

The Future of International Development

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On 8th October, Hungary had the chance of receiving Mr Anthony Smith, Director of International Relations Division, Department for International Development (DFID), UK. On the occasion of his visit to Budapest, a conference was held in organization of the Ministry of Foreign Affairs Hungary and the British Embassy in Budapest. The session, entitled The Future of International Development and Cooperation, took place on 8 October, and aimed at presenting the main targets of the DFID as well as its challenges and latest achievements.

Mr Anthony Smith personally regards himself as a “child of globalisation”. Born on the West-Indies, he used to live in different parts of the world, including Africa, Canada, the US and the UK. It was in his school in Chicago that local conflicts drew his attention to social injustice and existing contrasts in the world. After studying law in the UK, he specialised in construction law and PPP (Public-private Partnership, the cooperation of governmental corps and private business in order to carry out a specific project). Recently, he is Director of Next Generation Legal Consulting and founder of Farne Project Consultancy. As for field of interest, Mr Smith started to focus on Eastern-Europe when dealing with suppressed conflicts in Yugoslavia during the 1990ies. His personal aims are achieving development in poor countries in order to foster harmony in a dignified world.

These targets are helped by DFID, which is operating in close bonds with the UK government. The main mission of DFID is to reach Millennium Development Goals (MDGs), that is, to cut down on poverty rate by 50% by 2015. In addition, the organisation also links with other priorities, such as security, economical growth, the management of climate agreements and support of politically fragile countries afflicted by local conflicts. These issues are critical for the reason that they are interrelated, not to mention the effects of the recent financial crisis.

As the organisation is incorporated into the Ministry of Foreign Affairs of the UK, it is the UK government that provides the vast majority of the financial sources for these aims. Mr Smith was content to announce that DFID is supported to the greatest extent by the actual coalitional government of the Conservative Party and the Liberal Democrats. The more it is important, because before the parliamentary elections in May 2010, it was debatable whether DFID would be maintained individually, or would be put under governmental control. As Mr Smith expressed it, the Conservatives are highly concerned about international development as an important issue for national interest; therefore, DFID has been integrated into the Ministry of Foreign Affairs. Of course, a separate policy area is being maintained to provide free operation within these bonds.

Now it is clear that the decision was beneficial, since the budget of 2010/11, estimated around £ 7.8 billion, is constantly rising and is expected to reach a 50% growth by 2015. In order to have some concrete statistics, a total amount of £ 4,501,563 thousand is being spent on Iraqi Infrastructure Services Programme at the moment.

There are also two current initiatives being shaped by the administration. One is to reduce the minimum level of funds that can be distributed to a certain organisation in order to facilitate the access of smaller corporations. The other program aims to strengthen public engagement in development issues by enabling Internet users to vote on what a given amount of money should be spent.

Most of the budget reaches its intended target through three major areas. These are local administrative bodies, multilateral organisations and charity groups.

Firstly, about 30% of the aid goes directly to developing countries and regions that need help. Doing this, DFID does not only facilitate the process of delivery, but also fosters the improvement of local administrative systems. It provides the developing country with a framework into which local initiatives can be inserted. Needless to say, local activity is being rigorously monitored, and in case of corruption, DFID instantly changes the channel of donation.

Secondly, most of the aid (about 50% of budget) goes through multilateral institutions. These international bodies focus on a special field, such as education, healthcare and economic growth. These bodies include the European Union, United Nations, World Bank, Commonwealth, Development Assistance Committee, G8, and G20 among many more. Here, the main concern is to judge relevancy, efficiency and the measurement of the “output”, that is, the result of investment.

The third part of aid is given to NGO-s (Non-governmental Organisations) and charity groups, such as Action Aid, VSO and Oxfam. Wherever the support goes, DFID plays an advocacy role, which means active participation in setting agenda and establishing core policies on how the funds should be spent. The reason why these groups are crucial factors in the system lies in the fact that it is them who have the most contact on the community level.

Apart from all these institutions, DFID collaborates with a number of service providers, UNICEF, for instance. The implementation of such partners is strongly reliant on national policies of the UK.

There are also private corporations operating in emerging countries. As complete altruism cannot be expected from these companies according to the laws of free market, their presence in emerging economies may be difficult to interpret. To the question of what motivates such profit-oriented businesses, Mr Smith pointed out the underlying benefits of these investments.

Although it may not seem favourable for some firms to appear on a market that did not prove to be profitable in the past, their activity is likely to foster local recovery. Later on, this advantage of being first on a brand new market might prove to be profitable. Besides, the chance of exploring a new area for investment, added Mr Smith, in itself may help multinational companies, such as pharmaceutical industry, extend their relations, as happened in South Africa or is likely to happen in Namibia or Angola in the following decades.

