continuation of their entitlements as citizens to public services in destination areas.
- The arrival in rural communities of **public transport** – a bus service or similar – can be major stimulus to reducing poverty, and sometimes more effective than programmes to improve local production systems.
- Rural employment, whether self-employment or waged, informal or formal, brings together returns to labour, productivity and incomes with concerns regarding conditions of work: the ILO agenda of ‘decent work’. Research is underway to identify the conditions under which returns to labour and wages rise, so as to inform policy that may



Above and opposite: Rural non-farm activity is increasingly important for the poor, however agriculture remains key.

stimulate demand for labour, improve the skills of labour, and try to improve outcomes by setting minimum wages and labour standards, and facilitating negotiations between workers and employers.

What role for ministries of agriculture?

Extract from a Future Agricultures* Briefing

At the beginning of the 21st century, the role of ministries of agriculture seems to be no longer that of ‘transforming’ the sector, or indeed the whole economy, as had been expected before, but one of ‘regulation’ and ‘facilitation’, in a context where they act merely as ‘part players’. But a reinvigorated ministry of agriculture – one capable and willing to synchronise different interests, provide a sense of direction and ensure that policy choices on the ground are actually consistent with the collective rhetoric on poverty and inequality reduction – is critical. With agriculture such a crucial sector in Africa, providing the source of livelihoods for more than two-thirds of the poor and for the majority of the chronically poor, reimagining a developmental state with a strong ministry of agriculture is a critical challenge for governments and donors.

***Future Agricultures** is a consortium of three UK-based organisations – ODI, IDS and Imperial College London – working together with Southern partners in Ethiopia, Kenya and Malawi on the pressing questions of how to transform the agricultural sector to generate growth and reduce poverty.

The Millennium Villages Project

A new approach to ending rural poverty in Africa?

By Lidia Cabral, John Farrington and Eva Ludi

Proponents of the Millennium Villages Project (MVP) argue that the complex problems facing rural development in Africa require a 'big push' if substantive progress towards the MDGs is to be made – and propose the simultaneous introduction of improvements in agriculture, health, transport, energy, technology, telecommunications and internet connectivity, costing US\$110 per person per year over five years, and funded mainly from aid flows.

Policy conclusions

- The MVP usefully draws attention to underinvestment in rural areas, where the majority of people are still located. Yet, conceptually, it is characterised by a number of tensions – important among these is its claim to be 'bottom up', despite being underpinned by a blueprint.
- The blueprint is driven by a 'campaign' approach which is hard to pilot on a large scale, or over longer periods. This campaign will need to engage with markets, policy prioritisation in economic, social and environmental spheres, and with issues of aid absorption.
- At any scale above that of a few villages, 'big pushes' generally have to be replaced by sequenced initiatives. As a number of earlier initiatives (such as Integrated Rural Development and Sasakawa Global 2000) have discovered, they are also inappropriate where much local adaptation is needed (as, for example, in agriculture) if innovations are to be adopted widely and sustainably.
- It remains unclear how far the MVP will be integrated into larger African-owned initiatives, such as the Comprehensive Africa Agriculture Development Programme of NEPAD.

Thus, from a policy perspective, the MVP will need to sequence interventions carefully, within the context of changing government capacity, national policy strategies and economic opportunities. From a political perspective, strong ownership of development interventions is required – building on existing governance systems and institutions, but in ways that address threats such as elite capture and social and economic exclusion.

Resources

Briefing Papers and Opinions

Politics and the future of ministries of agriculture: Rethinking roles and transforming agendas, Future Agricultures Briefing Paper

How can the rural poor participate in global economic processes? ODI Natural Resource Perspectives 103

Internal migration, poverty and development in Asia, ODI Briefing Paper 11

The Millennium Villages Project: A new approach to ending rural poverty in Africa? ODI Natural Resource Perspectives 101

Poverty reduction strategies and the rural productive sectors: What have we learnt, what else do we need to ask? ODI Natural Resource Perspectives 100

Working Papers

Reforming agricultural policy: Lessons from four countries, Future Agricultures Working Paper

Web and blogs

'Millennium Development Goals, agriculture and climate change' by Martin Prowse, Leo Peskett and Tim Braunschweig

'Time to recognise the importance of internal migration for poverty reduction and development' by Priya Deshingkar
www.odi.org.uk/plag





Forest Policy and Environment Programme

The Forest Policy and Environment Programme in the Rural Policy and Governance Group seeks to inform the processes of policy change in tropical forestry in ways which improve the livelihoods and well-being of the forest-dependent poor, whilst also securing the long-term future of forest resources.

Programme overview

By David Brown, Research Fellow,
Forest Policy and Environment

The last year has seen the growing importance of ‘reduced emissions from deforestation and forest degradation in developing countries’ (REDD-DC) in the international policy arena. The rise of REDD illustrates two features that are typical of forest policy. Firstly, the way it places forests centre-stage in development policy. Over the past 30 years we have seen a succession of motifs – desertification, the ‘fuelwood crisis’, biodiversity conservation, governance reform, and now climate change – which have substantially raised the international profile of what might otherwise appear as a narrow technical discipline. The second aspect is the ways in which seemingly irrefutable values – here, the need to harness the world’s forests to arrest climate change – turn out to be much more challenging, when looked at from the perspective of the world’s poor.

In the case of REDD, the positives are strong. Deforestation accounts for up to 25% of global greenhouse gas emissions, and the highest rates of deforestation are in tropical developing countries. Recent studies suggest that including forest conservation within global carbon markets could be a cost-effective way of reducing deforestation rates (in the existing Kyoto regime, only afforestation and reforestation can be compensated). The negatives are more complex, and many are technical – for example, the difficulty of establishing baselines and of measuring forest degradation. But it is the potential effects on the welfare of the poor which are the main focus of ODI interest. The benefits could be very great. In a country like Liberia, compensated reductions under REDD could provide the country with income comparable to concession logging, without some of the political risks associated with industrial enterprise in a ‘low governance’ society emerging from civil war.

But what would be the mechanisms to ensure that the benefits received by the sovereign government reach the forest managers, in such a way as to affect their behaviour on the ground? What are the trade-offs between different land uses, such as plantations for biofuel production, which are also of growing importance to tropical economies? We are currently researching these issues, and seeking also to identify the standards which international authorities and the private sector would need to apply to ensure continued access to forests for those people who are most dependent on the goods they provide. There are important links here to other aspects of our research – for example, work on forest governance (particularly



Above: Community forestry could have a role in mitigating climate change. Opposite: Water use in Ethiopia.

the ‘VERIFOR project’, which deals with the verification of legality in the forest sector, as well as related projects such as research on forest tenure in Honduras and forest governance in PNG). We also have continuing work on community forestry in several countries of Africa and Asia and the benefits that it might bring to the poor; and studies concerned with bringing forests and poverty into development policy processes, in ways which recognise the true value of forest goods and services, and offer platforms for positive socio-economic change.

Resources

Briefing Papers

Can payments for avoided deforestation to tackle climate change also benefit the poor? ODI Forestry Briefing 12 by Leo Peskett, David Brown and Cecilia Luttrell

Changing aid delivery and the environment: Can General Budget Support be used to meet environmental objectives? ODI Briefing Paper 17 by Neil Bird and Lidia Cabral

Working Papers

Forest sector studies: Papua New Guinea (three papers on ‘the history of the sector’, ‘the current legal and institutional framework’, and ‘issues and opportunities’) by Neil Bird, Adrian Wells and Flip van Helden, ODI, European Union, PNG Government

Books

Bushmeat and Livelihoods edited by Glyn Davies and David Brown, Conservation Science and Practice Series, Blackwell Publishing with the Zoological Society of London

Web

www.odi.org.uk/fpep and www.verifor.org



Water Policy Programme

The Water Policy Programme in the Rural Policy and Governance Group aims to improve poverty reduction and social development through better water sector policy, programmes and projects.

Programme overview

By Alan Nicol, Research Fellow, Water Policy

The Programme's major focus over the past year has been establishing 'RiPPLE' (Research-inspired Policy and Practice Learning in Ethiopia and the Nile Region), a five-year DFID-funded Research Programme Consortium, led by ODI. Based in Ethiopia, RiPPLE is looking at water supply and sanitation from three angles: financing, governance and planning, and linkages with growth and poverty reduction. RiPPLE is developing an innovative action-research approach, establishing learning and practice alliances in three regions of the country. Teams have been busy setting up these alliances and are now launching research activities with a range of local partners, including government and civil society. We aim to ensure that research results generate knowledge and new capacities that are applicable and useful to the challenge of sector development at a national level, and water supply and sanitation service delivery at regional and local levels.

