SDG 1: Progress, gaps and recommendations for the UK

1 NO POVERTY

Compiled by:
Development Initiatives

The UK's international contribution to Goal 1 rests to a large extent on the quantity, quality and targeting of the financial support it provides for international development, although it is vital to ensure that all other aspects of UK international policy support rather than undermine this investment. Most of the other goals are linked to poverty reduction, for example **Goal 3** (health and wellbeing), **Goal 4** (quality education), **Goal 5** (gender equality) and **Goal 8** (decent work). These links will be explored further in other chapters, though the delivery of the other goals is also critical to achieving **Goal 1**.

This chapter focuses on the central role of ODA and social protection measures. While income is one indicator of poverty, it is important to recognise that poverty is a multi-dimensional and lived experience that affects people's opportunities and quality of life in intersecting ways.[1] It is highly driven by gender inequality and other forms of marginalisation and inequality (see especially chapters on "Leave No One Behind", Goal 5 and Goal 10).

Target 1.a:

Ensure significant mobilisation of resources from a variety of sources, including through enhanced development cooperation, in order to provide adequate and predictable means for developing countries, in particular the least developed countries, to implement programmes and policies to end poverty in all its dimensions.

Full financing for sustainable development is essential to ensure poverty is eradicated by 2030. The world is currently off-track with commitments made at the Addis Ababa Conference on Financing for Development in July 2015 and global ODA levels fell for the first time in five years in 2017.[2] ODA, while not representing all the financing requirements of the SDGs, is a core part of it given its explicit focus on poverty reduction.

In that context, the UK is to be commended for being one of few to meet its 0.7% Gross National Income (GNI) target for spending on ODA since 2013, enshrining this in law in 2015 under the International Development Act (also contributing the successful delivery of Target 17.2 on ODA). UK ODA as a percentage of GNI has increased at a much faster rate than the average for the Organisation for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC) since 2013.[3] In 2017, it was the world's third largest donor in dollar terms after the USA and Germany, spending £13.4bn on net ODA (2016 prices).[4]

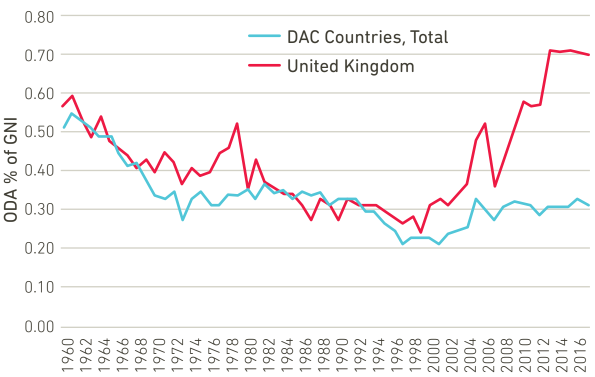
However, there are also concerns about trends that will lessen the impact of aid on reducing poverty, as outlined in a recent International Development Committee (IDC) report on the Definition and Administration of ODA.[5] Compared to DFID, other government departments do not meet the same levels of transparency and accountability on aid spending. A 2017 index marked DFID third for transparency of 45 donors, while the Foreign and Commonwealth Office (FCO) came 40th.[6] Despite this, development funding is increasingly going to other government departments, rising to 29% in 2017.[7] Recent ICAI reports on the cross-department Prosperity Fund and Conflict, Security and Stability Fund (CSSF) raise concerns about lack of openness, transparency and focus on poverty reduction.[8] These issues ought to be urgently addressed before the overall level of ODA funding allocated and spent outside DFID is increased further. As the IDC concluded in its report: "To ensure the primacy of poverty reduction as an objective for all UK ODA, we

1. https://ophi.org.uk/policy/multidimensional-poverty-index/
2. https://reliefweb.int/report/world/preliminary-oda-data-2017 https://sustainabledevelopment.un.org/index.php?page=view&type=400&nr=2051&menu=35
3. http://www.oecd.org/dac
4. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/660062/SID-2017b.pdf
5. https://publications.parliament.uk/pa/cm201719/cmselect/cmintdev/547/54702.htm
6. http://www.publishwhatyoufund.org/the-index/2018/
7. https://donortracker.org/country/united-kingdom
8. https://icai.independent.gov.uk/report/prosperity-fund/ https://icai.independent.gov.uk/report/cssf/

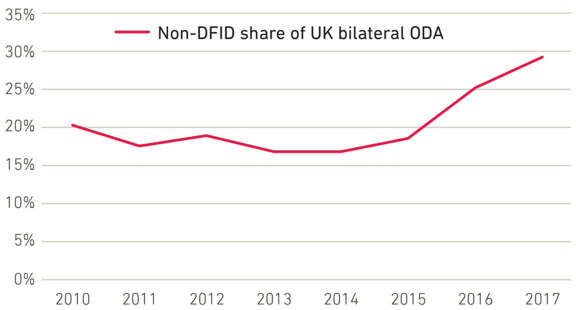
recommend that all ODA, including that administered outside of DFID, should conform in practice with this requirement. Poverty reduction should underpin all of the UK's ODA, helping the poorest and more vulnerable and ensuring that no-one is left behind." This recommendation is welcomed.

