Poverty Alleviation, Foreign Aid and the Free Market

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There has been much debate here in the UK about the government's expenditure on foreign aid in light of the woefully inadequate response to widespread flooding across the south of England as a result of powerful storms. "If we haven't got the money to help our own people," the argument goes, "then why are we spending so much helping others in faraway lands?" Why, for instance, has austerity in Britain exacerbated conditions of poverty while at the same time Britain's commitment to foreign aid combating poverty abroad increased?

When David Cameron entered office in 2010 he expressed his commitment to maintaining the Department for International Development (DFID) as a separate department, stating, "even in these difficult times we will meet our commitment to increase spending on aid to 0.7% of gross national income from 2013". Presented as a progressive counterpoint to the raft of cuts made in other departments (including the Department of Work and Pensions headed by Iain Duncan Smith, whose severe cuts compounded by incompetence and financial mismanagement have cost the taxpayer millions while hitting the poorest and most vulnerable in society the hardest), the reaction to the increase in foreign aid has perhaps understandably been met with accusations that the government is prioritising the poor abroad over the poor at home. But does this commitment reflect a genuine concern to help the poorest in the world and, as the slogan goes, "Make Poverty History", or are there ulterio motives at work not mentioned by the PR heads in the media?

On paper the Department for International Development sounds impressive, with goals including:

- halving the number of people around the globe living in extreme poverty and hunger
- promoting sexual equality
- improving health for mothers and decreasing the death rates for children
- Combating HIV and AIDS as well as other diseases
- building a global partnership for those working in development

All perfectly noble-sounding objectives, but it is the latter point which brings us to some of the problems associated with the DFID.

In 2011 the DFID paid out nearly half a billion pounds to mostly British consultants, many of them on 6-7 figure incomes paid for by out of the aid budget. An investigation revealed that these "poverty barons" and the huge sums they were receiving represented a clear conflict of interest, where aid-funded business clears up huge wads of cash which could otherwise be effectively spent on poverty and disease.

The reality is that aid is sometimes diverted away from more deserving countries to places where there are no real problems to speak of but instead attractive beaches and luxury facilities for the poverty consultants to enjoy – for example, the DFID gave £75 million in aid to the Caribbean despite the well developed infrastructure (replete with expensive hotels and restaurants). Further aid goes to consultants in Barbados, where DFID cash helps pay their £180,000 salaries.

The DFID also faced criticism in the 2005 report from ActionAid, Real Aid: an agenda for making aid work, which not only revealed how the government inflated the value of its aid to the poor, but also how much of this money is "phantom aid" which does nothing to reduce poverty. It goes on to describe scant accounting, administrative waste and a culture of paying large sums to "consultants" and "technical advisors". One scheme – the construction of a defense system to protect villagers from flooding in Cambodia – saw three quarters of its budget allocated to offices, administration and consultancy firms, despite the project being promoted as "community-based".

Other problems have been identified by the World Development Movement, who have identified what they refer to as a "worrying trend" for prioritising the private sector in the way in which the DFID distributes its funds. In this dynamic aid becomes tax breaks for multinational corporations such as Nike – in Bangladesh, for example, £11 million was given to the World Bank's Private Sector Development project which led to the creation of "export processing zones" (EPZ), tax havens where corporations avoid tax payments while at the same time banning workers from joining trade unions. In some cases, the land on which these zones are constructed can be confiscated by the government, with the issue of compensation for those living on the land murky, to say the least. Protesters have predictably been met with tear gas and rubber bullets.

Needless to say, the consultants receiving hefty sums of aid cash from the DFID are instrumental in the establishment of EPZs – similar public-private partnerships have been planned for completion in India by 2015 and the distinction between aid and business is becoming increasingly blurred. The DFID's Girl Hub Project is being implemented by the Nike Foundation, while David Cameron announced a new project by GlaxoSmithKline and Unilever at the Olympics Hunger Summit. This reliance on the profit-driven private sector represents a worrying trend in global aid, where returns on investments not only trump the needs of the poor but – as is the case with EPZs – actively work against the best interests of those on the lowest spectrum of society.