In the next year, as research results emerge and RiPPLE becomes fully established in Ethiopia down to the *woreda* (district) level, the programme will develop its Nile region activities in collaboration with network partners. The challenge will remain one of working at scale while generating key insights at a local level that can be translated into effective action.

There are substantial synergies between RiPPLE and WPP's other core research areas. WPP continues to provide support to the Nile Basin Discourse, a civil society network seeking to maximise the social, economic and environmental benefits available to poor people in Nile countries. Other major

Sanitation and hygiene

Extract from an ODI Opinion by Katharina Welle

The UNDP's 2006 *Human Development Report* (HDR) addresses water and sanitation, calling for a global action plan and increased financing to bring about much-needed change. The HDR sanitation chapter highlights the 'vast deficit in sanitation' worldwide, under which a colossal 2.6 billion people – almost every other person in the developing world – lack access to improved sanitation. The report's suggestions for future action focus on conventional fixes. But the question is whether increased global recognition and funding for sanitation and hygiene can translate into effective action on the ground if the lessons of previous policy failures are inadequately learnt.

A global action plan that puts more money through existing systems is not likely to be effective, for two main reasons: first, the conjoining of 'water and sanitation' can hold back, rather than support, action on the ground to fight the main causes of diarrhoea; second, political support for the sector and capacity for implementation remains weak in developing countries.

streams of work focus on advancing debates around water governance, and improving pro-poor service delivery, including in difficult environments such as southern Sudan. Our research on approaches to sanitation and hygiene has expanded, raising important questions about the degree to which these meaningfully overlap with approaches to water supply.

Resources

Audiovisual

RIPPLE film and photo exhibition is available online and was launched at a World Water Day event hosted by the Ministry of Water Resources, in Ethiopia.

Briefing Papers and Opinions

Sanitation and hygiene: Knocking on new doors ODI Briefing Paper 13 by Peter Newborne and Katharina Welle

Sanitation and hygiene: Grounding the HDR call for a global action plan, ODI Opinion by Katharina Welle

Web and blogs

'Beyond the UNDP Human Development Report 2006' by Tom Slaymaker

www.odi.org.uk/wpp and www.rippleethiopia.org





Humanitarian Policy Group

The Humanitarian Policy Group is one of the world's leading teams of independent researchers and information professionals working on humanitarian policy issues. HPG is dedicated to improving humanitarian policy and practice through a combination of high-quality analysis, dialogue and debate.

Group overview

By James Darcy, Director of Programmes,
Humanitarian Policy

The past year has seen fewer 'headline' crises than the previous year, but continued escalation of some existing conflict-related crises. The human tragedy in Darfur remains unresolved and the situation across the border in Chad and the Central African Republic has deteriorated. In Somalia, hopes for a peaceful transition have been dashed, while in Iraq, Afghanistan and DR Congo widespread insecurity and fear dominate both the political agenda and ordinary people's lives. Elsewhere, peace processes and the return of displaced populations (south Sudan, northern Uganda, Liberia) have been the focus of efforts to restore security and assist household and national recovery.

On the institutional side, the roll-out of a number of elements of the humanitarian reform agenda – including inter-agency coordination by sectoral 'clusters' and new pooled funding mechanisms – have been the subject both of HPG's own research as well as a number of separate independent reviews undertaken for the UN and others.

The evaluation of the international response to the Tsunami highlighted a number of issues concerning the proper role of the humanitarian system relative to national governments, the private sector and others. These themes have been reflected in HPG's research, particularly as they relate to changes in the global environment which pose new challenges for humanitarian action in the future: increasing exposure to natural hazards, resource scarcity, population growth and urbanisation prominent amongst them. Over the last year, HPG's integrated programme of work has continued to combine in-depth country-specific work (for example in Sudan and DR Congo) with broader thematic analysis. This has been complemented by externally commissioned studies, networking with the Humanitarian Practice Network (HPN – see page 37), and events.



Four clusters

Humanitarian concepts, principles and debates

This work aims to clarify the essential components of humanitarianism and provide a platform for discussion of current debates and issues in the sector – including questions relating to the proper relationship between humanitarian, political and other agendas. Work over the past year has included a major study on the relationship between assessment and decision-making in WFP and its main donors and a policy brief on response to drought in the Horn of Africa.

The evolving architecture of humanitarian action

This work analyses the way the humanitarian 'system' is organised and financed and assesses the implications and effectiveness of attempts to make the system more predictable, accountable and responsive. It also looks at major trends in international responses to crisis. This year, research has included: a review of the current obstacles to translating the commitments under the Good Humanitarian Donorship initiative into widespread behavioural change among donors; and a quantitative analysis of the changing security environment for civilian aid operations (see page 20). HPG's regular Monitoring Trends review focused on the apparent trend towards greater involvement of the private sector in humanitarian action.

Crisis contexts and humanitarian responses

The focus of this work is informing practical programming strategies that enhance humanitarian action to save lives and alleviate suffering. Its research addresses key dilemmas in the assessment, design and delivery of humanitarian assistance and has, this year, included projects on cash-based programming, the role of remittances in crises and the risks of corruption in relief.

Conflict, civilian security and transitional contexts

This new area of research analyses the evolving role of humanitarian action in conflict-related emergencies with a particular focus on: addressing civilian insecurity; the political economy of conflict and emergencies; and the interplay between politics, civilian security and emergency aid programmes. Research has included an examination of innovative land tenure-related aid interventions in countries affected by or emerging from conflict; and analysis into the programmes and initiatives undertaken in different contexts to support the protection of civilians during conflict.

Show me the money

When is cash more appropriate than food aid?

By Paul Harvey, Research Fellow,
Humanitarian Policy

Although agencies have traditionally provided humanitarian assistance in-kind – in the form of food aid, seeds, blankets and building materials – a strong body of evidence is starting to emerge to indicate that giving people money to buy what they most need themselves can be an effective and appropriate response in a wide variety of contexts. Cash has been provided to people to rebuild homes in Sri Lanka, to restore livelihoods in Pakistan, to enable access to food in response to drought in Malawi, Zambia and Niger, and successfully delivered in conflicts such as Somalia and Afghanistan. Cash transfers can provide a stimulus to local economies and have in some contexts been more cost-effective than commodity-based alternatives.

The basic criteria for cash transfers to be appropriate are that markets are functioning so that people can purchase what they need locally and that cash can be delivered securely. Evaluations have found that not only is it possible to target and distribute cash safely, but that people spend money sensibly on basic essentials and rebuilding livelihoods.

This does not mean that cash should be seen as universally appropriate. Cash responses may not be advisable in the early stages of an emergency if markets are disrupted, or in very remote areas where markets are particularly weak. Cash transfers can be delivered successfully even in conflict environments, but concerns about security and diversion will be particularly pressing in unstable environments. Questions also remain over the inflationary potential of large-scale cash programmes, and how quickly and effectively markets would be able to respond to increased demand. However, none of these concerns should detract from the clear conclusion that there is scope for increasing significantly the use of cash and vouchers as an instrument in humanitarian response, in a wide range of contexts.

Adapted from 'Cash-based responses in emergencies'.
To read in full: www.odi.org.uk/hpg/papers/hpgreport24.pdf

Resources

See also pages 20-21 for more on the work of HPG

Events

Cash and emergency relief conference

Research report

Cash-based responses in emergencies, HPG Report 24 by Paul Harvey

Briefing and Background Papers

Cash-based responses in emergencies, HPG Briefing Paper 24 by Paul Harvey

Seed vouchers in emergency programming: Lessons from Ethiopia and Mozambique, HPG Background Paper by Catherine Longley

Breaking the poverty cycle: A case study of cash interventions in Ethiopia, HPG Background Paper by Lesley Adams and Emebet Kebede

Cash transfer programmes in Afghanistan: A desk review of current policy and practice, HPG Background Paper by Charles-Antoine Hofmann

Web and blogs

'Show me the money: When is cash more appropriate than food aid?' by Paul Harvey

Cash and vouchers in emergencies resource guide:
www.odi.org.uk/hpg/cashresources.html





International Economic Development Group

The goal of ODI's International Economic Development Group is to promote development by increasing understanding of international economic policy and events.

Group overview

By Christopher Stevens, Director of Programmes, International Economic Development

A consistent approach to changing targets – that is how IEDG contributes authoritatively to international debates that change with the seasons. The common thread running through its research, communications and engagement work is that many contemporary problems are manifestations of underlying – and continuing – imbalances of power and resources in the global community.

