

16th January 2024

Arthur Baker, Mathias Bonde, and Joanna Wiaterek

Restoring leadership on international development: Labour's first 100 days

NEW
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PROJECT

Top Lines

Labour have announced ambitious plans for development, 'restoring the UK's leadership on international development', and 'lighting up the world'. As Lisa Nandy MP, Labour's Shadow Minister for International Development notes, the world has dramatically changed since Labour was last in government, with many new challenges.

To meet these challenges with a limited budget, the next Labour government should find ways to make spending go further. We identify four ways to do this. Each of these requires the UK to work with, rather than around, governments in the global south.

- 1. Focus on the most cost-effective approaches for each objective.** These often have ten or a hundred times the impact per every pound spent.
- 2. Invest in innovation.** Developing new technologies and policy approaches can have even larger returns, because once developed they can be deployed by governments in the global south and other donors, as well as the UK.
- 3. Restore leadership in the multilateral system.** The UK could then influence a much greater pool of funding and improve its effectiveness even further.
- 4. Use instruments beyond aid to give the Global South a better deal.** The UK's relationship with developing countries is about much more than aid, with issues extending from trade, to Artificial Intelligence or pandemic preparedness to name a few.

Introduction

Labour has ambitious plans for development. Labour has announced its ambition to restore the UK's leadership on international development, in Lisa Nandy's words, 'lighting up the world'.

Labour would prioritise partnering with governments of developing countries, showing them genuine respect and helping them to rewire their economies and build public services. It would also work with other advanced economies to rebuild global institutions to deal with debt, climate change, and pandemics. Finally, it would prioritise women and girls across its programs. This

briefing proposes ways that Labour could achieve these aims in practice, and some challenges that it will face.

A new shadow foreign and development team will face a challenging global context. As Lisa Nandy highlights, it's a changed world. Between climate change, conflict, food crises, the threat of pandemics, and the ongoing need for economic development, financing needs greatly exceed aid budgets. Geopolitically, the balance of world power is increasingly multi-polar. This means it is more important than ever to treat countries in the Global South as partners rather than recipients. Meanwhile, the UK faces its own fiscal challenges, and a new government will need to win the trust of voters to spend on development.

This short paper discusses how an incoming Labour government can partner with governments in the global south to make aid budgets and domestic revenues go further. Many discussions around aid and development focus on quantity. But for impact, the quality of aid is even more important. The most cost-effective programs create hundreds of times as much impact per pound spent, a much greater spread than plausible differences in budget size.

To maximise the impact of aid spending, we must recognize the central role of governments in the Global South. Ultimately, countries need to grow their economies, increase tax revenues, provide public services, and build robust social protection systems. Only the government can do this.

Making money go further

Focus on the most cost-effective approaches, which often have 10x or 100x greater measured impact per pound spent.

There is now a wealth of evidence on the disparity of measurable impact between different programs. This means there is an opportunity for the UK and other countries to prioritise spending on approaches that will have the greatest impact on people's lives. The evidence suggests that for any given area, there is a very wide range of cost-effectiveness, with the best interventions often being 100x more impactful than the worst.

For example, in the areas identified by Labour's Shadow Minister for International Development:

- a. **Girls' education.** The [2023 GEEAP Cost-Effective Approaches to Improve Global Learning](#), convened by the World Bank, FCDO, UNICEF, and USAID, finds that the most cost-effective health interventions generate 100x as much extra learning per dollar invested. Several of these programs have larger benefits for girls.
- b. **Maternal, reproductive, and child health.** The World Health Organization [identifies](#) that the most cost-effective maternal and child health interventions generate 100x as many extra healthy life years per dollar invested, with some

interventions costing less than \$10 per extra healthy life year, and others more than \$1,000. [New evidence](#) suggests that simple water treatment, which can be efficiently [delivered through public health systems](#), could avert one in four child deaths, for just \$2 per person served per year. Radio broadcasts with family planning information [substantially increased contraception use](#) at a cost of just US\$7.7 per additional user.

