OXFAM DISCUSSION PAPERS

FIGHTING INEQUALITY TO BEAT POVERTY

The role of UK international development

Children play on a site from which local residents have recently been evicted to make way for new developments, close to luxury apartments in North Jakarta, Indonesia. Photo: Tiara Audina/Oxfam.

UK international development actors – from government to private sector and NGOs – can play a key role in fighting extreme economic inequality to beat poverty in developing countries. This paper shares key principles, policies and programmes that have emerged from Oxfam’s work with partners around the world in recent years, so as to encourage a sector-wide response to the inequality crisis. There will be no end to poverty unless we can close the gaps between rich and poor and between men and women, and adopt a development agenda based on feminist principles and a human economy.

Oxfam Discussion Papers

Oxfam Discussion Papers are written to contribute to public debate and to invite feedback on development and humanitarian policy issues. They are ‘work in progress’ documents, and do not necessarily constitute final publications or reflect Oxfam policy positions. The views and recommendations expressed are those of the author and not necessarily those of Oxfam.

For more information, or to comment on this paper, email Chiara Mariotti (cmariotti1@oxfam.org.uk) or Claire Spoors (cspoors1@oxfam.org.uk).

www.oxfam.org
## CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Summary</td>
<td>3</td>
</tr>
<tr>
<td>Aid for accountable government and free and fair societies</td>
<td>4</td>
</tr>
<tr>
<td>Aid for a human economy</td>
<td>4</td>
</tr>
<tr>
<td>Aid for gender justice</td>
<td>5</td>
</tr>
<tr>
<td>Core principles for effective aid</td>
<td>6</td>
</tr>
<tr>
<td>1 Introduction</td>
<td>7</td>
</tr>
<tr>
<td>The poverty challenge</td>
<td>7</td>
</tr>
<tr>
<td>The gender equality challenge</td>
<td>8</td>
</tr>
<tr>
<td>The climate change challenge</td>
<td>8</td>
</tr>
<tr>
<td>The democracy challenge</td>
<td>9</td>
</tr>
<tr>
<td>The technology challenge</td>
<td>9</td>
</tr>
<tr>
<td>2 International development that tackles inequality</td>
<td>11</td>
</tr>
<tr>
<td>Aid for accountable governments and free and fair societies</td>
<td>12</td>
</tr>
<tr>
<td>Aid for a human economy</td>
<td>15</td>
</tr>
<tr>
<td>Aid for gender justice</td>
<td>19</td>
</tr>
<tr>
<td>3 Core principles for effective aid</td>
<td>23</td>
</tr>
<tr>
<td>Put aid ‘on budget’ and invest in universal, free, quality public healthcare and education</td>
<td>23</td>
</tr>
<tr>
<td>Maintain targeted support to middle-income countries</td>
<td>24</td>
</tr>
<tr>
<td>Measure what matters and assess progress using SDG targets and indicators</td>
<td>24</td>
</tr>
<tr>
<td>4 Conclusion</td>
<td>26</td>
</tr>
<tr>
<td>Notes</td>
<td>27</td>
</tr>
</tbody>
</table>
EXECUTIVE SUMMARY

In 2014, Oxfam began a campaign to fight inequality, as we recognized that rising and extreme inequality represent a direct barrier to our mission to end poverty. While global progress in extreme poverty reduction is undeniable, there are still 3.4 billion people worldwide subsisting on less than $5.50 a day, and even with double the current rates of economic growth, about 3.7 percent of the global population will be living in extreme poverty (on less than $1.90 a day) in 2030 unless inequality is reduced. This contrasts with continuous wealth accumulation at the top: in 2018 alone, the wealth of the world’s 1,900 billionaires increased by $2.5bn a day.

In 2015, world leaders committed to an ambitious new set of global goals to eradicate extreme poverty, reduce economic and gender inequality, protect the planet and ensure peace and prosperity for all by 2030: the Sustainable Development Goals (SDGs). In adopting a standalone goal to ‘reduce inequality within and among countries’ (SDG 10), they also acknowledged the mounting body of evidence from independent experts, as well as institutions such as the IMF and World Bank, that economic inequality is a significant barrier to poverty reduction. Analysis from the Asian Development Bank illustrates the extent of this; according to their estimates, 240 million more people could have escaped extreme poverty in South-East Asia between 1990 and 2010 if growth had not been accompanied by growing economic inequality.

Extreme economic inequality is undermining our ability to cope with the big challenges of the 21st century:

- the gender equality challenge, as there will be no solution to poverty without gender equality, and there will be no gender equality without a fairer and more equal economic system;
- the climate change challenge, as the growth model that has led to the explosion of economic inequality is also environmentally unsustainable, and climate change most impacts the poorest people;
- the democracy challenge, as open societies are essential in the fight against poverty and an active civic base is more likely to challenge elite power and privilege, but space for civic action is shrinking worldwide; and
- the technology challenge, as automation is disrupting labour markets and making working conditions even more precarious for poor, low-skilled and female workers.

No NGO, donor or international institution can address these challenges on their own. In fact, they demand collective efforts, collaboration and an evidence-based approach. Similarly, addressing the inequality crisis requires a sector-wide response from international development actors, with donors and aid agencies leading the way. In turn, donors should adopt a ‘whole of government’ development policy explicitly mandated to tackle the inequality crisis, one which encompasses a broad range of international and domestic policies that have ‘spill-over effects’ for developing countries which lie beyond the remit of aid departments. Only such a comprehensive approach can tackle the challenges outlined above while achieving the double goal of reducing poverty and inequality.

The core message of this paper – that it is essential for the international development sector to tackle extreme economic inequality in its fight against poverty – is rooted in Oxfam’s programme, advocacy and campaign work in many countries around the world, but it also builds on the evidence and knowledge created by many others on the common solutions to poverty and inequality.

Based on this, a key objective of this paper is to share Oxfam’s learning so far, and to this purpose it outlines nine tenets for international development, articulated around three areas for action, which show how UK international development can and must play a key role in fighting inequality to beat poverty.