In 2006/2007, the targets included the Doha Round (especially its most tangible result so far – a higher priority to Aid for Trade), the Economic Partnership Agreements (EPAs) that the EU is negotiating with the Africa, Caribbean and Pacific (ACP) states (see page 6), and the ongoing Bretton Woods reform process.

All our work is rooted in detailed, rigorous research: how the local content policies of oil and gas companies can advance sustainable development; how the EU's rules of origin can be reformed to be more supportive of development; the trade-distorting potential of aid given as loans or as grants; the Dutch-Disease effects of commodity booms and scaling up aid; and precisely which of the 6,000 odd product groups into which world trade is categorised would have to be liberalised by ACP states to make EPAs WTO-compatible. The research highlight (right) provides an illustrative example from our work on state-business relations.

During 2006/2007, building blocks such as these were used to contribute to the debate on how China is changing the development paradigm in Latin America and Africa; how countries like Venezuela and Bolivia are utilising increased flows of commodity revenue to change their foreign and domestic policies; the shape of the Aid for Trade agenda; the implications of climate change for African agricultural trade; and the serious consequences of not getting the EPA negotiations right.

The doubling of IEDG's size in 2006/2007 will allow us to do much more. The forthcoming 'Health Check' of the EU's common agricultural policy in 2008 and the review of the EU budget in 2009 will set the agenda for change to European agricultural policy to 2013 and probably affect developing countries more than even a 'successful' Doha.

The supply side will be critical, and this requires greater focus on the private sector. Building on its well-established programmes on Investment and Growth, and Business and Development, IEDG will provide an interface between the private and public sectors (see box right).

Main research areas



A matter of balance: The International Economic Development Group explores inequities of power and resources in the global community.

Aid for trade: Addressing the supply side

There is growing awareness of the need to make trade a priority of aid, and ODI has been at the forefront. Its research on Aid for Trade has influenced the evolving agenda from the time the concept first emerged.

During 2006/2007, and continuing into 2007/2008, Sheila Page, Dirk Willem te Velde and Massimiliano Calì have examined the financial architecture on aid for trade and organised ODI workshops with key players. They have supported UNIDO, G24, DFID, DATA and ILEAP in their examination of Aid for Trade as a new issue at the WTO, and of the scope for regional Aid for Trade. This has included estimating the costs of an Aid for Trade package for Africa.

Business and Development Performance

The growth of IEDG in 2006/2007 has allowed us to bring together seasoned development and business economists to answer two questions.

1. Can the competitiveness of a corporation be enhanced by strategic alignment of its operations with a country's economic development priorities?
 2. How can direct competition between firms be used, instead of regulation or common voluntary codes, to enhance multinationals' contribution to economic development?
- The demand for answers on the potential of the private sector is high.

● RESEARCH HIGHLIGHT

How effective state-business relations can improve economic performance

By Christopher Stevens

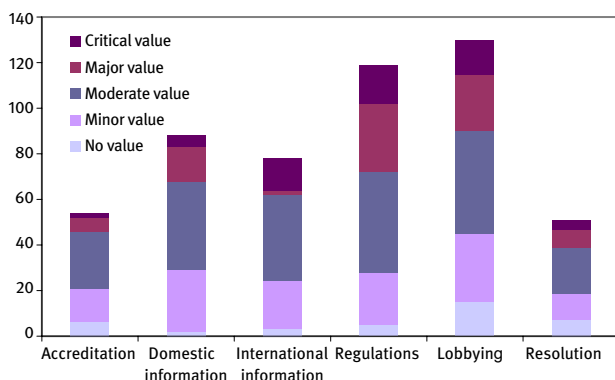
The factors contributing to economic growth have been heavily researched; the new challenge, taken up in our research, is to understand how state-business relations (SBRs) affect economic performance in sub-Saharan Africa (SSA).

Is this possible given that some argue such relations are intangible and immeasurable? Yes – it is possible to identify and measure key aspects of effective SBRs as well as those factors that make them conducive to growth in Africa, whilst acknowledging that informal aspects are difficult to assess.

SBRs may affect growth through investment climate reform, by reducing uncertainties and by improving the relevance of government expenditure. This conclusion arises from work conducted by Dirk Willem te Velde, Mahvash Qureshi and Massimiliano Calì, with partners in the Research Programme Consortium on Institutions and Pro-Poor Growth. Critical aspects include transparency, reciprocity, credibility, trust and the absence of collusive behaviour.

Macro-level research suggests that good SBRs contribute to economic growth in SSA countries. Detailed micro-level econometric research, using enterprise survey data for seven SSA countries, shows that being a member of a business association improves firm performance. This is primarily because it reduces informational asymmetries on regulations and helps to lobby government on investment climate reform. The chart shows that these are the services which African firms report as being of most value.

Chart 1: Value of services provided by business associations in Zambia



Note: Number of firms reporting. **Source:** Qureshi, Mahvash Saeed and te Velde (2007). 'State-business relations and firm performance in Zambia', Discussion Paper, data based on World Bank Enterprise surveys.

Resources

See also pages 6-7 and 14 for more on the work of IEDG

Events

Mapping the future of the Bretton Woods institutions: Challenges for the mandate and governance of the IMF and World Bank

Re-examining sovereign debt: Forgiveness and innovation in the sovereign debt regime

Aid for trade: One year on – How much, for whom and the institutional challenges?

The underutilised value of multinational engineering firms in supporting oil companies to tackle poverty

Aid for trade: Its role in WTO negotiations and long-term development

Working Papers

Is Zambia contracting Dutch Disease? by Massimiliano Calì and Dirk Willem te Velde

Briefing Papers and Opinions

Policy space: Are WTO rules preventing development? by Sheila Page

Creating development-friendly rules of origin by Christopher Stevens

Re-examining sovereign debt: Forgiveness and innovation by Lauren Phillips

Bretton Woods reform: Sifting through the options in the search for legitimacy by Lauren Phillips

Is financial liberalisation enough to promote financial inclusion? by Karen Ellis

Why Evo Morales is not going to be the next Hugo Chavez by Massimiliano Calì

IMF reform: What happens next? by Lauren Phillips

Assessing governance: How can political risk analysis help? by Lauren Phillips

Web and blogs

www.odi.org.uk/iedg

Aid for trade resources: www.odi.org.uk/iedg/aid4trade

'IMF governance reform: Real change still years away' by Lauren Phillips

'The role of politics in investment climate: Some thoughts from the Bolivian experience' by Massimiliano Calì

'IMF reform: Tinkering at the margins' by Lauren Phillips

'Pricing in politics? What recent financial market losses signal about political risk in emerging market economies' by Lauren Phillips

'Like hydrogen without oxygen? Politics, economics and society in Chavez's 21st century socialism' by Lauren Phillips

'At what price gas? Bolivian energy policy and nationalism' by Lauren Phillips



Research and Policy in Development Group

Donors spend around US\$2 billion on development research annually. The Research and Policy in Development (RAPID) Group aims to improve the contribution of research-based evidence in development policy and practice through research, advice, debate and practical support to researchers, practitioners and policy-makers in the North and the South.

Group overview

By John Young, Director of Programmes, Research and Policy in Development

RAPID works with a wide range of stakeholders involved in development research, policy and practice, including: **research organisations**, to help them to maximise the policy impact of their work and to establish more equitable partnerships with ODI; **donors and international development agencies**, to ensure they are aware of and committed to evidence-based policy-making; **policy-makers in developing countries**, to ensure they are aware of and committed to evidence-based policy making; the **media**, to ensure they are in tune with, and actively participate in, development debates; and a growing number of **strategic partners** around the world, to strengthen their capacity to support others wishing to use research-based evidence to promote pro-poor development policies.

RAPID also works within ODI to enhance the capacity of **ODI staff** to maximise knowledge sharing and the policy impact of ODI's own work.

While the emphasis over the last couple of years has been on research providers and on civil society actors, including policy research institutes, think tanks and NGOs (see facing page), RAPID is expanding its work with other actors. Highlights in 2006 included a training course for CIDA Policy Analysts on how to use research-based evidence for CIDA's own policies and programmes; a seminar and workshop for the Ministry of Foreign Affairs in Sweden; a study of research donors for DFID; and an evaluation of one of IDRC's policy research projects – the Small and Medium Scale Enterprise Policy Project in Egypt. Work with parliamentarians and science and technology policy-makers in developing countries will start in 2007.



Above and opposite: RAPID's work focuses on linking research-based evidence and development policy and practice.

Main research areas

Research into policy

How does research contribute to policy? Recent work has included detailed case studies in a range of contexts. Highlights include a literature review on the application of complexity theory in development, and a review of Northern research funders' programmes. Work is also exploring new issues, including the role of values and culture in evidence-informed policy-making processes; 'hierarchies of evidence'; research/policy/practice interfaces across different policy areas and political contexts; and the influence of gender in bridging policy and research.

