

## 0.7% of national income as aid

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### There is consensus on spending 0.7% of national income on aid – but why the 0.7% figure, how will it be met, and will it guarantee results?

All the major parties have committed to ensuring the UK meets by 2013 the iconic UN target of 0.7% of national income as aid.

#### WHY 0.7%?

The 0.7% of Gross National Income (GNI) figure – including income from abroad, not just what is produced domestically (GDP) – dates back to at least 1969, and a World Bank commissioned report. The 0.7% figure was largely arbitrary, based on assumptions about development and political possibilities at the time.

It has nonetheless persisted, garnering widespread support, and becoming a touchstone for campaigning organisations, such as the UK's 2005 'Make Poverty History' campaign. It features in various international agreements and reports, including the 2002 UN Monterrey Consensus on Financing for Development.

#### MEETING THE TARGET

By 2009, forty years after the target was first proposed, only five countries had met the target: Denmark, Luxembourg, the Netherlands, Norway and Sweden.

Ensuring that donors meet the 0.7% target is widely seen as a necessary, though not sufficient, condition for meeting the UN's Millennium Development Goals (MDGs), a set of targets under eight themes to reduce poverty and improve conditions for the poor in developing countries by 2015. In 2005 major EU donors committed to reach 0.7% by 2015, and the European Commission has called for annual action plans to meet aid targets ahead of the September 2010 UN MDG review conference.

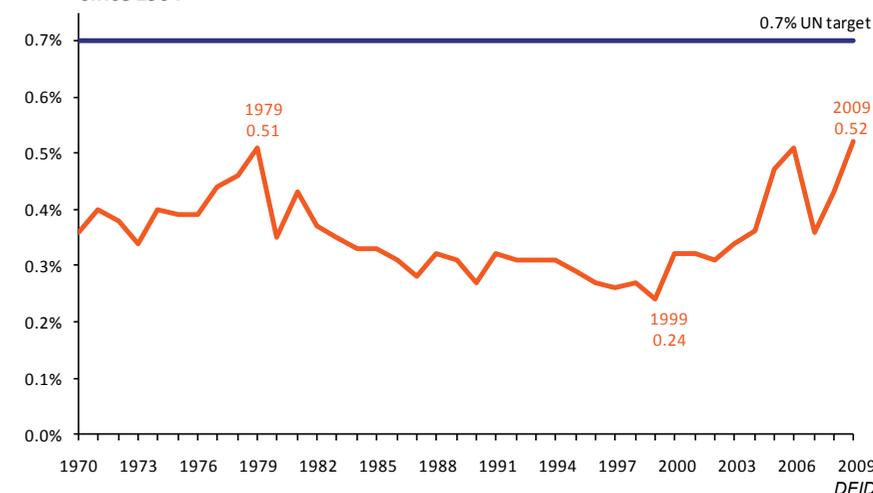
The Labour Government repeatedly stated that the UK would reach 0.7% by 2013, and aid spending commitments were maintained during the global financial crisis and recession. Lower national income and maintained aid spending combined to mean the UK reached 0.52% of national income in 2009, above the 0.48% envisaged for 2009/10 in the 2007 Comprehensive Spending Review. The OECD estimates aid to reach 0.60% in 2010, which would give a new government three years to devote another 0.1% of national income to aid.

#### WHAT WILL IT COVER?

The 0.7% target is based on the internationally-agreed definition 'Official Development Assistance' (ODA). While the *International Development Act 2002* requires ODA spending by the Department for International Development to be for poverty reduction, the international rules are not as rigid. This has raised concerns about 'stretching' the concept of aid, particularly with tight public spending limits and a public commitment to reach the 0.7% target, including:

- **Debt relief**, with calls for separate measurement from other forms of aid
- **Climate change financing** could be classified as ODA, with the Labour Government committing to limit this to 10% of total aid spending
- **Security-related spending**: while military spending cannot be classed as aid, state-building and humanitarian operations could be, and concerns over 'aid militarisation' have been raised.

In 2009, UK aid reached 0.52% of national income, the highest level since 1964



#### AID EFFECTIVENESS

High-level donor targets for aid do not guarantee the quality of aid or its effectiveness. Existing systems could struggle to ensure a poverty reduction commensurate with the rapid up scaling of aid needed to reach the 0.7% target. There are likely to be continued calls to ensure that monies spent on aid are monies that work.

#### 0.7% IN LAW?

The apparent political consensus suggests that the UK will maintain aid commitments despite actions to reduce the public sector deficit elsewhere. However, as clearer plans for spending cuts and/or tax rises emerge this consensus could weaken, public support could drain away, and aid budgets could be under threat.

The Labour Government introduced the *Draft International Development (ODA Target) Bill* in the 2009-10 session of the last Parliament, which would write the 0.7% by 2013 target into UK law, and require this to be the minimum level of future aid spending.

While such legislation could hold a future government to account and act as a restraint on breaking the 0.7% limit, punitive measures for missing the target are unlikely, and an International Development Select Committee report recommended measures to strengthen accountability and consideration of making all – not just DFID – aid focussed on poverty reduction.

As all three major parties have endorsed legislating to meet 0.7% of national income on aid in perpetuity from 2013, these issues will re-emerge in the new Parliament.