For some of the nine tenets, where Oxfam has long-standing direct experience, the paper identifies specific interventions and policy recommendations. In others, the paper identifies a direction for change where Oxfam has learning to do and would benefit from discussion and sharing with the UK government and the other actors populating the international development sector. This paper is intended to initiate a discussion on what UK international development – both governmental and non-governmental – can do to adopt a
sector-wide approach supported by a ‘whole of government’ development strategy. To this end, the conclusion identifies some of the key questions that the sector will collectively need to grapple with if we are to achieve the vision set out by the SDGs to end extreme economic inequality and poverty.

AID FOR ACCOUNTABLE GOVERNMENT AND FREE AND FAIR SOCIETIES

Accountable, responsive and effective governments are key to creating free and fair societies, and aid interventions can do much to reinforce the relationship between the state and its citizens by supporting active citizenship and good governance and encouraging governments to actively shape their economies for pro-poor development.

Help countries invest in free and universal public services.

Quality, gender-responsive public services free at the point of use and universal social protection are powerful tools for tackling economic inequality. Aid remains essential to support public service delivery in developing countries where economies are not yet strong enough to generate sufficient revenues to do so themselves. Donors should reverse the recent trend in stagnating or declining aid spending on public healthcare and education.

Help countries mobilize the finance needed to tackle inequality and deliver development priorities.

Many developing countries are in a position to generate the revenues they need by making their tax systems more progressive and gender-equitable, but more effective and equitable domestic resource mobilization is contingent upon governments and international institutions taking coordinated and collective action to contain the race to the bottom on corporate taxation and address large-scale tax avoidance.

Expand civic space.

Donors and development agencies can help break the cycle of rising inequality, political capture and the closing of civic space by increasing direct support to civil society organizations (CSOs), social movements and alliance building, which has been in decline over the past decade, with flexible funding mechanisms that enable CSOs to adapt in volatile political environments.

AID FOR A HUMAN ECONOMY

Despite a huge reduction in the numbers of people living in extreme poverty over recent decades, there is a growing consensus that the current economic model is unfit for purpose, engendering extreme inequality that undermines both further progress as well as sustainable, inclusive growth. But it does not have to be this way. In the decade following the global financial crisis, a wealth of thinking has developed on what an alternative economic system could and should look like. The international development sector can now take an active role in applying this thinking to help developing countries design human economies – economies which are more equal, empowering and sustainable and which are better able to create decent economic opportunities and support resilient development for women and those living in poverty, while guaranteeing the future of our planet.

Help create jobs that lead to poverty reduction.

For many – especially women and low-skilled workers – having a job does not mean living without poverty. While investing in developing countries to create jobs is important, donor governments can help ensure these jobs deliver on poverty reduction by supporting workers’ organizations in both the formal and informal
sectors, incentivizing international businesses to uphold human rights throughout their supply chains and influencing the policies of recipient countries to protect workers’ rights, eliminate precarious work and slave labour, adopt living wages for all workers and repeal laws that discriminate against women’s economic lives.

Support agricultural workers and rural communities.

Supporting the creation of jobs that lead to poverty reduction in developing countries requires a focus on agriculture and on people living in rural areas, who are more likely to be ‘left behind’. Donor and recipient governments and other international development actors should support public investment aimed at raising the productivity of agriculture while ending excessive subsidies to large producers and investments in land requisitions that dispossess small-scale farmers, local communities and indigenous peoples.9

Foster alternative business models that share value by design.

The prevailing model of corporate governance is such that decisions are predominantly made with a view to maximizing returns for wealthy shareholders.10 These returns often come at a price for workers and offer a major incentive for companies to engage in tax dodging. Companies which do want to act sustainably or ethically face significant constraints, such as the risk of being penalized by capital markets for prioritizing long-term value creation over short-term profit. By contrast, alternative, stakeholder-oriented business models that prioritize the interests of workers, farmers, communities and consumers alongside those of investors are more successful in reaching lower-income segments of the population than purely for-profit or non-profit entities.11

The international development sector can help challenge this mainstream business model by investing in and piloting these alternative business models so that they are better able to compete on an otherwise uneven playing field.

Ensure that trade and technology help create equitable and sustainable economies.

Both technological progress and the globalization of trade have played a role in driving the economic inequality crisis. At the same time, they both hold the key to building a human economy, one where international trade agreements are built on a commitment to human rights and gender equality and technological innovations are developed to benefit people and the planet.12

AID FOR GENDER JUSTICE

While gender justice has acquired prominence in the public debate, the evolution of laws, policies and investment has not yet delivered the significant and encompassing change that is required by women and girls to live socially and economically empowered lives. This is an area where it is critical for the international development sector to push the agenda at both the national and international levels. However, the sector will never be successful in promoting gender justice until it becomes serious about eradicating gender discrimination and sexual harassment within its own institutions.

Put women in the driving seat of social, cultural and economic change.

To achieve change at scale it is necessary to put women and women’s organizations in the driving seat of development and to involve them at all levels of decision and policy making, especially when it concerns decisions about fiscal policies and budget allocation. This means more partnerships with and greater investment in women’s rights organizations, and it means that development agencies and NGOs themselves must operate according to feminist principles through learning, collaboration, participation, inclusivity and responsiveness.
Help build economies that work for women and girls.

The international development sector can help empower women to take control of their economic lives with interventions that reduce the burden of unpaid care work; support universal, quality and free public healthcare and education; and promote gender-responsive budgeting and a feminist approach across fiscal and macro-economic policies at the national and international levels.

CORE PRINCIPLES FOR EFFECTIVE AID

In addition to these nine tenets, there are three core principles which should drive the delivery of effective aid.

• **Put aid ‘on budget’ and invest in universal, free, quality public healthcare and education.**

  Budget support has the greatest potential to support country ownership, transparency, accountability and development results, while research shows that education, health and other public services delivered privately and funded through public-private partnerships are not a viable alternative to government delivery of services, and risk significant cost escalations and the entrenchment of inequalities.