The trends above reflect a growing political emphasis on more ideologically-driven, supply-side models of economic growth, as the fundamental driver of development, and the UK's national interests. Since DFID's 2015 Aid in the National Interest Strategy, there has been increasing focus on benefits to UK actors, going as far as to suggest a redefinition of ODA for this purpose.[9] Though the UK reports no formally "tied aid", a recent Eurodad report found that 90% of reported UK aid contract awards go back to domestic firms through informal tying.[10] This takes a toll on the Global South in terms of value for money and potential spillover benefits through local investment. The trends above present a real risk of undermining the UK's efforts on Goal 1.

UK ODA as a % of GNI compared with DAC average:



Proportion of UK bilateral ODA spent via departments other than DFID:



DFID's Economic Development Strategy (EDS) makes a positive commitment to double investment in building effective tax systems by 2020.[11] However, there are also concerns about the coherence of the UK's international policy - for example, the continued existence of tax havens.[12] These cost the Global South valuable domestic revenue needed for investment in quality public services and infrastructure, including support to build capacity in domestic revenue mobilisation (See **Goal 10** and **Target 17.1**). Research indicates that Zambia, for example, loses approximately $3bn a year through corporate tax avoidance, evasion and incentives.[13] More should be done to address tax dodging by companies based in the UK or listed on the London Stock Exchange. The UK should also review the impact of tax incentives in the Global South. Though these can, if used well, be a useful tool to promote decent jobs and growth. However, they can also be used inefficiently and impractically.[14]

Macroeconomic policy recommendations for the Global South from international finance institutions such as the International Monetary Fund (IMF) have tended to encourage tax regimes dependent on indirect taxes such as VAT to raise revenue.[15] This has a disproportionate impact on the poorest, particularly women, who tend to purchase more household goods subject to VAT.

The UK government could do more to address poverty through strengthening of international systems to reduce tax competition and profit shifting and ensure global financial regulations do not restrict policy space for the Global South. It could also better use its international position by promoting inclusive and representative tax and revenue collection policies that do not fall disproportionately on the poorest, and the allocation of tax revenues to publicly funded, gender-responsive public services and social protection. These actions would also significantly contribute to other goals including Goal 10 on inequality.

Target 1.1:

Target 1.1: By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than $1.25 a day.[34]

The latest World Bank data published in October 2018 confirm that fewer people are living in extreme poverty globally, with the numbers falling by 68 million between 2013 and 2015 to an estimated 736 million.[17] The World Bank nevertheless warns that the decline in poverty rates has slowed and predicts this trend is likely to continue. Poverty has even increased in absolute terms in many places. 39 countries saw extreme poverty headcounts increase from 2013 to 2015, putting the Target of eradicating extreme poverty by 2030 further out of reach. In light of this, the UK

9. https://www.gov.uk/government/publications/uk-aid-tackling-global-challenges-in-the-national-interest
10. https://eurodad.org/development-untied-2018
11. https://www.gov.uk/government/publications/dfids-economic-development-strategy-2017 (Page 8)
12. https://icai.independent.gov.uk/report/tax/
13. https://www.waronwant.org/sites/default/files/WarOnWant_ZambiaTaxReport_web.pdf?_ga=2.105950795.936215132.1544696217-1252485858.1544696217
14. https://policy-practice.oxfam.org.uk/publications/tax-incentives-in-the-global-south-620468
15. https://www.brettonwoodsproject.org/2017/09/imf-gender-equality-compendium-feminist-macroeconomic-critiques/
16. This is now measured as $1.90 a day, the amount used in the quoted World Bank Data.
17. https://www.worldbank.org/en/topic/poverty

should do all it can to mobilise resources - public and private, domestic and international - and ensure they are focused primarily on the people and places that are furthest behind and most in need. Without an inclusive approach, this Target will not be achieved.

UK ODA transferred to countries in the Global South

OECD DAC countries have demonstrated a clear trend over the past five years towards more ODA remaining in the country of origin rather than being transferred. UK ODA is no exception, with non-transfer ODA increasing in both volume and share to reach 11% (£1.3bn) in 2016. This appears to have been driven by the trend (discussed above) towards increasing ODA spend through other government departments.

