The neoliberal restructuring of UK overseas development assistance

By Susan Newman & Sara Stevano

UWE Bristol | University of the West of England

Foreign aid

UK aid budget set for 'big shift' towards City funding for poorer countries

Penny Mordaunt also eyes reform in wake of scandal in charities sector

Penny Mordaunt, UK international development secretary © PA

Henry Mance, Political Correspondent APRIL 11, 2018

UWE Bristol University of the West of England

Iterations of neoliberal development

”consensus ”	Policy programme	Policy focus/central analytic	‘work’ of development	Monitoring and evaluation of development outcomes
WC	Structural Adjustment	Economic growth through liberalisation	Facilitate privatisation, land titling, deregulation, dismantling of capital controls	GDP growth
PWC/ New York Concensus	MDGs	Poverty reduction as accumulation of human capital	Ultimately the responsibility of DCs but with debt relief and aid support this	Impact assessment
Financing for Development	SDGs	Economic growth - greater emphasis on private sector and imperatives of finance - WC^3	ODA to ‘unlock’, ’catalyse’ & ‘leverage’ much larger flows of finance for development Donors to ‘de-risk investment’	Economic returns on investment Financial performance

Aims of the paper

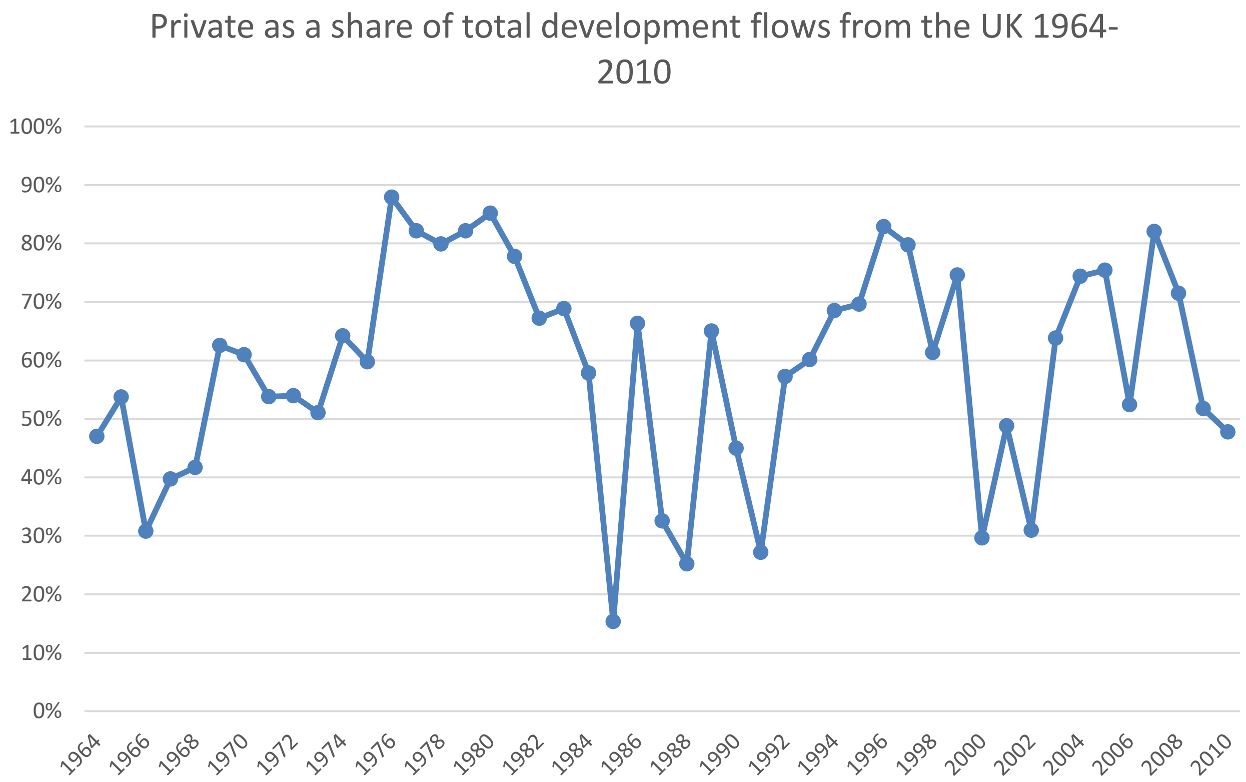
- Analyse the concrete processes in which the reframing of development and the entrenchment of neoliberal practices has manifested in the institutional apparatus of UK ODA as they are related to the shifting commercial interests of domestic and international capital.

