

CAFOD response to International Development White Paper

August 2023

Question 1.

- **How do partnerships need to change to restore the credibility of international development and the multilateral system and regain the trust of Global South?**
- **What role should the UK play in this and what specifically should we do differently?**
- **What should we do to ensure we are listening better to those most in need?**

CAFOD response:

Despite commitments, progress to support local leadership has been slow. For example, on humanitarian localisation, the UK has committed to increase support to local actors through the Grand Bargain (2016 and 2021). However, it is difficult to access the level of aid reaching local organisations as data is not properly tracked or published by the Government. Among the available data, the UK's [contribution](#) to civil society organisations declined from 17% of bilateral ODA in 2020 to 15% in 2021. Only 11% of this was directed to “developing country-based CSOs.”

Slow onset, potentially protracted large-scale emergencies will increase in frequency. They do not receive adequate or timely funding, and often, UK-based INGOs compete against each other for scarce humanitarian funding from FCDO and other donors, including UK-funded UN agencies.

Despite committing to support grassroots women's organisations and movements in the Women and Girls Strategy, only a small fraction of existing tracked funds is accessible or targeted towards women-led and women's rights organizations.

Furthermore, CAFOD's [evidence](#) from fifty countries found that faith-based actors are often overlooked in policy making spaces, despite their local roots, ability to respond quickly in emergencies, and ability to foster societal change through shared values.

To address the above, the FCDO should:

Proposal 1.1: Create an inclusive resilience fund to empower local actors in protracted crises

To solidify the UK's leadership on localisation, it should launch an inclusive resilience fund to address protracted crises, climate change adaptation, and fulfil Grand Bargain commitments, ensuring that local actors are consulted and active partners on anticipatory action.

It is critical that this fund addresses the two gaps in the current UK approach, where there is insufficient funding for slow-onset crises, and that FCDO's humanitarian funding predominantly favours UN and Red Cross which sidelines local actors, leading to delayed disbursements and reduced impact and reach to diverse groups.

Proposal 1.2 Establish clear targets for funding local organisations as part of a local leadership strategy

FCDO should adopt a Local Leadership Strategy that champions local actors, including women leaders, underpinned by a comprehensive global strategy and partnership framework. Until now, individual Embassies, programmes and partners of FCDO have piloted and implemented pockets of innovative or good practice in partnerships with local actors, and funding or programme models that promote local leadership.

The strategy needs to include dedicated funding instruments and percentage targets to ensure that quality funding reaches local actors for programming and capacity strengthening, including targets for funding women's organisations – in line with the Grand Bargain Caucus on Funding for Localisation, steps by USAID and other donors. UN agencies, INGOs and contractors that act as intermediaries should be accountable for tracking and reporting overhead costs, and not just pass on the risks.

Proposal 1.3 Establish effective coordination mechanisms through a Local Actors Forum and Faith Advisory Council

A Local Actors Forum should be created in each country to ensure a more systematic approach to policy and programme dialogue; building on the online platforms for dialogue that emerged during COVID-19. Embassies should designate civil society liaisons to organise a structured approach to dialogue and coordination with other donors at country level.

Recognising the unique role of faith actors, a Faith Advisory Council should also be established so representatives of faith groups can advise on policy and programmes at both national level, and across Whitehall, providing insights into opportunities and challenges to consider in key contexts.

Question 2.

- **What are the specific innovative proposals that can accelerate progress in international development?**
- **What initiatives, policies, partnerships, or technologies could result in accelerated progress?**
- **Are there big ideas on which the UK is particularly well placed to play a role?**

CAFOD response:

International development aid constitutes a fraction of the financial resources that lower-income countries need to tackle the global challenges such as poverty, climate change and conflict. New approaches are needed to effectively finance global challenges, such as deeper debt relief and innovative forms of taxation for climate action.

1.5 billion people reside in countries that rank among the top 25 at risk of debt default. Alarming, 93% of nations most susceptible to the climate crisis face significant debt distress or vulnerability.