The vast majority (96%) of DFID's bilateral ODA in 2017 resulted in a transfer of cash, technical cooperation or commodities to countries in the Global South. DFID also allocated nearly 50% of its aid to countries experiencing fragility - the highest of any department - with nearly a quarter of its ODA going to "high fragility" countries. In contrast, 51% of Foreign Office ODA and 92% of Home Office ODA was not transferred, but instead spent on administrative costs or on refugees in the UK.[18]

UK ODA going to the Least Developed Countries

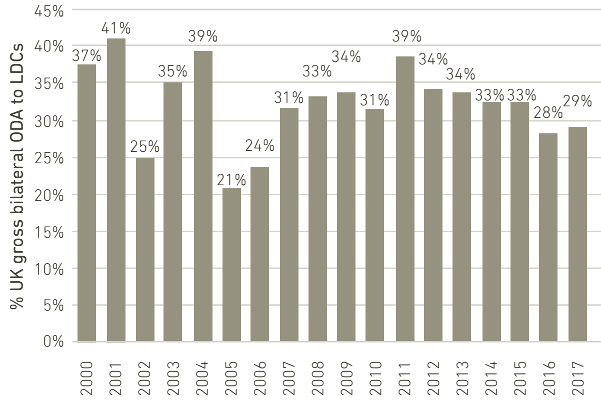
A further consideration for poverty reduction is the percentage of UK ODA directed to the Least Developed Countries (LDCs). This has decreased over the past several years, falling from 39% in 2011 to 28% in 2016 and 29% in 2017. However, the UK figure remains higher than the DAC average (24% in 2017) and the share of DAC ODA to LDCs has also fallen over the last five years.

UK ODA going to the countries being left behind

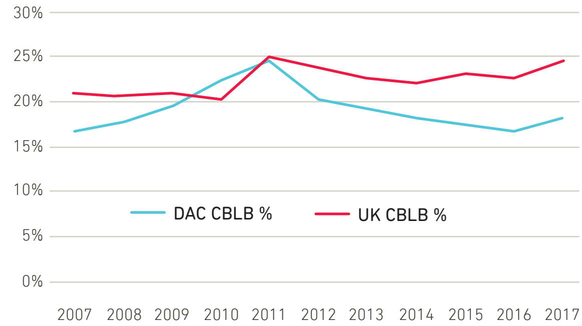
Projections confirm that in the future extreme poverty will be increasingly concentrated in around 30 countries, the majority of which are in sub-Saharan Africa. Low domestic revenues and international finance for these countries most at risk of being left behind means that ODA remains their largest source of international finance, and accounts for more than half of total recorded international finance in 16 of these countries.[19] The extent to which UK ODA targets these countries is therefore a useful measure of the UK's contribution to Target 1.1.

The latest available data confirms that ODA to "Countries Being Left Behind" as a percentage of total gross ODA from the UK has remained relatively constant over the last 10 years. These were 24% ($2.8bn) in 2017, only slightly higher than in 2007 (21% or U$1.2bn). The proportion is higher than the DAC average (18% in 2017). However, there has been no significant increase in the proportion of UK ODA going to these countries since 2015, despite the introduction of the SDGs and the "Leave No One Behind" principle.[20]

UK ODA to "Countries Being Left Behind" compared with the DAC average:



UK ODA to "Countries Being Left Behind" compared with the DAC average:



Of the UK ODA directed to countries with known poverty levels, just over a quarter (26%) was directed to countries with poverty headcount percentages greater than 40% (ie high levels of poverty) in 2017. This has fallen marginally over the last five years, compared to 30% of ODA in 2012. Conversely, the share of UK ODA to countries with the lowest levels of poverty (or less than 1% of the population in poverty) has increased in recent years, growing from 3% in 2012 to over 10% in 2017. This shows a worrying trend towards increased funding to countries with the lowest levels of poverty.

Goal 1 is a call to action to target international development activity, including ODA, towards eradicating poverty, focusing on the people and countries that are most left behind. The analysis above demonstrates that not enough has been done to target ODA to the countries where it should be targeted, including LDCs, "Countries Behind Left Behind" and countries with high poverty headcounts. This trend must be urgently reversed if **Goal 1** is to be achieved.

18. Development Initiatives based on OECD DAC.
19. http://devinit.org/post/countries-left-behind/
20. Ibid.

Target 1.3:

Target 1.3: Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable.

Social protection schemes can play a vital role in lifting people out of poverty and enabling them to live in dignity. They are also critical to achieve other goals, including **Goal 5** and **Goal 10**.