  - Historical institutional approach to study continuities and change over time.

- Some dimensions to be studied
  - Organisational change in ODA
  - Budget allocation
  - Sources and modalities of development finance
  - DfID’s ‘business model’
  - Financial reporting

UWE Bristol | University of the West of England

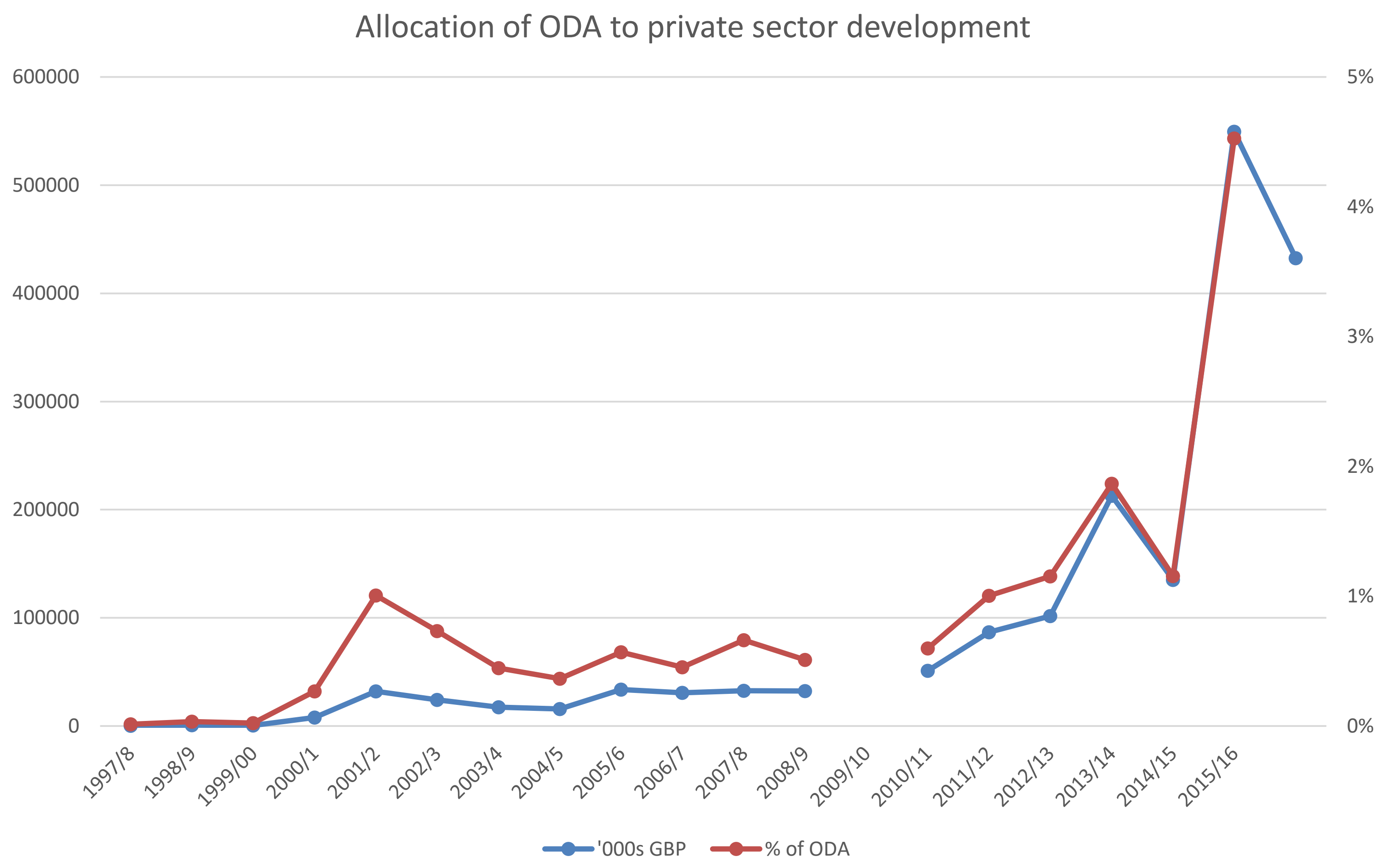
Continuity and change the role of the private sector in British overseas development