Debt repayments obstruct essential resources from being allocated to climate action and local needs, and perpetuate countries' vulnerability to climate-related disasters and increase inequality.

While commendable efforts have been initiated by the UK Government, such as climate resilient debt clauses (CRDCs) that suspend debt repayment during climate shocks, a comprehensive approach is needed to address the systemic causes of the debt crisis.

The current mechanism to tackle the debt crisis, the Common Framework for Debt Treatments, is failing due to [the low level of participation of private creditors](#), who own around 40% of low-income country debt. It will continue to fail unless decisive action on private creditors is taken. The UK is uniquely placed to act to ensure the participation of private creditors, because 90% of bonds issued by countries eligible for the Common Framework are governed by English law.

Proposal 2.1: Introduce legislation to ensure that private creditors fully participate in debt relief mechanisms

Building on past successes, the UK has a unique opportunity to strengthen the legal framework for private creditor involvement in debt relief.

By replicating the Debt Relief (Developing Countries) Act 2010, the UK can stipulate that creditors cannot sue for more than they would have got if they had taken part in the Common Framework for debt restructuring, or any other internationally agreed debt restructuring the UK government is party to.

Another avenue is to extend existing corporate debt restructuring laws so that governments can restructure their debts in a similar way to companies.

Within the proposed legislation there should be the provision of a debt moratorium when a country has applied for debt restructuring. During negotiations, the borrowing nation should be exempted from servicing debt repayments, to facilitate more effective discussions.

As a first step the Treasury and FCDO should consult widely on the most appropriate mechanisms, with the view to enacting legislation as soon as possible.

Proposal 2.2 Support global efforts to raise climate finance through taxation

The UK Government should also lend its support to innovative financing through taxation. For example, the shipping industry, responsible for approximately 3% of global greenhouse gas emissions, remains largely untaxed due to its international jurisdiction. Adopting a 'polluter pays' principle, Pacific Island nations proposed a \$100 per-tonne-of-CO₂ fee on international shipping voyages, projecting potential revenues of \$40 to \$60 billion annually from 2025-2050, as estimated by the World Bank.

Despite such promising proposals, recent meetings of the International Maritime Organisation (IMO) did not yield a consensus on a carbon levy. In contrast, the European Union (EU) has advanced by instituting an emissions permit system for ships starting in 2024, covering both intra-bloc and inter-bloc travel.

The UK has a crucial opportunity to address shipping emissions through taxation, which would encourage decarbonisation from the industry and raise billions in climate finance to support countries that are hardest hit by climate change.

Question 4.

- **How can Official Development Assistance (ODA) be most effectively targeted and built upon?**
- **How can non-ODA financing be mobilised to ensure ambitious, innovative, and transformational international development?**

CAFOD response:

CAFOD believes that ODA must be targeted to alleviate poverty and tackle inequality in lower-income countries, in line with International Development Act and the International Development (Gender Equality) Act – and that all aid should be in line with the Paris Agreement.

In recent years, ODA has not been well utilised for poverty alleviation overseas. UK aid has also been increasingly used to stimulate private sector investment, despite little evidence that this has happened or has resulted in poverty alleviation.

The main example of this approach is British International Investment (BII), tasked with executing the British Investment Partnerships agenda. From 2024/25 the Government is [planning on providing increasing amounts to BII](#), with £750m in 2024/25, £1,170m in 2025/26 and £1,000m in 2026/27, which would constitute approximately 7% of the UK aid budget over that period, roughly a 50% increase.

Repeated inquiries by [ICAI](#), [IDC](#), [Public Accounts Committee](#) and the [National Audit Office](#) have shown that BII's approach to reducing poverty in lower- and middle-income nations lacks clarity, raising concerns about its effectiveness.

To ensure that UK aid is effective, the FCDO, as BII's sole shareholder, must take active oversight over BII.