Communications, knowledge and learning

Work in this area aims to develop simple, appropriate and applicable communication and learning tools, to help organisations and individuals learn, manage knowledge and communicate more effectively. Recent work has included a survey paper on how to do Monitoring and Evaluation (M&E) of think tanks; advice on the communication strategy of Transparency International, Bangladesh; and work on the Humanitarian Futures Programme, to improve the anticipatory and adaptive capacities of humanitarian organisations.

Capacity-building for policy engagement

RAPID's capacity development work includes organisational development; consultancy on issues such as strategy development, governance and research communication; action research projects exploring innovative approaches for linking research to policy advocacy; and providing fellowships and placements for fellows in Southern countries. Emphasis has been on the establishment of the Evidence-based Policy in Development Network (EBPDN) (see facing page) by RAPID's Civil Society Partnerships Programme (CSPP).

Networks

Networks bridge the space between other RAPID themes – they provide: an effective organisational option for bridging research and policy; a vehicle for capacity development; and a means for improved knowledge management and communications. RAPID research has highlighted the importance of a network's function over form and has contributed to the development of an analytical and practical framework to strengthen networks.

● RESEARCH HIGHLIGHT

The Evidence-based Policy in Development Network

A worldwide network of think tanks, policy research institutes and NGOs working together to promote more evidence-based pro-poor development policies

The EBPDN has emerged over the last two years as a result of research and consultative workshops, seminars and meetings by RAPID's Civil Society Partnerships Programme (CSPP) on the role of civil society organisations in policy processes. Events have been held in over 20 countries in Africa, South and South-East Asia and Latin America. A core group of Southern organisations emerged who were keen to learn more about how CSOs can use research-based evidence more effectively to promote pro-poor development policies.

Directors and senior staff from 20 of these organisations have met twice in London, to review progress and develop further collaborative work, including collecting case studies, practical training workshops and training of trainers, the development of handbooks and training manuals, staff exchanges and secondments, and national, regional and global collaborative projects. They will meet again in Colombo, Sri Lanka, in November 2007.

The Center for the Implementation of Public Policies Promoting Equity and Growth (CIPPEC), Argentina, is one of the most active members of the network. It has grown rapidly since it was established in 2000 into a substantial think tank working on education, fiscal policy, healthcare, transparency and justice.

CIPPEC's involvement in this initiative has included: organising and hosting a consultative workshop to learn about the role of research-based evidence in Argentina from other CSOs, think tanks, and development and policy research institutes; undertaking case studies and action research projects; organising a workshop to share knowledge on approaches for policy engagement in Latin America; facilitating the Latin America section of the EBPDN; and managing the regional knowledge management and policy engagement aspects of a DFID-funded research and policy programme on trade in Latin America.

Through its involvement with RAPID's work in this area, CIPPEC has been able to further its knowledge of specific tools to address the complexities of policy-making processes, as well as learn from similar organisations in developing countries. As a consequence, CIPPEC now has its own programme to strengthen internal capacity to translate research into policy, and to share these ideas with other CSOs in the region.

Resources

Briefing and Working Papers

Policy engagement: How civil society can be more effective by Julius Court

Bringing community-learned knowledge into the policy debate: The case of legal aid centres by Ursula Grant, Ingie Hovland and Zaza Curran

Building effective research policy networks: Linking function and form by Enrique Mendizabal

CSO capacity for policy engagement: Lessons learned from the CSPP consultations in Africa, Asia and Latin America by Naved Chowdhury, Chelsie Finlay-Notman and Ingie Hovland

Understanding networks: The functions of research policy networks by Enrique Mendizabal

Toolkits

Mapping political context: A toolkit for civil society organisations by Robert Nash, Alan Hudson and Cecilia Luttrell

Tools for knowledge and learning: A guide for development and humanitarian organisations by Ben Ramalingam

Books

Policy Entrepreneurship for Poverty Reduction: Bridging Research and Policy in International Development edited by Julius Court and Simon Maxwell, Practical Action Publishing, 2006

Web www.odi.org.uk/rapid





Rights in Action

What it does The Rights in Action programme investigates the difference that rights make in the lives of poor people. In particular, we focus on the relevance of rights, principles and frameworks to the lives of excluded and vulnerable men and women, and on the practical value of rights for development action for poverty reduction and humanitarian protection. In 2006/2007, work focused on rights and development effectiveness, governance, voice and accountability; economic policies and rights; and rights and livelihoods (with a focus on illegal logging, land and sustainable livelihoods).

Who it works with Development agencies, human rights organisations, civil society organisations, and partners working in the field.

Activities The objective is to turn rights ‘into action’. In 2006/2007, RiA worked with the Development Assistance Committee (DAC) donors to ensure that human rights are integral to the aid effectiveness agenda. Exploratory work analysing the synergies between human rights and the aid effectiveness agenda suggests that a human rights framework can make a considerable contribution to the implementation and monitoring of the Paris Declaration (see page 25 for more on the Paris Declaration).

www.odi.org.uk/rights

Chronic Poverty Research Centre

What it does The Chronic Poverty Research Centre (CPRC) aims to create knowledge that contributes to both the speed and quality of poverty reduction, with a focus on assisting those who are trapped in poverty, particularly in sub-Saharan Africa and South Asia. The Centre was established in 2000 and continues until 2010.

As an independent research centre, the CPRC explores the policy options for eradicating absolute poverty through: research, analysis and policy guidance; stimulating national and international debate; and giving people in chronic poverty a greater, if indirect, say in the formulation of policy, and a greater share of the benefits of progress.

Who it works with The CPRC is an international partnership of universities, research institutes and NGOs based in Bangladesh, Benin, Burkina Faso, Ghana, India, Kenya, Niger, Senegal, South Africa, Uganda, the UK and the US. Research is also conducted in other countries.

Activities Major activities in 2006/2007 included finalising the background work for and drafting the second *Chronic Poverty Report* to be published in 2008, substantial work on integrated and sequenced gender-disaggregated qualitative and quantitative research in Bangladesh, and international workshops on ‘What works for the poorest’ in Bangladesh and ‘Living on the margins’ in South Africa. Thematic research continues apace and numerous publications have been produced, including both Working Papers and a new series of policy briefs.

Plans have also been developed for comparative work using life histories across a number of countries, and as a prelude to this a capacity-building workshop on the use of life histories was held in Senegal in December 2006. An exciting development in 2006/2007 was the request for the Centre to lead a project to design a cash transfer pilot for Uganda (see page 10 for more on the pilot programme), which has generated much interest in the country and is likely to attract support from the Government of Uganda, in addition to donors.

The CPRC is largely funded by DFID, but has also attracted additional funding from AusAID, USAID, Austrian Development Cooperation, and the Dutch Ministry of Foreign Affairs.

www.chronicpoverty.org

Latin America and the Caribbean Group

What it does This interdisciplinary group draws together research on Latin America across ODI and is a first point of call for anyone interested in ODI’s Latin America-oriented work. It also amplifies lessons from other regions that could be useful in Latin America (and vice versa). The Latin America and the Caribbean Group (LACG) organises or supports private and public events on development issues both in the UK as well as in Latin America, with the main objective to share knowledge and experience.

Who it works with Agencies, governments, CSOs, and partners in the field.

Activities The LACG was set up in 2005 in response to demand for ODI’s research from Latin American CSOs. It sought to put together the Institute’s work on the region and better communicate it to interested parties. Rapidly, an internal group became well known outside the Institute and ODI organised a series of events on the electoral process in the region in 2006. Also in 2006, the LACG carried out the interim evaluation of DFID’s Latin American Regional Assistance Plan and has, since



then, continued to be a close collaborator. Driven by an interest to be an effective communicator of lessons from and to the region, the LACG has launched a blog (lacg.civiblog.org) where key issues are discussed by ODI researchers and guest bloggers from Latin America; and in Autumn 2007, will host a series of meetings labelled 'Lessons from Latin America', to highlight the new role that the region can play in the development sector, globally. www.odi.org.uk/LACG

Humanitarian Practice Network

What it does The Humanitarian Practice Network (HPN) is a forum to share and disseminate information, analysis, experience and lessons from the humanitarian sector. HPN's aim is to improve the performance of humanitarian action by encouraging and facilitating knowledge-sharing, and contributing to individual and institutional learning.

Who it works with Policy-makers, practitioners and others working in the humanitarian sector. HPN is the only network of its kind and is a critical forum for the humanitarian community; in 2006/2007, membership grew by over 30% and it now reaches over 6,700 members. Members work in over 400 organisations around the world, in international and local NGOs, the UN and other multilateral agencies, governments and donor agencies, academic institutions and consultancies.