The Director for International Relations of DFID also mentioned two departments being established at the moment, both of which help poor countries take their first steps towards working economy. These are the Private Sector and the Wealth Creation Departments, which aim at increasing income, and operate according to the principle that people need money first in order to start consumption and the production of goods.

Another challenge that DFID has to face beside MDG and other interrelated difficulties mentioned above is the issue of credibility and public opinion. The steeply rising budget and the significant governmental support results in more and more responsibility for the organisation to prove that the money is spent on proper purposes.

One of the methods implemented to back up policy is the transparency measure. It means that every document on the functioning mechanism of DFID will be available on the Internet from 1 January 2011. Thus, people of interest as well as lobby groups will have access to all the information they need for scrutiny, and will be free to ask any questions that arise concerning the work of the organisation.

Another positive effect of publicity is providing lessons for different countries. For example, when publishing a study carried out on the mortality rate and factors in Africa, an opportunity is given to the outside world to reflect on this particular issue from a professional point of view, and it also gives DFID an opportunity to rethink its own policy.

The second way to enhance credibility is the existence of an independent committee, the National Audit Office (NAO), which informs UK parliament on inner issues, and evaluates its programs objectively. Mr Smith admitted that even in the case of an entirely reliable association, it is not always comfortable to have the public eye on every activity. However, he claimed that these steps are inevitable, and that DFID is always ready to explain its financial transactions.

The third method to gain public support is to prove efficiency. One element is to cooperate with humanitarian activities and specialised subcommittees, as mentioned before. But this aspect also involves the reduction of operation in countries where programs could not emerge. Due to redundancies in administration, these regions could participate only in small-scale projects, which are not profitable any more for DFID. Such countries are Serbia, Bosnia, Croatia and Russia.

Measuring efficiency is impossible without analysing the input and the output of each and every program. The change from input to output means that initially, developers ask for bids of countries on a certain field of investment, then evaluate the possible development goals, and decide which is the most likely to be realised until a fixed deadline.

Monitoring benefits can only be carried out with the help of developed statistics capacity. Therefore, DFID supports the development of this ability locally, and includes a country's own information and data system beside the implementation of superior statistics. The more accurate these statistics are, the more the impacts can be followed and the more flexible the donor becomes when it comes to reacting to these results.

However, no matter how close these numbers are to reality, a key issue remains: how is it possible to measure a country's own impact on itself and on other fields of investment? According to an acknowledged theory, it is almost impossible to tell how much a certain country affected another country's economy. The proportion may be so uncertain that it is not even worth calculating it, especially in the case of such a small country as Hungary. What is more practical is to investigate input individually and contrast it with its concrete realisation. In case the proper aim is found to be completed, the donor might be contented.

As an example, it is hard to find the exact results of the aid for reconstruction sent to Afghanistan, because there exist many other factors that may override the impact of this humanitarian assistance. So in this case, it is unnecessary to search for a general effect on the Afghan security, the donor should rather look at the details such as the number of refugee camps built during the reconstruction period.

Another example for the complexity of effects is related to the former policy of the Labour Party during its government. In its domestic policy, Mr Smith claimed, the party set out irrational targets in healthcare, concerning the reduction of waiting lists in hospitals. But this only led to the significant drop in the quality of service. Thus, one must be cautious and see clearly what results worth reaching.

A rather sensitive subject has also been touched during the session: the connection between humanitarian aid and political side taking in Iraq. There were some concerns that Hungary, and more generally, most of Europe could not stay neutral in the war of Iraq. Moreover, this political commitment did not expire with the withdrawal of troops from the West Bank; it stays in focus as humanitarian and peacekeeping groups are still active in the area. Mr Smith was asked whether it will have long-term effects and whether it can be avoided or not.

Mr Anthony Smith reassured the audience that in such a complex and significant event, it is impossible to provide aid with leaving politics intact. Therefore, he argued that in this case, taking side is inevitable and it is not uniquely the case of Hungary, which only acted according to UN and NATO contracts.

Getting back to the subject of donors, Mr Smith expressed a problem raised by the extension of investments all over the world. He said that in the future, it will be a central issue to harmonise, control and complement the great number of donors flooding a country. For a smaller country, such as Hungary and South Korea, it is a challenge to deal with incoming donors, because if all these remain to be dealt with on the highest level, the whole financial system may freeze due to inefficiency.

Related to the forthcoming EU presidency of Hungary, Mr Anthony Smith pointed out two difficulties to handle. First, in the future, our country must show more flexibility in the management of such challenges, and also should bring its own experiences to complement former running programs with new partners. Second, Hungary must get more visibility of potential market in Eastern-Europe in order to attain the attention of western investors.

In summary, a highly profitable conference took place on 8th October, touching several international tendencies and also letting people to have an insight on the working mechanism of one of the most influential organisations dealing with the most alarming issues of our world. The visit of Mr Anthony Smith could not have been timed better.

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