Corporate Watch has extensively covered the shortcomings of DFID and World Bank aid investment in Bangladesh and India and highlights a raft of problems associated with wages, working conditions and corruption which bear little resemblance to the "democractic principles" so often espoused by British politicians when they speak of foreign policy (admittedly often with forked tongues). Privatization, the degradation of services such as education and the distribution of aid money to NGOs which display an inherent pro-DFID bias, regardless of the fact that much of the money is ending up in private hands rather than those who need it the most, all point towards foreign aid as something of a fallacy – a contradiction between the PR and rhetoric and the facts on the ground.

Aid funds are often swallowed up by the corrupt governments in third world countries who are tasked with distributing among their people or using it to fund projects of benefit to local communities. The DFID featured in a damning report from think-tank Chatham House in

September 2013, which accused them of giving the Nigerian government over £1 billion in aid, fully aware that this would end up in private pockets. Corruption in Nigeria is endemic, with the report stating,“Nigerian crude oil is being stolen on an industrial scale and proceeds are laundered through world financial centres. In Nigeria, politicians, military officers, militants, oil industry personnel, oil traders and communities profit, as do organised criminal groups.”

Money from the illicit trafficking is often laundered in financial institutions found in the City of London – a British commentator quoted at Nigerian Watch neatly summed up the dynamic, saying, “It’s a magic trick. The British government takes large amounts of public money and gives it away then they get some back via business deals usually with companies they are involved with or are very friendly with and some of the money magically makes its way back but ends up in their pockets in a roundabout kind of way.” The scale of corruption in London’s financial centre – and the impunity with which bankers and businesses act – is legendary, with the watchdog Transparency International describing it as “the capital of dirty money”.

While this points to fundamental flaws in the way in which the DFID distributes its aid, it is perhaps unfair to write off their work entirely as achieving nothing positive whatsoever for the world’s poor. At the same time, perhaps it is to be expected that the British government would prioritise its own interests abroad, working in tandem with key global institutions and corporations which share its economic values. The negative impact of the DFID on global poverty in respect to its conformity to free market capitalism is miniscule in comparison to some of the large international financial institutions, and it must be acknowledged that, if blame is to be attributed anywhere for the rise in poverty around the world, then it rests largely at the doors of organizations such as the World Bank (with whom the DFID engage) and the International Monetary Fund.

Anyone familiar with the work of Naomi Klein and John Perkins is all too aware of the fundamental role played by international banks in the exploitation and ruination of the developing world. Klein argued eloquently against what she referred to as “disaster capitalism” – the free market economic model developed by Milton Friedman and the Chicago Boys – in her book The Shock Doctrine, outlining a predatory form of capitalism which exploits, and may even deliberately engineer, political and social unrest for the benefit of multinational corporations.

Klein views the World Bank and IMF as key architects of this process, and it is difficult to argue against this conclusion given the track record of ruinous intervention in developing countries, where IMF structural readjustment programs have led to widespread poverty, increasingly authoritarian political systems and degraded public services, while large corporations are free to strip the country of its most valuable assets, ensuring that none of the wealth returns to the indigenous population (aside from the corrupt puppet politicians who accept the terms of IMF loans).

So, while the DFID could be seen as attempting to put a plaster on an open wound (albeit one infected with the shortcomings of neoliberal ideology), the institutions which are the root cause of poverty are the ones most sorely in need of reform, if not complete overhaul or abolition. The poor of the world imperiled by acute malnourishment and mass starvation are victims of a much larger system which has at its heart an agenda of increasing the wealth of the few at the expense of the many; a network of international finance which vastly overshadows the problem of misdirected foreign aid.

Sadly, the will to address the root cause of the problem – given that our political leaders are deeply embedded in the same neoliberal ideological mindset – isn't likely to occur any time soon.

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