• **Maintain targeted support to middle-income countries.**

  Middle-income countries (MICs) are home to 73 percent of the world’s people who are poor, and some are as yet unable to finance their own development. It is therefore vital that aid is not withdrawn from countries as soon as they reach MIC status and that the level and type of financing they are provided with reflects the poverty, inequality, financing and other challenges they face as they progress.

• **Measure what matters and assess progress using SDG targets and indicators.**

  Measuring the impact of development interventions is critical for achieving effective aid. This means going beyond averages when assessing outcomes in economic and human development, comparing how the poorest people are doing with respect to the richest; it also means collecting disaggregated data that can reveal outcomes for different beneficiaries. Donors should encourage recipient countries to set clear targeted plans to reduce inequality using a wide range of indicators that measure the gap between rich and poor, wealth inequality, social mobility, and how these intersect with identities of gender, class, race, ability and age.
1 INTRODUCTION

‘The world is much better. The world is awful. The world can be much better.’ – Max Roser

Humanity has achieved considerable progress in reducing material deprivation, with fewer people living in extreme poverty than ever before: 736 million, according to the most recent estimates, down from nearly 2 billion in 1990. Since 1990, 2.6 billion people have gained access to improved drinking water; primary school enrolment is now almost universal in most countries, with as many girls enrolling as boys, and the number of children dying before their fifth birthday has halved.

The international development sector has played an important role in contributing to these achievements, particularly through official development assistance (ODA) – otherwise called aid. Since 2015, UK aid has meant that over 40 million people have gained access to clean water and better hygiene and over 11 million children have received a decent education.

However, the job is not finished yet. Despite progress, the number of people living in extreme poverty is still staggering, and millions of others are only one medical bill or failed harvest away from falling below the poverty line. The pace of poverty reduction globally halved between 2013 and 2015, and the number of people living in extreme poverty in sub-Saharan Africa has been increasing. At the same time, the gap between the richest and the poorest people continues to widen: between 1980 and 2016, the poorest 50 percent of humanity captured only 12 cents in every dollar of global income growth. By contrast, the top 1 percent captured 27 cents of every dollar.

We will not get the job done unless we reduce inequality: projections by the World Bank show that, if inequality is not reduced, even with double the current rate of economic growth about 3.7 percent of the global population will be living in extreme poverty in 2030.

Oxfam’s work as well that of others around the world demonstrates that extreme economic inequality is a major obstacle to addressing the other great challenges of our time: gender inequality, climate change, the crisis of democracy and technological progress – all of which are emerging as significant barriers in the aid sector’s day-to-day work to end poverty. Inequality is also bad for economic growth, undermines a country’s social contract, fosters instability and violence and hampers progress in a number of other areas, especially health.

This means that we need to rethink the international development sector so that it tackles extreme inequality as well as poverty, together with the other major global challenges to development. For the past five years Oxfam has been consistently looking at poverty through the lens of inequality and has been working with partners, donors and businesses to test new solutions to the major challenges we jointly face. This paper seeks to bring together Oxfam’s learning about how inequality is inherent to the biggest problems of our time and to present some of our practical programme and campaign learning about what can work to tackle these problems.

It also highlights those areas where Oxfam has learning to do and would benefit from discussion and sharing with the UK government and the other actors populating the international development sector. Some of these outstanding issues emerge in the paper, while others are outlined in the conclusion.

THE POVERTY CHALLENGE

While progress in reducing extreme poverty is undeniable, the failure of the economic system to distribute fairly the benefits of growth is making it next to impossible to finish the job. Currently, nearly half the global population – 3.4 billion people – is barely scraping a living on less than $5.50 a day, the World Bank’s new threshold for extreme poverty in upper-middle-income countries. Economist David Woodward has calculated that, given the distribution of global income growth, it will take between 123 and 209 years to get
to the point where everyone on earth is living on the equivalent of more than $5 a day. This would require global production and consumption to be 175 times bigger than they are today.28

While poverty reduction at the bottom is slowing down, the accumulation of wealth at the top continues unabated. In the 10 years since the financial crisis, the number of billionaires has nearly doubled.29 In 2018 the wealth of the world’s 1,900 billionaires increased by $900bn in a year, or $2.5bn a day. In contrast, the wealth of the poorest half of humanity, 3.8 billion people, fell by 11 percent.30

**THE GENDER EQUALITY CHALLENGE**

It is widely accepted that there will be no solution to poverty without gender equality, and there will not be gender equality without a fairer and more equal economic system – or vice versa. The stark fact is that women are more likely to be poor than men, while the richest people in the world are overwhelmingly men.31 Across the world, women consistently work longer hours than men when paid and unpaid work are combined, earn less than men and are concentrated in the lowest-paid and least secure forms of work.32

Economic growth is no guarantee of greater gender equality.33 Many emerging and developing economies – as well as developed ones – are pursuing development paths that prioritize low-paid and precarious work, the majority of which is done by women. Growth everywhere is made possible by the unpaid care work done in the home by women, which is worth at least $12 trillion per year34 and yet is still not adequately recognized or valued for its contribution to the economy. Simultaneously, the amount of unpaid work is increasing as a result of policies that have undermined investment in infrastructure and public services such as education, healthcare and social protection.35

Gender and economic inequality are entrenched because our economic system has been built and has evolved on the back of unequal power relations between men and women and because of discriminatory social norms, often codified in law, which regulate and limit women’s access to economic opportunities, political power and decision making.36 Gender inequality is further compounded by other identities which intersect with gender, including class, race, sexual orientation, ability and age.

**THE CLIMATE CHANGE CHALLENGE**

The current growth model that has seen a rise in extreme economic inequality is also environmentally unsustainable and has contributed to our most existential challenge that threatens to undo any advances in poverty eradication hitherto achieved: climate change. The cruel irony is that it is the emissions of the ‘haves’ which are driving a crisis that is hitting the ‘have-nots’ the hardest. Poor people are the most vulnerable to climate change, but the poorest half of the global population is responsible for only around 10 percent of total global emissions, while the richest 10 percent are responsible for around 50 percent.37 Climate change affects everyone, but poor people who already live on the ecological margins are the most affected. They often rely on rain to grow crops, live in poorly built structures and lack savings or insurance to fall back on when disaster strikes.