- Long history of private sector involvement in British ODA.
- Qualitative changes in how ODA has interacted with the private sector as the institutional apparatus of British ODA has restructured over time.
- Embarking on a dramatic expansion

UWE Bristol University of the West of England

Allocation of ODA to private sector development



UWE Bristol University of the West of England

ODA and commercial interests of British Capital

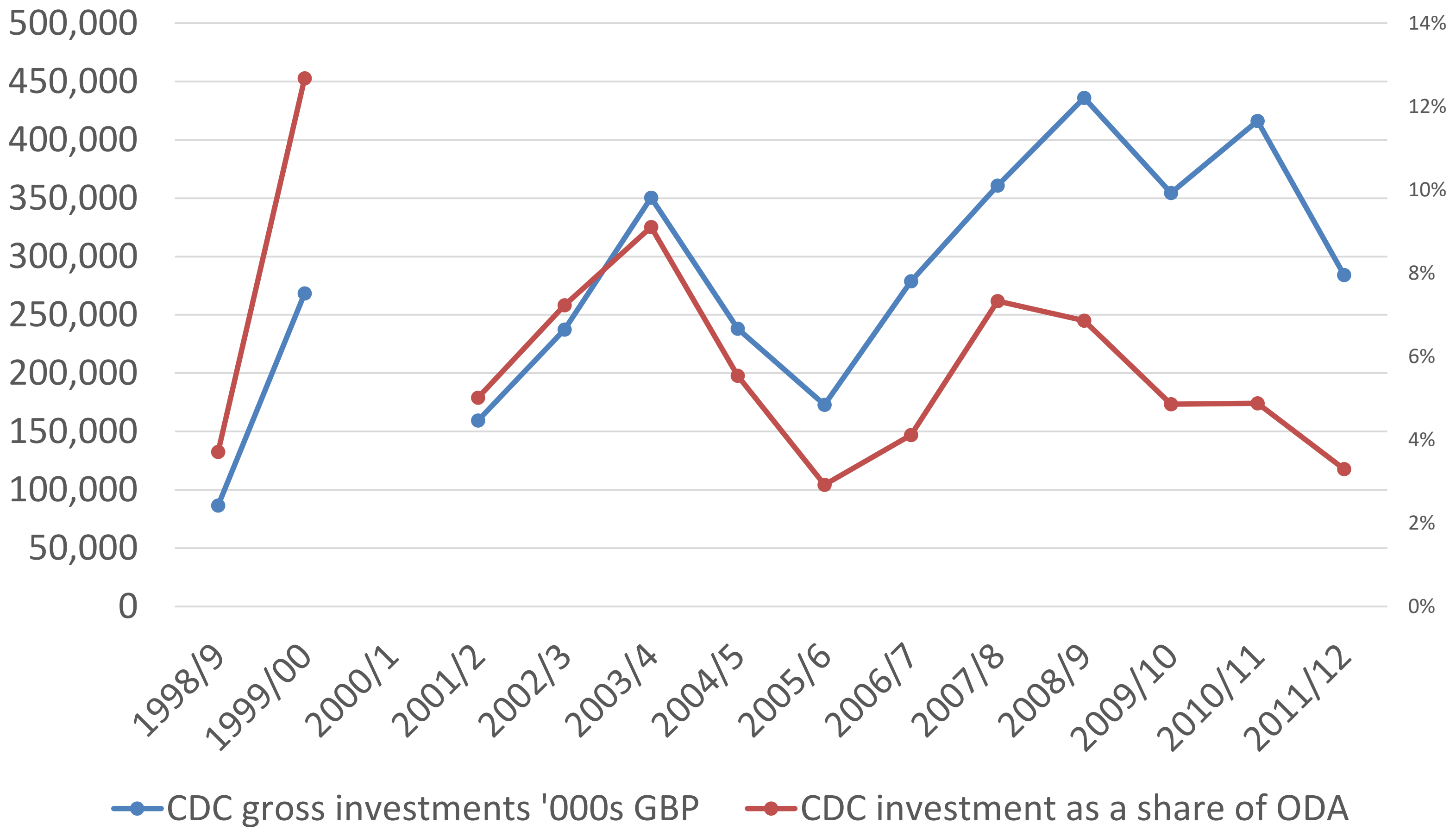
- Commercial interests and private sector involvement have been part and parcel of UK ODA from the outset
  - Concessional lending tied to procurement of goods from the UK
  - Provision of export credit at favorable terms by private banks subsidised and guaranteed by government to win business from developing countries