Proposal 4.1: Halt all UK aid transfers to BII until it can show how its investments are poverty and inequality focused

The FCDO should stop planned UK aid disbursements to BII until it demonstrates tangible poverty reduction impacts in its investments. FCDO should also mandate BII to focus more clearly on poverty alleviation by instructing it to align its Investment Policy with the International Development Act.

For this shift in approach, BII could draw more heavily on the Catalyst Portfolio, which has a greater risk appetite, stronger poverty alleviation focus, and is designed to support emerging sectors in challenging environments. It constitutes

8% of BII's investments, and [CAFOD analysis](#) shows that there is a higher probability that these investments will deliver a good balance between financial returns and poverty reduction, although there is still limited public information on the overall implementation and impact of BII's investments.

Proposal 4.2: FCDO must ensure that BII divests fully from all fossil fuel investments and tightens up investment exemptions in its Climate Change Strategy

Significant action has been made to ensure that UK aid does not fund fossil fuels – and the UK has received global recognition for this approach. However, BII is still an outlier and [has millions of pounds of UK taxpayer's money exposed to fossil fuels](#).

In fact, in 2020 BII reported \$910m (around £700m) in direct “carbon-related assets”, where investment is exposed to fossil fuels in some way, amounting to 12.6% of BII's total portfolio of direct investments. Including indirect investments, which are approximately a third of BII's portfolio, the exposure to fossil fuel investments could be as much as 20% of BII's total portfolio.

BII's legacy investments and ongoing investments in fossil fuel projects undermine any credible UK Climate Strategy.

BII must divest fully from fossil fuels before it receives any UK climate finance, and it must tighten up investment policies to ensure no new fossil fuel investments are possible. This will enable it to invest in renewable energies that tackle climate change, poverty and inequality.

Question 6.

- **How can progress on tackling ending poverty, economic growth, and the challenges of climate change be best brought together, in the context of Agenda 2030 (including building resilience, adaptation, and sustainable growth)?**
- **How can the opportunities be maximised? How can the limits and trade-offs be managed?**

CAFOD response:

During its presidency of COP26, the UK called for a transformation of global food and agriculture systems to respond to the interlinked crises of global hunger, climate change and biodiversity loss. This requires an urgent shift to sustainable and resilient agriculture practices that enable vulnerable communities to build their livelihoods and future resilience.

The [UN's Food and Agriculture Organisation](#) has identified agroecology as a key way to transform our food systems, while addressing multiple related SDGs, including gender equality, human rights, economic growth and sustainable water use. The IPCC has also highlighted the [value of agroecology for mitigation and adaptation outcomes](#), especially amongst vulnerable communities in the global south.

Therefore the FCDO should:

Proposal 6.1: Invest UK aid and climate finance in an agroecological transition to support resilient, local and diverse food systems that tackle poverty and climate change

[Agroecology is vital for people, nature, and climate](#). 80% of people in rural areas, living in extreme poverty, work in agriculture. It empowers women who produce over half the world's food and addresses land rights for 2.5 billion smallholder farmers, fostering sustainability, higher yields, and harmony with nature.

Agroecology practised on small-scale farms is efficient and productive, producing high yields of a variety of crops. For instance, a recent analysis on the Indian state of Andhra Pradesh's agroecological transition showed that [yields have increased by 11%](#). They also usually produce a wider diversity of crops than larger (bigger than 2 hectares) farms, contributing to both environmental and nutritional diversity and resilience.

Case Study: Agroecological smallholder farmers networks in Paraíba, Brazil

Paraíba, Brazil is located in the semi-arid region of Brazil, which is subject to cyclical drought, soil degradation and seasonal pests - and is becoming increasingly affected by climate change. In Paraíba, an agroecological farming network was developed by the Pastoral Land Commission of João Pessoa, in partnership with CAFOD. Smallholder farmers collaborate to adopt eco-friendly practices, enhance produce quality and quantity, establish new markets, and seek local government support. They avoid chemical fertilisers, preserve water sources, and restore natural vegetation, strengthening their adaptive capacity against climate impacts. This approach has improved food production, security, and doubled farmers' incomes in three years.