The recent Intergovernmental Panel on Climate Change (IPCC) report laid bare how global warming above 1.5°C (the temperature target that countries agreed to strive to stay below in the Paris Climate Agreement) represents danger to all but will equal life or death for many of the world’s poorest people.38 Limiting warming to 1.5°C means up to 420 million fewer people exposed to extreme heat waves, up to 39 percent fewer people suffering the effects of drought and up to 457 million fewer people forced to live in poverty.39

Inequality and climate change reinforce each other. The majority of poor people live in low- or middle-income countries that have made negligible contributions to global carbon emissions and yet they tend to be hit the hardest by climate shocks and stresses. These countries are also the least able to respond due to limited institutional capacity and resources to adapt, particularly in places where economic growth is highly dependent on climate-sensitive sectors.
The policies needed to reduce and adapt to climate change demand collective action and decision making for the greater good, which are difficult to achieve in very unequal societies,\(^40\) where those who are most affected have less influence on decision making on climate policies than those who have vested interests in the economic status quo yet are most insulated from its impacts. At the same time, highly unequal power over decision making is more likely to result in climate change ‘solutions’ where the costs and benefits are not shared fairly.\(^41\) Without public policies and investment to make carbon taxes progressive and to make electric cars, energy-efficient homes, solar panels, and other alternative sources of low-cost, renewable energy for rural households affordable for all, the costs and benefits will favour the wealthy while penalizing poor people.

THE DEMOCRACY CHALLENGE

Open societies are essential in the fight against poverty and inequality, as an active civic base is more likely to challenge elite power and privilege.\(^42\) For this to happen, citizens need to have the space and opportunity to hold governments and the private sector accountable, and to ensure that they work in the public interest and not for minority vested interests.

It is therefore of great concern that the space for civic action is shrinking, while inequality is on the rise. According to the International Center for Not-for-Profit Law, since 2015 more than 64 different laws have been passed by governments that restrict the ability of NGOs to register, to operate and to receive foreign funding.\(^43\) Meanwhile, the CIVICUS Monitor shows that more than 3.2 billion people live in countries in which civic space is either closed or repressed.\(^44\) In some cases, this is accompanied by intimidation, detention and violence and the discrediting of civil society actors and their activities.\(^45\) Such acts are most often perpetrated by state actors, but other private actors deploy them too or are complicit in them, reflecting the increasing blurring of lines between state institutions and economic elites.

In principle, a country’s economy and its political system are separate, but in reality they are intrinsically linked.\(^46\) The relationship between economic and political power and inequality creates a cycle which affects the design of institutions established to govern economies.\(^47\) Wealth has the potential to capture government policy making and to bend the rules in favour of the rich, often to the detriment of everyone else. The consequences of this include the erosion of democratic governance, the diminution of social cohesion and the reduction of equal opportunities for all.

A political consensus in support of deregulation and privatization, combined with the advent of the information age and globalization, has created new opportunities. But it has also allowed some sectors, companies and individuals to capture a disproportionate amount of economic power and for hostile actors to spread misinformation and undermine democracies.

THE TECHNOLOGY CHALLENGE

Technological progress has been identified as one of the driving factors behind the increase in economic inequality.\(^48\) The issue is debated among economists, but it is undeniable that the advance of technology, and in particular the growing trend towards automation, generates concerns as to whether this can be harnessed to ameliorate rather than exacerbate inequality and poverty in the long term.\(^49\)

Increasing automation will continue to disrupt labour markets, creating winners and losers, with significant distributional consequences.\(^50\) Gains from higher levels of productivity will be captured by the owners of new technology, while workers displaced by it will lose out, thus widening the gap between the share of national income accruing to workers and that going to the owners of capital. In other words, growth driven by automation risks being less inclusive and less able to create jobs that enable people to lift themselves out of poverty.

The impact of automation on developing countries is expected to be particularly severe, where high levels of poverty and inequality (especially affecting women, who face the excessive burden of unpaid care work) already prevent people from acquiring the skills and education necessary to succeed amidst existing trends
of premature deindustrialization and tertiarization. Jobs that are common in developing countries, such as routine agricultural work, are susceptible to automation where the impact is likely be felt strongly by poor rural workers. At the macro-economic level, however, automation hollowing out industrial jobs is likely to have a bigger impact.

At a time when many emerging and developing economies are competing to participate in fragmented global value chains, automation may be given preference over the creation of low-skilled jobs, potentially reversing the reductions in poverty and inequality between countries that have been observed in the past few decades.
2 INTERNATIONAL DEVELOPMENT THAT TACKLES INEQUALITY

"Efforts to build a better world can effect significant change in international politics: vision, hope, commitment, conviction sometimes make a big difference."^52

Extreme economic inequality is weakening our ability to cope with the big challenges of the 21st century and the risks associated with them. Addressing the inequality crisis requires a sector-wide response from international development actors, with donors and aid agencies leading the way. Not only is this necessary to increase our chances of eradicating poverty and achieving the Sustainable Development Goals (SDGs) by 2030, it is also an opportunity to redefine the purpose of aid and to build a new, shared public narrative around it.

To do this, it is necessary to spell out what type of transformative change aid stands and strives for. In this sense, the purpose of aid is also to set out a moral and practical vision of the type of world we want, based on social justice and solidarity: a world where nine billion people have gained control of their lives and live equitably and free from the injustice of poverty, on a planet that has the natural resources to sustain them;^53 and world where the prevalent economic system puts people and the environment before profit, and where everyone has access to decent jobs and quality healthcare and education, supported by progressive national and international tax systems.

