

Managing the overseas aid budget

This year the government has said it will reduce the aid budget in line with the fall in GDP, as the promise on aid is based on spending 0.7% of GDP. As we do so it is important to be generous with grant money and direct assistance for famine relief and humanitarian help for those in crisis. Stopping aid to countries with space programmes would be a good start. Seeking better value for money and better targeted assistance would be a good idea.

As it adjusts the budget it should also make other changes. The UK wishes to help the poorest countries. It can offer a lot in areas like better water provision, health care and communications. In some cases what the developing country needs is a good technical partner with the ability to design and deliver the projects required, and equity investment to carry the risks. The aim should not be to offer massive projects based around debt with all kinds of future ties. If we combined grants and shares, we would then have some investment which would reward us in due course if successful, and bind us into the same interest as the developing country to make sure the project worked as planned.

Over the years we could build a sovereign help fund, and decide what to do with any payments from success. The important thing is the UK would not be trying to extract interest payments from schemes which were not working but there would be a market test of the wisdom of the investment. Grant aid can miscarry, encouraging projects that do not help as much as they should.

Of course all our humanitarian help, famine and poverty relief and medical interventions should be offered free to those in need.