However, a 2021 [report commissioned by CAFOD and RSPB](#) showed that agroecology receives little support from governments and donors. In fact, just 4% of the UK aid budget goes to agriculture and less than 5% of that amount goes to agroecological approaches. [ICAI's report](#) into the approach of UK aid to agriculture showed that the FCDO cut its funding for programmes on agriculture from £260 million in 2019 to £53 million in 2021.

Given the potential for agroecology to tackle poverty, inequality and climate change, the FCDO should step up its support for agroecology through development and climate finance.

Proposal 6.2: Develop a cohesive agriculture strategy, which focuses on climate mitigation, resilience and adaptation across humanitarian and development programming to respond effectively to the global hunger crisis

[ICAI](#) recently identified a lack of cross-government coherence in its ODA funding for agriculture, including ineffective use of funds by some bodies – such as BII, which had a poor focus on poverty reduction, climate change and gender inclusion.

The UK government should develop a new agriculture strategy, to build coherence both within ODA funding for agriculture and with sectors such as international trade. Funding coherence should also apply to UK funding to global bodies such as

the World Bank, and be guided by sustainability principles, including the Paris Agreement.

Question 8.

Are there any other points that you would like to highlight for this White Paper?

CAFOD response:

CAFOD has outlined the specific ideas in the previous questions that FCDO can action ahead of 2030 to accelerate progress in international development. However, we would like to emphasise the following points:

Proposal 8.1: Return to 0.7% and meeting financial commitments

Returning to spending 0.7% of GNI on ODA should be the minimum level of public commitment to international aid spending, and meeting existing finance commitments within this is crucial to building trust with other countries, such as the \$100bn climate finance commitment to support climate impacted countries.

The UK must reach 0.7% as quickly as possible and give a clear and credible strategy about how it will meet climate finance commitments.

Proposal 8.2: Focus on gender and economic equality across FCDO programmes and wider government departments for policy coherence

A focus on aid can be blind to the root causes of poverty and how crises, such as climate change, conflict, and pandemics, affects vulnerable and marginalised communities. By shifting its approach to tackling inequality, particularly gender and economic inequality, the FCDO can better target its existing budget to ensure that partnerships with countries are based on fairness.

At a time when hard earned gains are under threat and women's rights are regressing internationally, it is imperative that FCDO now firmly and visibly stands by and delivers its commitments on gender and wider inclusion.

This includes substantially increasing the proportion of International Climate Finance that is gender marked, and ensuring that at least 80% of its bilateral aid programmes have a focus on gender equality by 2030. In this way, ODA spend will be most effective in achieving poverty reduction that reaches the most excluded, including diverse women and girls.

Addressing economic inequality is also a vital, both to addressing poverty but also ensuring that the UK government's foreign policy, such as trade and security, is not being undermined. As such, the FCDO should develop clear inequality metrics for all its programmes, including an analysis of how the programmes impact on inequality as part of the business case. This should apply to all bilateral and multilateral funds, including through intermediaries such as BII and the World Bank.

The FCDO should work across all government departments to ensure that trade, investment, business and other policies reinforce the government's commitments to tackling poverty, inequality and climate change.

Proposal 8.3: Prioritise international cooperation to consolidate previous UK leadership on climate action

Multilateralism and global cooperation are needed more than ever, and have proved to be effective in responding to global crises, such as climate, poverty and Covid. The UK has shown leadership in such spaces such as the UNFCCC, which has enabled progress on climate action. This commitment and legacy is at risk of being undermined by the absence of the highest level diplomatic commitment in global spaces.

The UK must fully engage in global spaces to tackle global challenges, such as climate change, poverty, debt and conflict. This commitment to multilateralism needs to be strengthened, with the UK committing to active participation through the UN bodies, G20 and G7 structures to make significant progress on shared global challenges climate, poverty conflict, debt.