A powerful international development agenda pushes the boundaries of what is considered feasible by national governments and the private sector, implementing programmes to show examples of how things can be done differently and how countries can leapfrog outdated economic pathways and take alternative approaches that can more effectively tackle poverty and inequality. Such an agenda should encourage the private sector to play a transformative role in building an economic system that benefits all through the promotion of fairer markets and fairer business structures. It should influence and reform national and international policy frameworks to ensure the effective use of taxation and social spending to reduce extreme economic inequality and to ensure that the economic system is built to work for women as much as it is for men.

Indeed, a feminist approach to international development has the power to transform economies and societies. Adopting a feminist approach means challenging systemic inequality, unjust power relations and discriminatory laws, policies and programmes – at local, national, regional and global levels. The different identities that intersect with gender and that work together to deepen discrimination – such as class, race, sexual orientation, ability and age – must also be recognized and understood. Mainstreaming inclusiveness of all marginalized people in development programmes is vital not only for achieving the overarching ‘leave no one behind’ objective of the SDGs, which the UK government has championed, but also if we want to continue to see the same rate of poverty reduction that we have witnessed in recent decades.

It is important that international development becomes a ‘whole of government’ project, not least because aid programmes on their own cannot address all the challenges. Achieving the SDGs, eradicating poverty and tackling the inequality crisis are all contingent on a broader range of international and domestic policies that have ‘spill-over effects’ for developing countries which lie beyond the remit of aid departments. Trade agreements and the taxation of multinational companies are clear examples. A comprehensive strategy is required to remove the barriers that hold poor people back, and in the UK this means that international development objectives should be within the purview of the Treasury and not just that of the Department for International Development (DFID). Conversely, where other departments are spending aid money, such as the Foreign and Commonwealth Office, they should be subject to the same levels of transparency and accountability as DFID and should be able to demonstrate their impact on reducing poverty.

This paper is intended to initiate a discussion on what UK international development – both governmental and non-governmental – can do to adopt such a sector-wide approach supported by a ‘whole of government’ development strategy.
To this end, in this paper, Oxfam outlines nine tenets of aid articulated around three core areas for action that draw from our experience in tackling inequality through programmes, advocacy and campaigns in many countries around the world. For some of the nine tenets, where Oxfam has long-standing direct experience, the paper identifies specific interventions and policy recommendations. In others, the paper identifies a direction for change where more learning and discussion are needed.

**AID FOR ACCOUNTABLE GOVERNMENTS AND FREE AND FAIR SOCIETIES**

The success or failure of development depends on the relationship between the state and its citizens. Extreme economic inequality undermines this relationship and is a threat to inclusive economic development and equal political representation. At the same time, accountable, responsive and effective governments are key to creating free and fair societies.

Governments have a duty to meet the collective needs of citizens, including those who are ‘left behind’ or – using a more accurate description – those trapped, despite their best efforts, at the bottom of the economy.\(^{54}\) Governments can and should catalyse the unparalleled power of universal public services like education and healthcare in tackling poverty and reducing inequality, ensuring that these are available to everyone as rights, not privileges. Universal public services are the foundation of free and fair societies.

International development interventions can do much to reinforce the relationship between the state and its citizens by supporting active citizenship and good governance.\(^{55}\) It is right for development agencies to encourage governments to actively shape their economies for pro-poor development, as it is the only way to address extreme economic inequality and achieve the agenda of leaving no one behind.\(^{56}\)

**Help countries invest in free and universal public services.**

Quality, gender-responsive public services free at the point of use and universal social protection are powerful tools for tackling economic inequality. The International Monetary Fund (IMF) has acknowledged that spending on health and education plays a critical role in redistributing income and enabling more equitable economic growth, making it easier for poor people to capture its benefits.\(^{57}\) Evidence from 150 countries spanning a period of nearly 40 years between 1970 and 2009 shows that, overall, investment in healthcare, education and social protection reduces the gap between rich and poor.\(^{58}\) A recent study of 13 developing countries also found that spending on health and education accounted for 69 percent of the total reduction in inequality, especially where the poorest people were better able to access social spending.\(^{59}\)

When a government provides free universal public services, the poorest people – and women in particular – benefit the most because they do not have to divert their low earnings to pay for these services. Good-quality, free healthcare is essential for women and girls to be able to make decisions about their own lives and be active and productive members of their families and communities. It increases their chances of escaping poverty and reduces their chances of dying from preventable causes, such as child-birth. Research shows that in low-income countries doing the most to prevent poor women from dying in child-birth, 90 percent of the care is provided by the public sector, and in every case the private sector plays a negligible role.\(^{60}\)

Despite improved tax collection, aid remains essential to support public services in developing countries whose economies are not yet strong enough to generate sufficient revenues.\(^{61}\) It is especially essential to those 23 countries identified by the IMF as being either in debt distress or at high risk of suffering a debt crisis, most of which are in sub-Saharan Africa.\(^{62}\) Unfortunately, donors, including the UK, are allowing their aid spending on public healthcare and education to stagnate or even decrease,\(^{63}\) as they prioritize aid that serves a private sector or security agenda or other areas of national interest, such as in-country migration costs. This trend must urgently be reversed, and long-term aid to government health and education systems increased, if we are to help countries achieve the SDGs.
Help countries mobilize the finance needed to tackle inequality and deliver development priorities.

Governments’ choices concerning taxation and budget allocations have direct consequences for people’s life chances and the level of inclusive growth within a country. Extreme economic inequality biases these choices when large companies and wealthy individuals exert disproportionate influence over political and economic policies, favouring their own interests at the expense of those of the majority: for example, when governments engage in a ‘race to the bottom’ in the taxation of multinational companies or – what has become almost accepted as standard practice – when multinationals circumvent tax rules altogether.64 Corporate tax avoidance costs poor countries at least $100bn every year – depriving national budgets of vital revenues needed to fund essential public services.65

As governments turn to regressive taxes such as value added tax (VAT) to make up for revenue lost due to tax dodging, the burden of tax shifts disproportionately onto poor people. In countries like Brazil and the UK, when VAT is taken into account, it is calculated that the poorest 10 percent of people pay a higher proportion of their incomes in tax than the richest 10 percent.66 Women suffer disproportionately from such regressive consumption taxes, because they spend a higher proportion of their incomes (which are lower on average) on goods that are subject to those taxes.67

Domestic resource mobilization and ensuring effective taxation

Since the Third International Conference on Financing for Development in Addis Ababa in 2015, which was focused on securing sufficient funds to achieve the SDGs, domestic resource mobilization (DRM) has remained high on the international development agenda, as demonstrated by the Addis Tax Initiative (Box 1).