Activities HPN publishes four issues of *Humanitarian Exchange* magazine per year. Each issue focuses on a specific theme. In 2006/2007, these were the Pakistan earthquake, humanitarian response in urban environments, Northern Uganda, and the crises in the Near East. Each issue also contains a range of policy and practice articles on issues of general interest to the sector. Four Network Papers are also published each year. These are longer papers examining specific issues or experiences in the humanitarian field.

HPN also facilitates interaction and engagement between members through its new Online Exchange feature (blog), which allows humanitarians to debate key issues and encourages members to comment on publications via the website.

HPN also arranges seminars and workshops to launch new publications. To date in 2007, events have been held to launch network papers on 'Minimum standards for education in emergencies' and 'Accountability in humanitarian action' in New York and London.

All HPN publications are free and are available online at: www.odihpn.org

Active Learning Network for Accountability and Performance in Humanitarian Action

What it does The Active Learning Network for Accountability and Performance in Humanitarian Action (ALNAP) is dedicated to improving humanitarian performance through increased learning and accountability. ALNAP aims to promote learning from previous experiences, by circulating widely lessons for the sector.

Who it works with The full membership comprises 56 key organisations and individuals from across the sector, in addition to which over 800 observer members are on the mailing list.

Activities In 2006/2007, ALNAP produced its yearly *Review of humanitarian action* which included: an evaluation synthesis providing a commentary on key issues; an overview chapter on expectations of the system; and a chapter on the utilisation of humanitarian evaluations.

The biannual meetings continue to facilitate exchange and collaboration on relevant issues. In June 2006, the meeting hosted by CARE in Nairobi focused on food security and brought in a number of regional actors in addition to the usual participants. The December meeting, hosted in Rome by the Food and Agriculture Organization of the United Nations and the World Food Programme, attempted to review the findings of the Tsunami Evaluation Coalition (TEC) and propose ways of taking them forward.

ALNAP continued to host the TEC, including the launch of its report in London and Geneva. This was a comprehensive attempt to evaluate the humanitarian response to the December 2004 tsunami in South Asia. Follow-up on the findings will continue.

The ALNAP website provides access to the Evaluation Reports Database:

www.alnap.org

ODI's networks and cross-cutting programmes continue to support and explore topical issues from across the globe.

Above, from left to right: Malian women, a Peruvian potato seller, an inoculation programme, and a reconstructed railway in Sri Lanka.

The ODI Fellowship Scheme

The Fellowship Scheme gives postgraduate economists an opportunity to work in the public sector of developing countries. Governments in Africa, the Caribbean and the Pacific establish their own priorities in employing Fellows on two-year contracts. Since its inception in 1963, the Scheme has worked in over 30 countries. The Scheme is growing, and in 2006, 40 awards were made. There are currently 72 Fellows in post, working with 21 developing-country governments and two regional bodies. There is also an active alumni group of over 700 Fellows.

Overview

By Adrian Hewitt, Head of Fellowship Scheme

The Scheme continues to attract high-quality practising economists who are in great demand across a wide range of developing countries, but the demand is changing. A few years ago, we anticipated the demand for trade economists and health economists as well as specialists helping to devise and implement new national poverty reduction strategies. That may have peaked, as nowadays we see demand building for economists to work on private-sector development, on improving the investment climate and competition policy, as well as for the core functions of budget and macro-economic policy in central ministries of finance. The next surge of demand will be for environmental economists.

We are now putting in place procedures whereby countries not wishing to exit from the Scheme as they develop can instead graduate to self-financing status. South Africa is the first country to reach this stage, but more can be envisaged soon.

This year, we have offered Fellowships for the first time to a Guyanese and a Beninise. When dealing with requests in Abuja, Nigeria, I found that in addition to the four serving ODI Fellows, we had facilitated the capacity-building of the Federal Government and the regional body Economic Community of West African States (ECOWAS), by helping to place three former Fellows (a Ghanaian, a Nigerian and an Anglo-Nigerian), into key advisory posts. So, not the least of the rewards of the Scheme is the continuing involvement of ODI Fellows in international development.

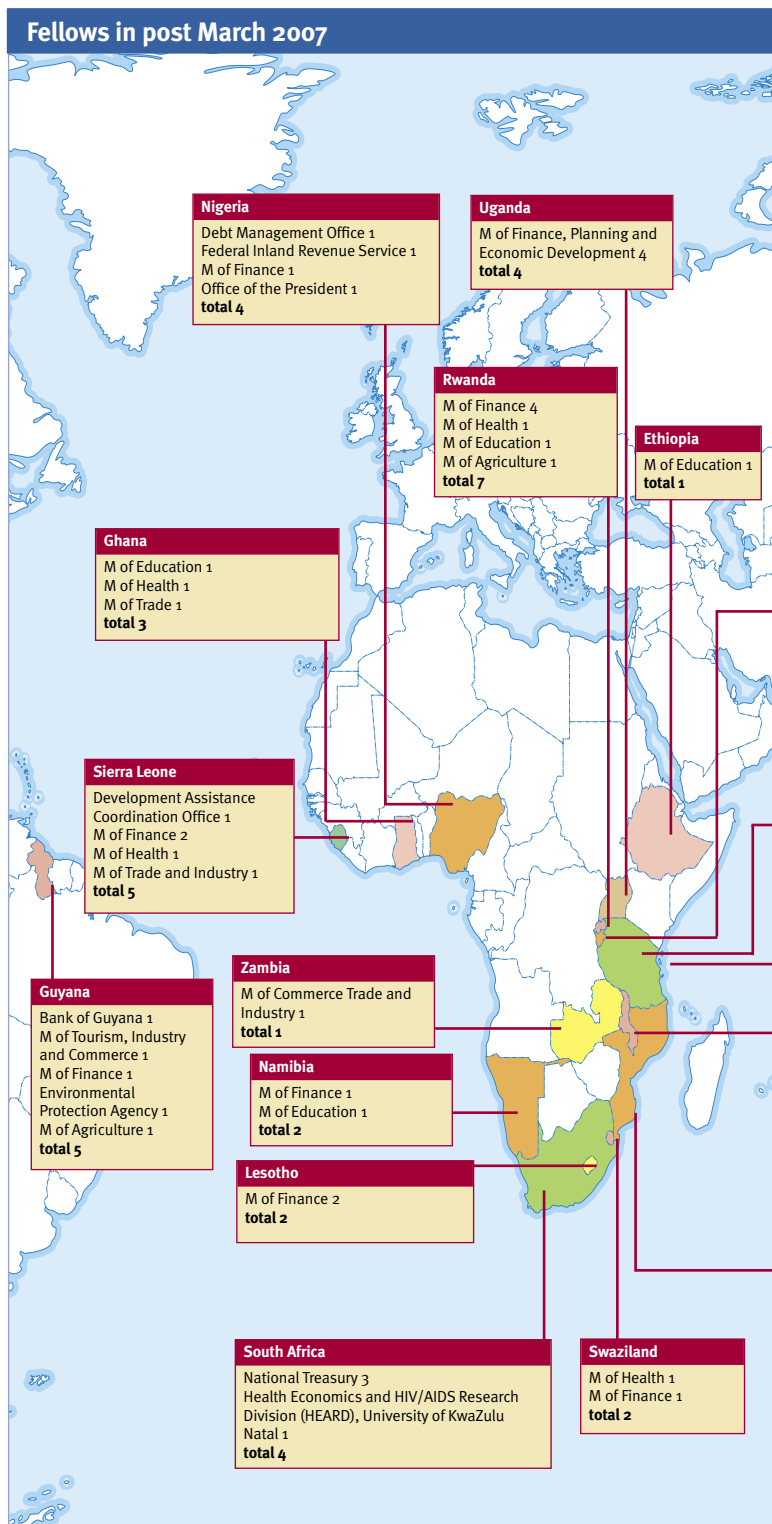
Meet the ODI Fellow: Adam Jackson



Sierra Leone: Ministry of Finance, 2005-2007

Sitting in a darkened warehouse at the printers after the generator broke down, finishing the budget speech by candlelight with the Minister of Finance, is one striking memory, but it is far from atypical; the sheer variety of experience here will take some beating.

Accumulated experience also breeds understanding. There are so many clichés in development, and I now have a firm idea of what ‘good governance’, ‘conditionality’ and other assorted jargon really means. When, in my future posts, I discuss international initiatives, I intend to use knowledge of my time here to help decide whether or not good intentions will be translated into practical benefit.



'I would like to reiterate the profound value both I and the Bank see in the ODI Fellowship Scheme.'