More than a third (36%) of people in extreme poverty who received social safety net benefits have escaped extreme poverty as a result of such social safety net programmes.[21] Even where these programmes do not successfully get people above the poverty line, they have been shown to reduce the poverty gap by 45%. Globally, around 650 million people in the poorest 20% of people are covered by some kind of social safety net. However, this leaves 856 million people without any kind of social protection.

In many sub-Saharan African countries, ODA plays a key role in funding social safety nets. In countries such as the Central African Republic, the Democratic Republic of the Congo (DRC), the Republic of the Congo, Ethiopia, Malawi and South Sudan, these social protection programmes are entirely donor funded. Even in middle-income countries such as Kenya and Ghana, donors fund respectively around a third and a fifth of social safety nets.[22]

Global aid for social protection and welfare has occupied roughly a similar share of ODA over the last decade, amounting to around 1.3% of total DAC ODA in 2017.[23] UK support for social protection and welfare has been higher, as a proportion of total ODA, than for DAC donors overall. However, UK spending on this form of aid peaked in 2016 at $431m (or 3.7% of gross bilateral ODA) before falling sharply to $263m in 2017 (or 2.2% of gross bilateral ODA). Truly ensuring people do not fall into poverty and no one is left behind will require much greater investment in these programmes. Furthermore, domestic governments need to be supported to plan for the transition of programmes from relying on donor funding to domestic funding in the medium- to long-term.

Successful social protection programmes require greater consideration of the gendered nature of poverty, by targeting the poorest women and addressing the barriers they face in access.[24] Social protection will be a major theme of the Commission on the Status of Women (CSW) in March 2019.[25] This is an important opportunity for advancing the international community's policies and practices in this area, particularly the gendered impacts. We recommend the UK uses momentum during and following the CSW to review its own work on social protection and take concrete steps to advance women's empowerment and gender equality within social protection systems.

The UK government should also consider other drivers of poverty, such as disability. A recent ICAI review found examples where people with disabilities have been excluded from national social protection programmes supported by DFID (Myanmar), but also examples where DFID's work has led to the inclusion of people with disabilities as a specific target group (Rwanda).[26] DFID's Disability Inclusion Strategy has social protection as one of its four focus areas, an important step towards the UK taking into account the additional costs and barriers people with disabilities face in access.[27] All this demonstrates the impact DFID can have on the creation of inclusive social protection systems and the need for influencing social protection policies in direct collaboration with key left behind groups.

However, many policies produced thus far by DFID focus on groups with certain vulnerabilities, such as people living with disability. As addressed in the chapter on "Leave No One Behind", poverty and factors such as gender, disability status, sexuality, age and ethnicity are inextricably linked. The UK government's approach to tackling poverty would be stronger and more effective if it focussed on how vulnerabilities intersect. The UK will not be able to achieve its goal of ending extreme poverty if it does not put this work within the framework of a comprehensive "Leave No One Behind" approach. Such an approach should ensure key left behind groups can systematically and consistently participate in and benefit from development programmes.

21. https://www.worldbank.org/en/topic/socialprotectionandjobs/publication/the-state-of-social-safety-nets-2018 (Table 3.26)
22. Ibid.
23. Development Initiatives based on OECD DAC.
24. https://www.odi.org/publications/10379-informality-women-and-social-protection-identifying-barriers-provide-effective-coverage
25. http://www.unwomen.org/en/csw/csw63-2019
26. https://icai.independent.gov.uk/wp-content/uploads/ICAI-Disability-Review.pdf
27. https://gsdrc.org/publications/social-protection-programmes-for-people-with-disabilities/

To achieve Goal 1, the UK government should:

- Continue to meet the 0.7% GNI target for ODA and encourage other high- and middle-income countries to do the same. Cease increasing the overall level of ODA spending through other government departments until steps are taken to ensure all ODA is spent transparently and is primarily focussed on poverty reduction and reducing inequality.
- Support reform through the international system and create stronger regulations to reduce tax competition and tax avoidance. Promote tax policies that do not disproportionately impact the poorest, women and other marginalised people.
- Review ODA spending to ensure resources are targeted towards the people and places that need them most, especially LDCs, "Countries Left Behind" and countries with high poverty headcounts.
- Extend UK funding to social protection, given its proven record in lifting people out of poverty. Provide sufficient budget for ensuring that social protection systems are gender sensitive, disability-inclusive and address the needs of other key left behind groups. Work with governments to support progress towards universal social protection and social protection floors.
- Adopt a more comprehensive, diverse and intersectional approach to ending poverty that can be tailored in different contexts to recognise that many vulnerabilities are inextricably linked.

This chapter is part of Bond's report, **The UK's global contribution to the Sustainable Development Goals**.

Access the rest of the report at bond.org.uk/UK-global-contribution-SDGs

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