Box 1: The Addis Tax Initiative68

The Addis Tax Initiative (ATI), a multi-stakeholder partnership established at the 2015 Conference on Financing for Development and championed by the UK government, requires donors to make three commitments: to double support for DRM, to step up DRM in order to deliver the SDGs and inclusive development, and to pursue policy coherence in relation to DRM. While many of the signatories to the ATI have made much progress in achieving the first of these commitments in terms of stepping up technical cooperation and capacity building, action needs to be bolstered on the latter two commitments.

Fairness and transparency are part of the ATI declaration, but donor reporting on DRM reveals that just 3 percent of DRM projects include fairness or equity objectives in project descriptions, and only 1 percent have a focus on gender. ATI donors and partner countries must put fairness and gender at the front and centre of their efforts.

ATI donors and governments must also act on policy coherence. This should start by acknowledging and reporting any policies, practices, treaties or agreements that undermine the equity and effectiveness of DRM. For partner governments, this means reviewing and assessing their use of tax incentives. For donors, it means stepping up efforts to reduce their own negative ‘spill-over effects’ (for example, by reviewing tax treaties) and championing global tax transparency rules. Here, the UK government should implement the power it has had in law since 2016 to mandate multinational corporations to publish their tax affairs in line with public country-by-country reporting requirements. The government should also ensure that the Overseas Territories are supported to meet the legal requirement to establish public registers listing the beneficial owners of companies registered in those jurisdictions by 2020, and should require that the Crown Dependencies do the same.69

Most countries are in a position to generate the revenues they need by making their tax systems more progressive and gender-equitable – for example, by eliminating wasteful exemptions and tax incentives; implementing or increasing taxes on wealth, property and capital gains; enhancing the progressivity of...
personal income tax collection; and removing biases in tax systems that trap women in care roles in the home, rather than incentivizing the redistribution of unpaid care work.

Containing the race to the bottom on corporate taxation and addressing large-scale tax avoidance is clearly paramount to effective and equitable DRM, and it requires coordinated and collective action by governments and international institutions. Donor countries such as the UK can act on a number of levels, not least by supporting efforts to move beyond the tax reform process led by the OECD – known as the base erosion and profit shifting, or BEPS, project – and call for a second generation of global tax reforms that create an international tax system that works in the interest of the majority. If the much-anticipated second-generation BEPS reform process is to succeed this time, it must include all countries on an equal footing and tackle a number of key issues that were not sufficiently addressed by the original BEPS project to ensure that taxes are paid where real economic activity takes place.

Expand civic space.

‘Change is won, never given.’

Donors and development agencies can play a role in reversing the trend of shrinking civic space and nurturing a vibrant civil society. They can increase direct support to civil society organizations (CSOs) and social movements, which has been in decline over the past decade, with flexible funding mechanisms that enable CSOs to adapt in volatile political environments.

Aid spending tends to favour the ‘supply side’ over the ‘demand side’ when it is deployed to promote democracy and human rights, focusing mostly on the good governance of government institutions. Breaking the cycle of rising inequality, political capture and the closing of civic space also requires more investment in the ‘demand side’ of governance to promote democracy and social justice. This means directing aid to support alliance building, strengthen public support for civic space and ensure that local organizations have the resources required to manage risks related to accessing civic space, including complying with onerous reporting requirements to national authorities. It means investing more in watchdog organizations and committing to dedicate a certain percentage of aid for work on legal protection.

Thinking and working politically

The prevalent project management approach among donors, which focuses on achieving short-term and quantifiable results, is ill-suited to supporting the activities of CSOs and social movements engaged in long-term struggles for social justice.

However, several donors are adopting approaches that seek to ‘do development differently’ and to ‘think and work politically’ – not in the sense of left versus right but so as to design interventions that are more politically informed, take into account existing power asymmetries and that are more responsive during implementation. These approaches are better suited to aid interventions which aim to support CSOs in holding governments to account. However, they need to more fully integrate feminist principles or they run the risk of reinforcing unequal access to politics by women and power dynamics that are inherently skewed towards men.
Box 2: Peru – using investigative journalism to achieve fiscal justice

**Oxfam in Peru** has put tax justice at the core of its strategy to fight poverty and inequality. Together with citizens, young people, activists and journalists, it has campaigned for a more progressive tax system, one without unjustified tax exemptions and one that takes concrete measures against tax avoidance.

In conjunction with digital investigative journalism platforms Convoca and Ojo Público, Oxfam has exposed practices of tax avoidance and tax evasion and engaged in a national public debate on tax justice. For example, Ojo Público revealed how over a 10-year period Peru had failed to collect 93 billion soles (approximately $28bn) due to the granting of 78 types of tax benefit that disadvantaged rather than supported the public good.

*Exceso sin Castigo (Excesses Unpunished)*, an investigative series developed by Convoca with support from Oxfam, was one of the winners of the Global Editors Network 2016 Data Journalism Awards. It criticized the Peruvian government for approving an economic package that enabled companies to write off or reduce fines applied to them for serious environmental violations.

### AID FOR A HUMAN ECONOMY

Despite a huge reduction in the numbers of people living in extreme poverty over recent decades, evidence from the World Bank shows that the rate of poverty reduction has halved since 2013. In parallel, the OECD has found that across 40 major economies the middle class is in decline. These represent just two examples that form the basis of a growing consensus that the current economic model is unfit for the purpose of delivering shared prosperity: that it is unfit for eradicating poverty, for tackling extreme economic inequality and for supporting gender equality; unfit for protecting the environment for current and future generations and for adequately addressing climate change; and that it is also failing to create decent jobs for all, one of the most pressing economic challenges of our time.