L.T. Williams, Governor of Guyana's Central Bank, 2007



Meet the ODI Fellow: Julia Tijaja



Solomon Islands: Trade Division, Ministry of Foreign Affairs and Trade, 2005-2007

Although I am Indonesian initially I struggled to find Solomon Islands on the South Pacific map. My Fellowship years here have so far been the most enriching, enlightening and exciting two years of my life, both professionally and personally. I will take with me many lifetime friendships and memories.

I have had the opportunity to be on the frontline, to observe, support and facilitate policy-making and implementation. The Fellowship has given me a true understanding of development realities. I learnt that there is certainly no one-size-fits-all solution in development. What is best in theory may not be, and is often not, what will work in practice. Working in a resource-constrained public sector has also exposed me to the manifold challenges of development and governance. I now even more strongly believe in the imperative of national ownership at every stage. It is hard to find a more effective tool in policy-making and implementation than a sense of national ownership and local sensitivity.

Being one of the first Fellows to be posted back in Solomon Islands after a half-decade suspension was both a privilege and a challenge. My two years here have been marked by post-election civil unrest and an earthquake-tsunami disaster, but these have made me even more attached to the country, as they deepened my understanding of the real challenges the country is facing.

Meet the former ODI Fellow: Nikunj Soni



Papua New Guinea 1996: Internal Revenue Commission, 1996-1998

Following on from the Fellowship, I worked as a consultant in the region – mainly in Vanuatu, helping the government to establish a Treasury. Implementing reform is difficult in most circumstances, but the in-depth knowledge, practical and personnel skills I gained from the Fellowship scheme are key factors that shape the way I work today.

I have now established my own financial consultancy and the Pacific Institute of Public Policy: a small Pacific-islands ODI, if you like. Perhaps what is most remarkable is that now, over a decade later, it is evident that in the field ODI Fellows are still regarded as the preferred option for technical support in almost every country my company works in. This in itself is an endorsement of the quality of the programme and illustrates what it can give to both the Fellow and the host organisation.

Research staff

To contact staff please go through the Switchboard (number on back page), or for media enquiries contact the press office (numbers and contact details are provided on the inside front cover).

DP = Director of Programmes

RF = Research Fellow **RO** = Research Officer

SRA = Senior Research Associate

RA = Research Associate

› Joined during the year

Edward Anderson RF

Inequality, poverty and growth; the effects of trade on poverty and inequality; aid allocation.

Caroline Ashley SRA

Poverty impacts of tourism; pro-poor growth in the tourism sector; private-sector linkages with local economic development; rural livelihoods.

› Rachel Atkinson RF

Humanitarian advocacy and communications; evaluation and learning; coordination.

Kate Bird RF

Poverty, chronic poverty and intergenerationally transmitted poverty; pro-poor growth and rural enterprise; policy reform; project, programme and policy evaluation and innovation.

Neil Bird RF

Forests and poverty reduction; forest governance; environmental policy and aid instruments.

David Booth RF

Institutional issues in development and aid policy; aid modalities and the national policy process.

Tim Brauhnoltz RO

Chronic poverty; social protection; discrimination; corruption, conflict and the state; political economy of natural resources.

David Brown RF

Governance and social development; institutional aspects of environmental management; forests, poverty and development policy.



Simon Burall RF

Aid architecture reform; aid effectiveness; harmonisation and alignment; UN reform; accountability and mutual

accountability.



Kent Buse RF

Health policy; policy analysis; political dimensions of policy reform; public-private partnership; governance; aid

policy architecture; HIV/AIDS.

Lídia Cabral RO

Policy processes and aid delivery mechanisms in the agriculture and environment sectors; governance structures in agriculture; public financial management systems and expenditure reviews; Lusophone countries.

Massimiliano Cali RO

Trade, investment and growth; spatial inequalities in development; migration; Southern Africa, Latin America, India.

Diana Cammack RF

Politics of aid and reform; neopatrimonialism, development and governance; national political economic analysis.

Robert Chapman RO

Natural resource management; agricultural research and extension; communication for development.

Naved Chowdhury RO

Rural livelihoods; partnerships and capacity-building; natural resources management and sustainable development.

Karin Christiansen RF

Aid effectiveness and aid management; donor harmonisation and alignment; public finance and links to national policy processes; post-conflict and fragile states; development-security interface and coherence.

Edward Clay SRA

Economic and financial aspects of natural disasters; food and nutrition policy, especially food aid and food security.

James Darcy DP

Humanitarian principles; protection of civilians and refugees; human rights and humanitarian law; needs assessment; food security; operational management.

Paolo de Renzio RA

Public financial management; aid policies; aid effectiveness; public-sector management and reform; decentralisation.

Priya Deshingkar RF — based in Hyderabad

Internal and cross-border migration; links between internal and international migration; remittances, rural labour markets and rural-urban links.

Ruth Driscoll RF

Poverty reduction strategies; donor behaviour; social development.

› Samir Elhawary RO

Peace-building; conflict analysis; Colombia.



› Karen Ellis RF

Financial sector development and financial inclusion; investment, growth and private-sector development; trade in services; trade and climate change linkages.

› Alison Evans DP

Poverty; public policy; institutional change and the role of international development assistance.

John Farrington RF

Social protection; livelihood diversification; policy processes; Asia.

Marta Foresti RF

Human rights and development; accountability and governance; implementation and feasibility of economic, social and cultural rights; social research methodology; social exclusion and inequality.

Verena Fritz RF

Governance and state capacity; political-economy approaches to development; public-sector reforms; institutional change; post-Soviet countries.

Ursula Grant RO

Poverty analysis and poverty dynamics; urban poverty; social policy and responsive policy processes; participation and local governance.

Sue Graves RF

Donor policy; whole-of-government approaches; transitional programming; humanitarian aid architecture; Asia-Pacific.

› Geoff Handley RO

Public financial management; public-sector management and reform; aid effectiveness.

Adele Harmer RF — based in New York

Humanitarian aid architecture; humanitarian financing; aid policy in protracted crises; security of aid operations.

Caroline Harper RF

Chronic poverty; childhood poverty and intergenerational poverty transfers; social development; participation; policy processes.

David Harrison RA

Tourism as a development tool, including pro-poor tourism strategies; corporate social responsibility in tourism; less developed countries and regions.

Paul Harvey RF

Humanitarian programming and operations; food security in emergencies; cash transfers; corruption; HIV/AIDS and impact analysis.



› Edward Hedger RF

Public financial management; governance and accountability; public-sector reform; institutional development; capacity-building.

Adrian Hewitt RF

European development policy; foreign aid; international trade; commodities; the WTO; global public goods; development strategy; Africa and the Caribbean.

› Rebecca Holmes RO

Social protection; impacts and feasibility of cash transfers; gender relations and gender dynamics of poverty and vulnerability.

Ingie Hovland RO

Communication; ethnography of organisations; religion and development.

John Howell RA — based in Pretoria

Agricultural commodity markets; non-tariff barriers; private standards in agricultural trade.

Alan Hudson RF

Development effectiveness; governance at national and global levels; accountability and voice; parliaments and civil society organisations; policy coherence for development.

› Nicola Jones RF

Comparative policy processes; research/policy/practice interface; governance and rights, poverty reduction (esp. childhood poverty); gender analysis.

› Jane Kennan RO

Analysis of trade and related statistical data.

Tony Killick SRA

Economics of aid; aid effectiveness; World Bank and International Monetary Fund; debt, PRSPs and conditionality; African economic problems; poverty.



Zainab Kizilbash Agha RO

Public financial management; politics of reform processes; choice of aid modalities and sector level and aid management.

Andrew Lawson RF

Public finance management; public-sector reform; general budget support and aid policy evaluations; medium-term expenditure frameworks.

Stephanie Levy RF

Pro-poor growth; public investment; private investment; micro-finance; credit market segmentation; Dutch Disease and resource boom; agricultural policies.

Kate Longley RF – based in Nairobi

Seed security and agricultural rehabilitation; rural livelihoods in chronic conflict; crop diversity; food security; strengthening markets; needs assessment.

Eva Ludi RF

Natural resource management; rural livelihoods; environment; agro-commodities; private sector in rural development; environmental conflicts; Horn of Africa.

Cecilia Luttrell RF

Governance and natural resources; vulnerability and livelihood analysis; forest and CPR management; resource rights.

> Ellen Martin RO

Africa; aid architecture; UN systems and reform.

Simon Maxwell (Director)

Development theory and policy; poverty; food security; aid; policy processes.

**> Mareike Meyn RO**

International trade; EU-African trade and development relations; EPAs; regional integration.