- CDC (formerly the Colonial Development Corporation) at the heart of the promotion of British economic interests since 1948

- Established in 1948 with the "goal of augmenting the productive capacity of the colonies to provide food and raw materials to meet the pressing needs of post-war Britain"
- Subsequent reinterpretations:
  - An agency for aid disbursement (investment in public sector projects) (1960s) investment selection and economic appraisal
  - 1970s, increased focus on impact of investment – rates of economic returns – goal of expanding UK export markets
  - A means of invigorating the private sector in developing countries (1980s) through secured loans
  - 1999: partial privatisation CDC Group plc. formed with the aim of attracting wider sources of development finance
  - Increases equities financing for the private sector in developing countries

UWE Bristol University of the West of England

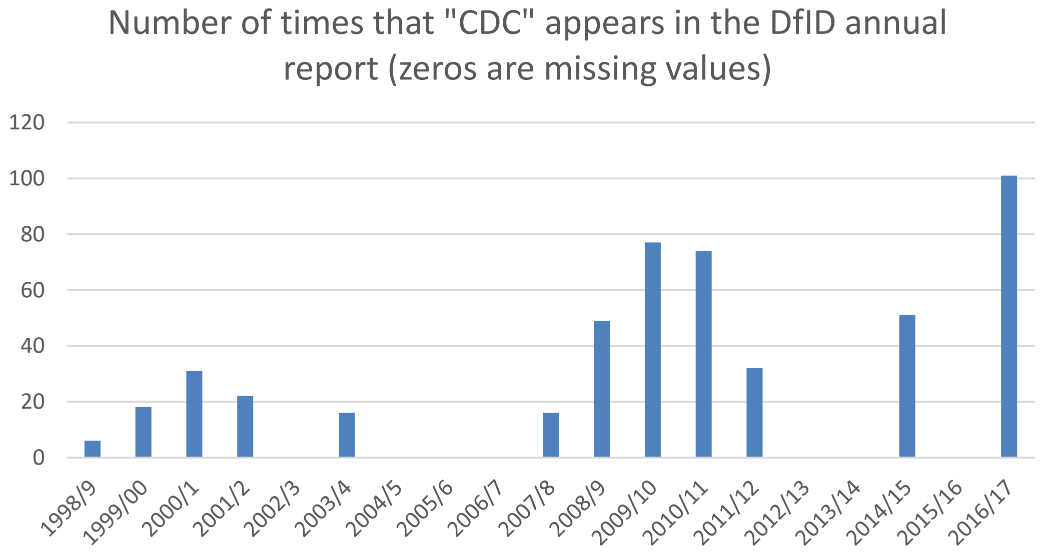
CDC investments



CDC:

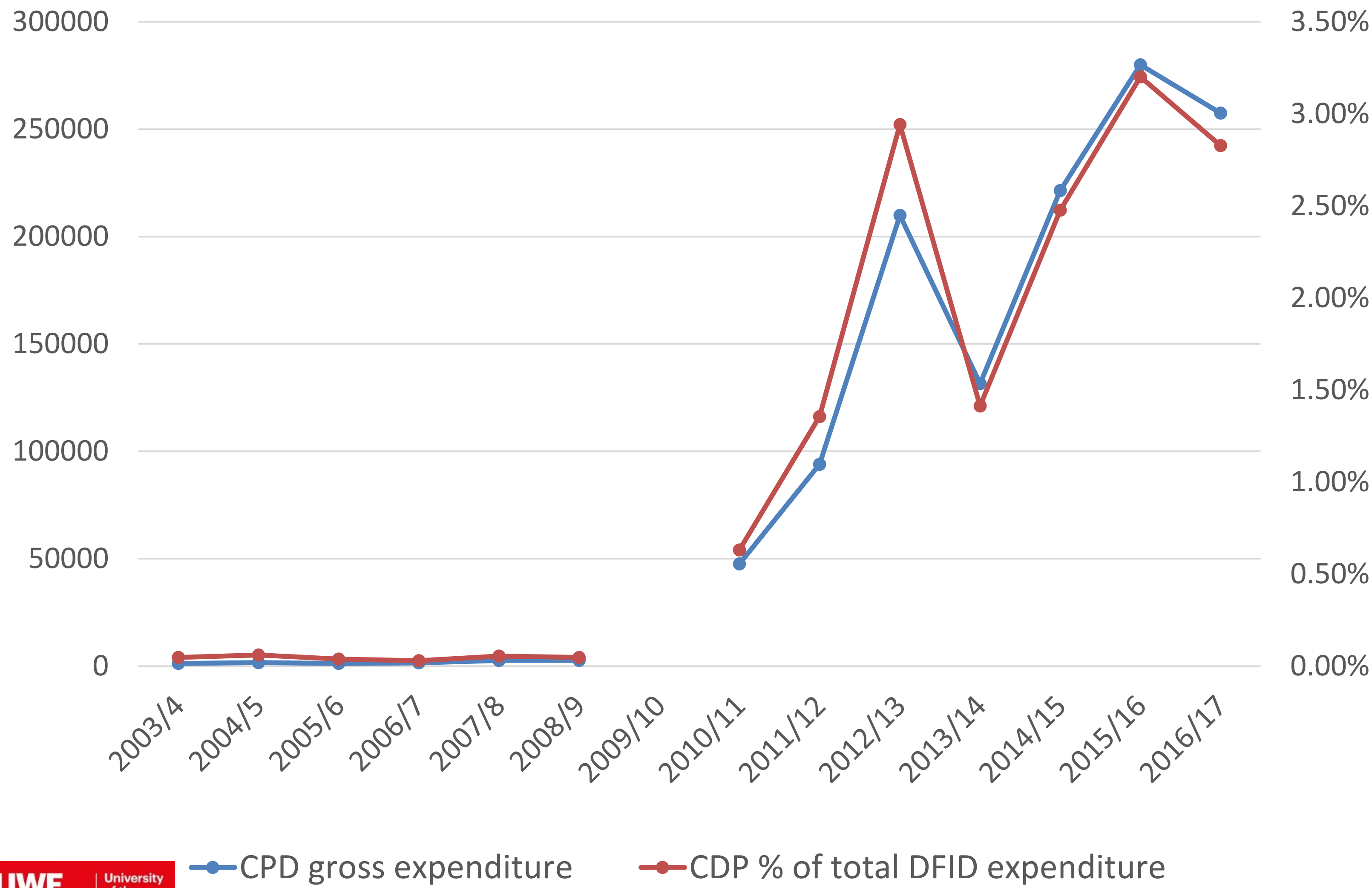
- 2012, government purchases private equity in CDC to become the sole shareholder and embarks on a programme of reform and expansion of CDC activities.
  - (Re)rise of CDC as the UK's main development finance institution

- Commonwealth Development Corporation Act 2017 –increases the level of financial support that the government can invest through CDC.



UWE Bristol University of the West of England

Expenditures by the Corporate Performance Department



UWE Bristol University of the West of England

Corporatising DFID

- DFID restructuring
  - Institutional entrenchment of neoliberal development
  - Financial interests and logic
    - Evaluation of financial and corporate performance
    - Promotion of equity financing
    - Transformation of the balance sheet and accounting conventions
  - Introduction of payment by results and development impact bonds
    - Further entrenches the financialised approach to development

Payment by Results and DIBs

- DFID commitment to Payment by Results (PbR): PbR 2014 strategy and HMG 2015 aid strategy
- Since 2010, DFID manages directly or through other funds/NGOs a portfolio of PbR projects to create the evidence base for PbR development finance (Clist, 2017)
- Rationale for use of PbR provided by contract theory – PbR policies determined by quality of performance measure, risks and (dis)alignment of objectives between recipient and donor (Clist and Dercon, 2014)
- DFID Economic Strategy 2017 commits to explore the use of a specific PbR financing tool: Development Impact Bonds (DIBs)
- DIBs are new tools to attract private investors in development and promote public-private partnerships – important at a time of shifting political narrative, funding gap to deliver SDGs, reduction in conventional financing mechanisms
- Use of PbR and DIBs shows how performance-based development hinges on the creation of financing mechanisms through which private actors can make development profitable