But it does not have to be this way. In the decade following the global financial crisis, a wealth of thinking has developed on what an alternative economic system could and should look like. The international development sector can now take an active role in applying this thinking to help developing countries design human economies – economies which are more equal, empowering and sustainable and which are better able to create decent economic opportunities and support resilient development for women and those living in poverty, while guaranteeing the future of our planet.

**Box 3: A human economy and its essential ingredients**

A human economy is one which meets the needs of both people and planet, and recognizes that this will not be achieved by market forces alone. In a human economy, government is the guarantor of the rights and needs of all; it is a creative force for progress and responsible for managing markets in the interests of everyone. This requires that an effective, accountable and democratic government acts on behalf of all its people, and not in the interests of a tiny but powerful elite.

- A human economy would not tolerate the extreme concentration of wealth or poverty, and the gap between rich and poor would be far smaller.
- A human economy would see businesses designed in ways that increase prosperity for all, and contribute to a sustainable future.
- A human economy would work equally as well for women as it does for men.
- A human economy would see national governments cooperate to effectively fix global problems such as tax dodging, climate change and other environmental harm.
- A human economy would ensure an environmentally sustainable future by breaking free of fossil fuels and embarking on a rapid and just transition to renewable energy.
• A human economy would ensure that advances in technology are actively steered to be to the benefit of everyone, rather than meaning job losses for workers or more wealth for those who own the businesses.
• A human economy would see progress measured by what actually matters, not just by GDP. This would include women’s unpaid care, and the impact of our economies on the planet.

Help create jobs that lead to poverty reduction.

While investing in developing countries to create jobs is important, it is vital donor governments help ensure these jobs deliver on poverty reduction. Across advanced, emerging and developing economies, labour’s share of income has declined to the advantage of capital, and this decline has been borne largely by low- and middle-skilled workers.

Having a job does not mean living without poverty: almost one in three workers in emerging and developing countries is poor. Inadequate wages are central to the problem – between 1995 and 2014, in 91 out of 133 countries wages failed to keep pace with increased productivity and economic growth. At the same time, many countries still lack minimum wage legislation and most of the minimum wages that are prescribed fall below the living wage level – for example in countries such as Morocco, Kenya and Vietnam. In addition to this, globally there are 25 million people in forced labour, many producing the food we eat and the clothes we wear. It is the duty of governments to implement laws on work and wages, but in an increasingly deregulated labour market where work has become more insecure the development sector can play a role, alongside trade unions, in helping workers collectively bargain for better wages and conditions in order to end in-work poverty.

Oxfam’s engagement with business shows that the lack of an enabling environment to provide a level playing field is often a barrier to companies doing the right thing. Donor governments can play a significant role supporting and promoting workers’ organizations in both the formal and informal sectors. Importantly, they can incentivize international businesses to uphold human rights throughout their supply chains and require them to respect the International Labour Organization (ILO)’s core conventions, support sector-wide business initiatives, and guarantee decent work, for example by setting adequate minimum wages. The UK government has demonstrated progress in this area with the introduction of the Modern Slavery Act 2015, which has introduced a transparency requirement for businesses regarding the actions they take to address modern slavery in their own operations and in their global supply chains.

Donor governments can also influence the policies of recipient countries to protect workers’ rights, including those of informally employed workers, in addition to eliminating precarious work and slave labour and adopting living wages for all workers. Ensuring that women have access to decent work that is valued fairly means eliminating the gender pay gap, repealing laws that discriminate against women’s economic equality and implementing policies that support women’s rights. At a more challenging level, it demands action to bring to an end harmful social norms and a deeper recognition that economic policies affect women and girls differently from men and boys.

Box 4: DFID’s Better Jobs in Bangladesh programme

Since 2017, DFID has been partnering with the ILO in Bangladesh to improve the quality of jobs in the garment sector. The Better Jobs programme is helping to build the Bangladeshi government’s capacity to regulate safety and labour standards and improve occupational health and safety practices in factories, while also directly supporting factories to improve their safety standards.

Support agricultural workers and rural communities.

Supporting the creation of jobs that lead to poverty reduction in developing countries requires a focus on agriculture and on people living in rural areas, who are more likely to be ‘left behind’. Rural areas account for...
approximately 54 percent of the world’s population, and for 79 percent of poor people globally.\(^9\) Two-thirds of them are agricultural workers, either farmers or labourers on large farms, or workers in food processing and allied industries.\(^9\) In many circumstances, the position of agricultural workers has been weakened in recent decades as a result of trade liberalization and deregulation of agricultural and labour markets. These policies have allowed big multinational players, such as large supermarkets, to dominate the food supply chain, often to the detriment of small producers.\(^9\)

Public investment in agriculture aimed at raising the productivity of agricultural workers holds the key to job creation and the eradication of poverty in rural areas: for example, investment in infrastructure that links remote rural areas to urban markets; irrigation systems; extension services and access to inputs such as fertilizer and seeds; as well as new technologies that help crop diversification and adaptation to climate change.\(^9\) Some approaches are more likely to work for women, such as informal production groups, a focus on commodities such as fruit and forest products and the development of high-value local and national markets.

In the context of climate change, interventions are also needed to strengthen the rights and resilience of rural people in adapting to its impacts, as their capacities to cope with environmental shocks are increasingly stretched.\(^9\) This includes ensuring that the transition away from fossil fuels makes renewable energy affordable for poor communities, recognizing that not all energy infrastructure is equitable. For instance, big wind farms benefit those already connected to the grid, namely industry, whereas small-scale off-grid solar installations meet the needs of the poorest people and innovations such as energy-efficient cooking stoves save women time and labour.