Enrique Mendizabal RO

Networks; decision-making; social technologies for development; bridging research and policy; capacity development; Latin America.

Jonathan Mitchell RF

Local economic development; regional economic integration; pro-poor tourism strategies; economic and policy analysis; Southern Africa.

Caroline Moser SRA

Conflict and violence; gender; livelihoods; human rights perspectives; security; empowerment; participation; poverty reduction.

Peter Newborne RA

Institutional/legal and policy aspects of: water supply; sanitation and hygiene; water rights; flood management – including in francophone and hispanophone countries.

Alan Nicol RF

Social, institutional and political dimensions of water resources management and water supply development at all levels.

Sorcha O'Callaghan RO

Programming in protracted crises; protection of civilians; humanitarian advocacy; Sudan.

Tammie O'Neil RO

Governance; politics of reform; neopatrimonialism and informal institutions; human rights and poverty reduction.

Sheila Page SRA

International and regional trade; the WTO; comparative trade and development performance; Aid for Trade; foreign investment; tourism; Southern Africa and Latin America.

Sara Pantuliano RF

Conflict analysis; programming in protracted crises; livelihoods security in emergencies; pastoralism; land tenure; Africa (especially Sudan).

> Leo Peskett RO

Climate change; global climate change policy; forest carbon markets; biofuels and agriculture; climate change impacts on agricultural/natural resource policy.

Lauren Phillips RF

Private finance for development and financial market performance; global governance and reform of international institutions; perceptions of political risk; Latin America.

> Martin Prowse RO

Poverty dynamics; inductive livelihoods research; vulnerability and food security; value chain analysis; contract farming; rural employment; research methodology and design.

> Mahvash Qureshi RO

International trade; investment and growth; state-business relations; trade and environment; international trade standards.

Ben Ramalingam RO

Organisational learning; strategy development; networks and communities of practice; knowledge management and IT systems; humanitarian practice.

Alina Rocha Menocal RF

Developmental states; international aid system; democratic governance; institution-building; accountability; decentralisation; social policy.

Fiona Samuels RF

HIV/AIDS; livelihoods; food security; stigma and discrimination; social capital.

Kevin Savage RO

Humanitarian programming: livelihoods; water and sanitation; cash assistance; remittances; corruption risks.

Kate Schreckenber RA

Forests and poverty reduction; non-timber forest products; participatory forest management; trees on farms; value chain analysis.

> Bhavna Sharma RO

Politics and governance; voice and accountability; rights; gender; Latin America.

Kay Sharp RF

Rural livelihoods and diversification; food security; social protection; rural employment; rural-urban interactions and small-town development; targeting.

Andrew Shepherd DP

Poverty reduction policies and poverty analysis; Africa; South Asia; policy and programme evaluation; rural development; aid management.

Gill Shepherd SRA

Tropical forest policy; NR and poverty reduction strategies; application of the ecosystem approach; spatial relationship between livelihoods and landscapes.

Rachel Slater RF

Social protection, especially cash transfers and links to agricultural growth; food security and food policy; Africa.

Tom Slaymaker RF

Water policy and poverty reduction, sector governance and service delivery in difficult environments, Africa and Asia.

**Christopher Stevens DP**

Trade policy; Economic Partnership Agreements; trade in services; special and differential treatment for developing countries; rules of origin; sanitary and phytosanitary rules; food security.

**> Fletcher Tembo RF**

Advocacy and policy influencing strategies, civil society roles in governance; donor models for supporting civil society; social accountability tools and evidence.

Robert Tripp RA

Agricultural research and extension; seed systems; natural resource management.

Dirk Willem te Velde RF

Investment and growth; foreign direct investment; trade in services; WTO, regional integration; state-business relations; global public goods; Africa and the Caribbean.

> Josie Tucker RO

Water resources management; policy and institutions for water supply and sanitation; water-poverty linkages.

> Liz Turner RF

Trade and private-sector development; policy and institutional reform; aid and trade; aid management; East Africa.

Michael Warner RF

Transaction chain analysis; value chain analysis; management of revenues and procurement in extractive industries sector; tri-sector partnerships.

Katharina Welle RO

Social, institutional, financial and policy aspects of water supply and sanitation service delivery and management.

Adrian Wells RF

Environmental governance; law and poverty; natural resources policy, poverty and decentralisation; multilateral environmental agreements.

Victoria Wheeler RF

Aid architecture; humanitarian protection; donor government policy; contemporary security issues; civil-military relations.

Steve Wiggins RF

Rural livelihoods, employment and the non-farm economy; governance and policy-making; Latin America and Africa; food security.

Tim Williamson RA

Public financial management; national and sector level policy and budgetary processes; fiscal decentralisation; service delivery; aid effectiveness; general budget support.

John Young DP

Rural services; information and IT; knowledge management and learning; research-policy interface; capacity-building; partnerships; Asia and Africa.

And we said farewell and thank you to Julius Court, Sven Grimm, Phil Johnston, Cokro Leksmo, Clare Lockhart, Thomas Muller, Andrew Rogerson and Nicholas Waddell.

ODI Journals

ODI's international, peer-reviewed journals are indispensable tools for researchers and policy-makers alike. The journals publish single articles and themed issues on topics at the forefront of current international debate. Both titles are published in association with Wiley-Blackwell.

Development Policy Review

Focused on the crucial link between research and policy



Development Policy Review offers a distinctive and often challenging perspective on policies for development, drawing on the best current research and evidence-based analysis. Its peer-reviewed articles, discussion items and book reviews lead the debate on some of the foremost development issues of the early 21st century: economic growth and poverty-reduction policy processes,

aid effectiveness and new aid modalities, social protection and rights-based approaches, food policies and agriculture, HIV/AIDS and the distinctive policy challenges facing Africa and Asia.

DPR saw another encouraging year in terms of reaching academics and policy-makers: article downloads rose by 36% to 60,416; total institutional, consortia and individual subscriptions increased by 26%; and the number of registrants to electronic table-of-contents alerts grew by 38%. The journal's reach within low- and middle-income countries was enhanced by its participation in the OARE, HINARI and AGORA schemes, providing 1,350 sites worldwide with free or discounted access to the journal.

In 2006 *DPR* published three theme issues, for which free full-text articles and discounted prices were made available. The first supplementary issue, *Growth and poverty in Asia: Where next?* (DPR 24: 51), was published as an output of the 'Asia 2015' conference held in London in March 2006, and as a companion issue to the *IDS Bulletin* (37: 3). *Cash transfers* (24: 5) was published as a joint issue alongside *Disasters* (30: 3) and *Africa and the WTO Doha Round* (25: 1), was guest edited by the Danish Institute for International Studies.

Development Policy Review is edited by David Booth.

Six issues per year

2008 annual subscription rates:

Personal: £45

IDS, SID and DSA members: £34

Students: £29; Institutional (premium rate): £391

DPR is available free or at a subsidised rate through the HINARI, AGORA and OARE initiatives.

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Print ISSN: 0950-6764 Online ISSN: 1467-7679

Disasters

The journal of disaster studies, policy and management



Disasters is the leading peer-reviewed journal in the field of complex emergencies and natural disasters. Maintaining a balance between field reports, case study articles and academic papers, this quarterly journal promotes the interchange of ideas and experience on all aspects of disaster studies, policy and management.

The rapid growth of the journal experienced in 2005 continued throughout 2006: article downloads rose by 59% to 62,789; submissions grew by over 35%; and institutional, consortia and individual subscriptions increased by 13.5%. This growth in readership and circulation is reflected in the journal's improved impact factor of 0.723, placing it 13th out of an overall 38 titles in the ISI Planning and Development category.

The journal's participation in the AGORA, HINARI and OARE schemes provided over 2,850 research institutes and universities in low- and middle-income countries with free or heavily discounted access to *Disasters* throughout the year. Furthermore, full-text articles from two special issues published in 2006 were made freely available online; the first *Cash transfers* theme issue (30: 3) was published in conjunction with *DPR* (24: 5), and the second, examining *Food security in Sudan*, was published as a supplementary issue sponsored by the World Food Programme (31: 51).

Disasters is edited by Paul Harvey, Helen Young and David Alexander.

Four issues per year

ISI Journal Citation Reports® Ranking: 2005: 13/38 (Planning and Development)

Impact Factor: 0.723

2008 annual subscription rates:

Personal: £49

ALNAP, DSA, ENN, HPN and HPG members: £43

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Disasters is available free or at a subsidised rate through HINARI, AGORA and OARE.

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'I'd like to thank the ODI. Whenever I speak to your staff I am always impressed by their sharp, penetrating analysis and their unrivalled depth of knowledge.'