c. **Women's economic empowerment.** 'Graduation programs' focused on the poorest women are a highly cost-effective way to [support the poorest women to sustainably escape poverty](#), and [can be scaled through government systems](#). Conversely [traditional microfinance programs for women](#), and [general skills programs](#) often have less impact than hoped on poverty.

d. **Climate mitigation:** According to data from [the Green Climate Fund](#), the number of tons of CO2 averted per pound by their projects varies by 100x, with the best projects costing \$1 to \$6 per ton averted, and others costing \$70 to \$150.

e. **Pandemic preparedness:** During COVID-19, many countries in the global south waited an unacceptably long time for vaccines. Well-designed investments in vaccine capacity could generate [\\$1,000s of dollars of benefits for each dollar invested](#). However, poorly designed investments might simply transfer money to existing producers, without increasing access to vaccines.

Work with governments to improve public services. Labour's Shadow International Development team is right to focus on public services. Maximizing impact and cost-effectiveness generally means working at a large scale, and often state capacity is the best way of reaching a large number of people. Working with developing country governments to improve public services is often more cost-effective than creating parallel private services. For example, the most cost-effective education approaches are typically delivered through public schools, and the most cost-effective health interventions are typically delivered through public health clinics.

Strengthen the existing structures in identifying and maximizing aid effectiveness.

A minister can't micromanage each program, but can strengthen existing institutions to prioritize aid effectiveness. These include:

The Economics and Evidence Directorate (previously Chief Economist's Office), which is traditionally headed by a leading researcher, and provides guidance and leadership on the use of evidence.

The Quality Assurance Unit, which scrutinizes proposed programs worth over 40m, focusing on cost-effectiveness and use of evidence. It scores programs, can request revisions, and ultimately produces a detailed report for consideration by the investment committee.

Advisers working in country and those with technical expertise. Many FCDO staff work closely with partner governments and multilaterals. They are well placed to identify tractable opportunities for impactful programs.

ICAI, the UK's aid watchdog, which provides independent evaluation of aid programs.

This set of institutions could be highly effective, but has been undermined by spending cuts and a rotating cast of ministers, who often prioritize political expediency and short term interests over aid effectiveness.

An incoming minister should be clear that they are committed to maximizing the impact of aid spending, and will take advice from these institutions very seriously, both when devising strategy and when making investment decisions. They should also make sure these institutions are well resourced.

Investing in innovation

Investing in innovation can have huge returns, by helping governments improve public services. Government spending in the Global South is far larger than the aid budgets of advanced economies. Collaborating with developing country governments on research and innovation to improve public services can therefore have a much larger impact than delivering services directly. For example, identifying a way to increase learning levels in public schools might have a much bigger impact than directly delivering an education program.

The UK is particularly well positioned for this work. DFID had an [impressive track record](#) of funding top quality research to develop new social programs, and the UK has some of the world's best universities.

- a. **Open innovation funds.** One way to invest in policy innovation is through open innovation funds. Being open to ideas across sectors, from a variety of sources (governments, researchers, NGOs, etc) helps to cast a wide net, and find the best ideas. A tiered, evidence-based approach (in which early stage ideas are rigorously tested, and only the most effective receive large-scale funding) disciplines investment decisions. Evidence from USAID's Development Innovation Ventures suggests that this approach [generates more than \\$17 of benefits for each dollar invested](#).
- b. **Market shaping and procurement.** Advance Market Commitments (AMCs) allow governments to accelerate the development of new technologies to tackle global challenges. Under an AMC, a government agrees to subsidize the purchase of a future technology once it's developed, provided that the developer commits to an affordable long-run price. This both accelerates the development

of a new technology, and increases access. In 2009, the UK and a group of donors launched a [\\$1.5bn AMC for a new Pneumococcal vaccine](#). Three vaccines were subsequently developed, [saving more than 700,000 lives](#).

AMCs have several benefits. First, the government only has to pay if and when the new technology is successfully developed. Second, they avoid problems with trying to 'picking winners' – any developer who believes they can succeed has an incentive to try.

Leveraging spending through the international system

As Lisa Nandy MP, Labour's Shadow International Development Minister highlighted, the UK needs to work with our allies to rebuild global institutions. These institutions are essential for governments in the global south, who need to borrow in order to invest in their economies. This is another key way to make spending go further. For [each £1 the UK invests in the World Bank, it can make £5 of loans](#) to governments in the global south.

By renewing the UK's leadership in the multilateral system, we can also influence it. This can magnify the impact of the UK's aid by improving the effectiveness of a much larger pot of money. For example, the UK could [support the World Bank to leverage funding even more](#), allowing more spending for each pound invested. The UK has historically been a leader in the multilateral system, but its position has been weakened by cuts, including a 54% cut in contributions to the International Development Association (IDA), the World Bank's arm responsible for lending to the poorest countries.

Beyond aid: giving the global south a better deal

Aid is just one part of the UK's relationship with the global south. Labour's development team should work across government, and consider a full range of instruments, including trade, finance, R&D, and migration. The UK's status as a centre of global finance makes it key to efforts to improve regulations for low- and middle-income countries.

Regulate to close loopholes for vulture funds. Vulture funds are private investors who buy up sovereign debt at steeply discounted prices from countries close to default, and then try to enforce their claims. These funds pay very low prices, because other lenders don't expect the country to be able to repay. This makes it harder for responsible donors like the UK and multilateral development banks to support countries in debt distress towards debt resolution. International development select committee chair Sarah Champion describes this as a ["virtually cost-free intervention that would make the biggest difference to the poorest countries"](#). As [London and New York](#) are the main financial centres where these funds can seek to enforce their claims, the UK is in a strong position to have a global impact here.

Including governments from the global south in conversations around AI. Advances in AI seem set to transform our world. The potential risks are huge, but there are also important potential benefits. Lower income countries' economies may be particularly at risk, and so far they have been excluded from conversations about AI regulation. As an emerging leader in both AI development and regulation, the UK is well placed to bring LMICs into the conversation around AI.

There are many unknowns in regards to the impact of AI on global politics, markets or inequality in individuals' welfare. One of the urgent key questions is how to prevent African countries being governed by AI systems and policies in which they had no say?

The window for an [Africa-inclusive](#) AI protocol may be closing very soon. If the Labour party is truly determined to [build bridges](#) through its foreign policy, it should advocate for welcoming Global South leaders at the AI table.

Winning the trust of the electorate

A new Labour government must also win and maintain public support for aid spending.

Currently, the UK's electorate is split on foreign aid, [roughly half](#) of Brits think that we should "keep or increase our current aid budget". However, it's concerning that only 18% believe that aid is effective. Just as Labour has won back public confidence on domestic economic management, it can win back confidence on aid, by demonstrating that all spending is highly effective, and represents good value for money.

Fortuitously, the public's view of which approaches make a difference line up reasonably well with the available evidence. In general, the public prefers programs which help those most in need and focus on the basic needs, such as health, nutrition and clean water. These map well onto some of the most cost-effective interventions.

The public is also supportive of a multilateral approach. Surveying suggests that the public believes that international organizations can make the biggest difference in poorer countries.

Conclusion

As Lisa Nandy MP, Labour's Shadow International Development Minister highlighted, Labour has an opportunity to light up the world, and transform the UK's relationship with countries in the global south into one of true partnership and respect. But doing so with a limited budget and in a challenging global context will mean making some tough choices. It requires long-term thinking, and a focused approach, concentrating on a smaller number of the best programs.

An incoming development minister will face pressures from all directions, to spend on a vast array of projects. Trying to please everyone can lead to fragmentation, overly complex programs, and short-termism. The success of Labour's development policy will rest on the Minister's ability to resist these pressures, and keep the UK's policy and aid spending focussed on its mission.

The Authors:

Arthur Baker, is the Chief of Staff at the Development Innovation Lab, at the University of Chicago.

Joanna Wiaterek, is a researcher at the Center for Effective Aid Policy, specialising in UK foreign aid policy.

Mathias Bonde, is the co-founder and director of the Center for Effective Aid Policy.

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