Andrew Mitchell, Shadow Secretary of State for International Development

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ODI's monthly electronic newsletter provides the latest information on work at the Institute. It has links to key publications and meeting summaries with audio, podcasts and videos; it also supplies details of upcoming activities, offers blogs, opinions and news of the latest networks and portals (resources grouped around a topical theme).

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Underground Lambeth North, Bakerloo line, one minute from the office. Exit the station onto Westminster Bridge Road, turn right up Westminster Bridge Road and 111 is on the left side of the road.

Waterloo station (mainline, international and underground) is five minutes from the office: Leave by Waterloo Road exit. Turn right, walk down Waterloo Road and turn right into Lower Marsh. Walk to the end and turn left onto Westminster Bridge Road.

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This Annual Report was put together by the ODI Communications team:

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Kirsty Cockburn, Head of Communications
Fiona Drysdale, Research and Policy in Development Group Communications Officer
Laura Jarque, Poverty and Public Policy, and International Economic Development Group Communications Officer

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With additional editorial support from:

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Alcoa	HTSPE Limited	Save the Children Fund
Artsen zonder Grenzen (MSF Holland)	HypoVereinsbank	Save the Children UK
Australian Agency for International Development (AusAID)	Imani Development	Save the Children US
Australian Centre for International Agricultural Research (ACIAR)	Information for Development Program (InfoDev)	Scanteam
BG Group	Institut du développement durable et des relations internationales	Secretariat of African, Caribbean and Pacific Group States (ACP Secretariat)
Botswana Trade and Poverty Programme	Institute of Development Studies (IDS), University of Sussex	Shell International
The British Academy	International Bank for Reconstruction and Development	SNV
British Red Cross Society	International Centre for Trade and Sustainable Development	Strategic Promotion of Ageing Research Capacity (SPARC)
Canadian International Development Agency (CIDA)	International Committee of the Red Cross	Southern African Development Community (SADC) Secretariat
CARE International	International Development Research Centre (IDRC)	Swedish International Development Cooperation Agency (Sida)
Catholic Agency for Overseas Development (CAFOD)	International Federation of Red Cross and Red Crescent Societies	Swiss Agency for Development and Cooperation (SDC)
Catholic Relief Services (CRS)	International Finance Corporation	Swiss State Secretariat for Economic Affairs (SECO)
Center for Global Development	International Fund for Agricultural Development (IFAD)	TOTAL
Centre for Economic and Social Rights	International HIV/AIDS Alliance	Transparency International
Centre for Economic and Social Studies	International Labour Organization (ILO)	Trócaire
Centre for European Policy Studies	International Lawyers and Economists Against Poverty (ILEAP)	Tufts University
Chr. Michelsen Institute	International Livestock Research Institute (ILRI)	United Nations Children's Fund (UNICEF)
ComMark Trust	International Rescue Committee (IRC)	United Nations Development Programme (UNDP)
Commonwealth Secretariat	Irish Aid	United Nations Educational, Scientific and Cultural Organization (UNESCO)
CONCERN Worldwide UK	Joint United Nations Programme on HIV/AIDS (UNAIDS)	United Nations Office for the Coordination of Humanitarian Affairs (OCHA)
Coopération Technique Belge	KfW Bankengruppe	United Nations Office for Project Services (UNOPS)
CUTS International	Kings College London	United Nations Population Fund (UNFPA)
Danish International Development Agency (DANIDA)	London School of Economics	United Nations World Food Programme (WFP)
Department for Environment, Food and Rural Affairs (DEFRA)	London Southbank University	United States Agency for International Development (USAID)
Department for International Development (DFID)	Marie Stopes International	University of Birmingham
Development Researchers' Network	Mesopartner	University of Manchester
Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)	Namibia Trade and Poverty Programme	University of Wisconsin-Madison
DFID-Uganda	Nigerian Economic Summit Group	Universiteit Maastricht
Dutch Ministry of Foreign Affairs	Nike Foundation	Vienna Institute for Development Cooperation (VIDC)
Economic and Social Research Council (ESRC)	Norwegian Agency for Development Cooperation (NORAD)	WestLB
Enterplan	Norwegian Refugee Council	World Bank
European Commission	Olokola Free Trade Zone Company	The World Conservation Union (IUCN)
European Investment Bank	Organisation for Economic Cooperation and Development (OECD)	World Health Organization (WHO)
European Parliament	OXFAM	World Vision
Food and Agricultural Organisation of the United Nations (FAO)	Oxford Policy Management (OPM)	
Ford Foundation	PMU Belgium	
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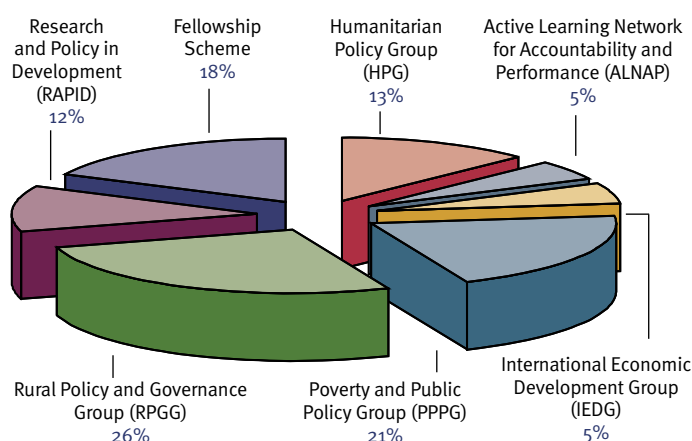
Balance Sheet Summary

	31 March 2007 £	31 March 2006 £
Fixed Assets		
Tangible Assets	152,284	196,428
Investments (Market Value)	1,373,076	1,596,426
	1,525,360	1,792,854
Current Assets		
Stocks	43,033	25,786
Debtors and Cash	3,611,297	3,095,607
	3,654,330	3,121,393
Current Liabilities		
Creditors and Accruals	(2,821,336)	(2,462,398)
Net Current Assets	832,994	658,995
Net Assets	2,358,354	2,451,849
Designated Funds	152,284	196,428
General Fund	2,206,070	2,255,421
Unrestricted Reserves	2,358,354	2,451,849

Income and Expenditure Account Summary

	2006/2007 £	2005/2006 £
Income		
Grants and Project Finance	11,681,092	9,353,459
Interest Income	118	1,116
Other Operating Income	180,896	101,333
Total Income	11,862,106	9,455,908
Expenditure		
Staff Costs	5,240,615	4,234,212
Depreciation	50,267	57,482
Research Expenditure and Direct Costs	3,252,659	2,378,866
Other Operating Expenses	1,265,348	1,058,626
Meetings, Conferences and Publications	474,202	450,263
Professional and Audit Fees	66,158	85,501
Fellowship Activities	1,683,002	1,684,880
Total Expenditure	12,032,251	9,949,830
Realised Investment Gains	11,731	-
Unrealised Investment Gains	64,919	226,537
Transfer from Designated Funds	44,144	270,557
(Deficit) Surplus on General Funds	(49,351)	3,172

ODI Income by Group Activity 2006/2007



Board of Trustees' Statement

The members of the ODI Board of Trustees confirm that the summarised financial statements on this page are a summary of the information extracted from the full annual financial statements which were approved on 12 July 2007.

The summarised financial statements may not contain sufficient information to allow for a full understanding of the financial affairs of the Institute.

For further information the full annual financial statements and the auditors' report and the Trustees' Report on those accounts should be consulted. Copies of the full annual accounts may be obtained free of charge from the Institute.

The summarised financial statements do not constitute full financial statements within the meaning of the Companies Act 1985 and the Charities Act 1993. A copy of the statutory financial statements of the Institute, upon which the auditors have reported without qualification, will be delivered to both Companies House and the Charity Commission.

Approved by the members of the Board of Trustees and signed on their behalf by the Chair, Baroness Jay, 12 July 2007.

Independent Auditors' Statement

We have examined the summarised financial statements of the Overseas Development Institute for the year ended 31 March 2007.

Respective Responsibilities of Trustees and Auditors

The members of the Board of Trustees are responsible for preparing the summarised financial statements in accordance with the recommendations of the charities SORP.

Our responsibility is to report to you our opinion on the consistency of the summarised financial statements with the full financial statements and the Trustees' Report. We also read the other information contained in the summarised annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summarised financial statements.

Basis of Opinion

We conducted our work in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board for use in the United Kingdom.

Opinion

In our opinion the summarised financial statements are consistent with the full financial statements and the Trustees' Report of the Overseas Development Institute for the year ended 31 March 2007.

Buzzacott, London, 12 July 2007.

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