Donor and recipient governments and other international development actors should support such investments, which are needed to make local rural economies work for all. Crucially, this means reversing the existing trend of aid budgets being used to invest in agribusiness projects and ventures that provide no additional funding for public investment in agriculture; many such projects serve as ‘little more than a means of promotion for the companies involved and a chance to increase their influence in policy debates’.\(^9\) Large public-private partnerships (PPPs) supported by governments and donor countries, such as Grow Africa or the G7’s New Alliance for Food Security and Nutrition, cannot replace public investment in agriculture. Oxfam research suggests that large-scale PPPs remain unproven and risky, and are likely to skew the benefits of investment towards the privileged and powerful while passing the risks to the poorest in rural areas.\(^9\)

Beyond aid, donor governments should put an end to excessive subsidies paid to large producers and investments in land requisitions that dispossess small-scale farmers, local communities and indigenous peoples.\(^9\)

### Box 5: Oxfam’s support to small farmers in Ghana and Rwanda

In Ghana, Oxfam has been working with local partners to improve the food security, nutrition and resilience of vulnerable small-scale agriculture producers, particularly women, implementing different activities which catalyse increased quantity and quality of public and private investment in agriculture. For example, it has supported farmers’ access to agricultural inputs and technologies and sought to enhance their purchasing power, integrating financial services into agricultural production.\(^1\)

In Rwanda, through the Enterprise Development Programme (EDP), Oxfam has been supporting Shekina Enterprises, a cassava flour and leaf product processor and distributor. Shekina is supplied by a network of 1,440 smallholder farmers (1,150 of whom are women), and employs a further 127 (116 women) in distribution and processing. A condition for joining is payment of fair prices to farmers, resulting in a 100% price increase for farmers. Farmers are present on the pricing committee, and Oxfam continues to raise farmers’ issues, including prices, with the enterprise. It is likely that further increases in the prices paid to farmers will be required for future EDP support.\(^1\)
Foster alternative business models that share value by design.

The private sector has been an engine of economic growth around the world: job creation, investment and tax revenues have enabled millions to lift themselves out of extreme poverty. But the private sector’s success is leaving many behind, and in some cases, it is only reinforcing the inequality crisis.

The prevailing model of corporate governance is such that decisions are made only with a view to maximizing returns for wealthy shareholders. These returns often come at the cost of workers and offer a major incentive for companies to engage in industrial levels of tax dodging. Companies which do want to act sustainably or ethically face significant constraints, such as the risk of being penalized by capital markets for prioritizing long-term value creation over short-term profit.

The international development sector can help challenge this mainstream business model by investing in and piloting equitable business models that prioritize the interests of workers, farmers, communities and consumers alongside those of investors. Alternative, stakeholder-oriented business models are more successful in reaching lower-income segments of the population than purely for-profit or non-profit entities. They increase women’s participation and help challenge gender norms that discriminate against women in the workplace. Twenty percent of social enterprises in Bangladesh and Pakistan are led by women, and in Ethiopia, Kenya and Ghana the figure is 28 percent, 44 percent and 40 percent respectively — all considerably higher than for mainstream businesses. The majority of social enterprises are led by young people and many focus on skills and employability, so they also help in addressing youth unemployment. Many also provide a route into work for people with disabilities.

However, stakeholder-oriented businesses like social enterprises, cooperatives and employee- and farmer-owned businesses are competing with shareholder-oriented businesses on an uneven playing field. This is why bringing alternative business models to scale requires the support and cooperation of government, donors and international institutions. Oxfam’s efforts in this area include the establishment of our Enterprise Development Programme which provides support to entrepreneurs in some of the world’s poorest countries to help them create and build viable, sustainable businesses (Box 5).

In recent years, most of the UK aid that has gone to the private sector has been delivered by CDC, the UK’s development finance institution, which will receive £3.1–3.5bn in additional capital from the UK government during the period 2017–21. Evidence to date suggests that CDC is not best placed to support and promote alternative business models to tackle poverty and inequality. While it has made notable new commitments in relation to decent work and women’s economic empowerment, and a portion of its new investments will be seeking to transform sectors, a 2016 report by the National Audit Office stated that ‘it remains a significant challenge for CDC to demonstrate its ultimate objective of creating jobs and making a lasting difference to people’s lives in some of the world’s poorest places’, and more recently the Independent Commission for Aid Impact (ICAI) found that although ‘its focus on poverty reduction has increased… the mechanisms through which CDC ensures its investments reach and benefit the poorest could be strengthened and more clearly articulated’. It is difficult to justify increasing the amount of aid spent through CDC until it can show unambiguously that it is willing to invest in a way that maximizes the returns for the world’s poorest people. A reformed CDC does, however, have an important role to play in helping to grow the private sector in poorer countries.

More in line with the goal of promoting alternative business models is DFID’s track record of supporting equitable businesses: for example, it provided a loan guarantee in 2000 that helped to launch Divine Chocolate, a Fairtrade company part-owned by over 87,000 farmers. DFID could strengthen its commitment in this area, for instance through credit guarantee schemes and promoting favourable access to the UK market for such business structures and providing support to special economic zones for social enterprises.
Ensure that trade and technology help create equitable and sustainable economies.

Both technological progress and the globalization of trade have played a part in driving economic inequality. Both also hold the key to engendering inclusive economic growth worldwide with careful policy design and interventions, and aid can play a role in this.

To this end, it is particularly important that donors make progress in ‘untying’ aid. Tied aid – where goods and services purchased with aid must come from the donor country – still accounts for at least 16.5 percent of the ODA monitored by the OECD’s Development Assistance Committee, despite evidence that this condition can increase costs by 15–30 percent. Instead of giving preference to domestic suppliers, aid for private sector development should focus on support to alternative, inclusive and sustainable businesses that can contribute to achieving the SDGs, and trade policies should align with these objectives.

In order to ensure that current and future trade deal agreements do not have negative effects on economic inequality, it is necessary to adopt a comprehensive approach to regional cooperation and trade policy that focuses on removing supply constraints in developing countries, including the lack of domestic and foreign investment in non-energy sectors, poor trade logistics and challenges relating to compliance with standards.

Interventions are also necessary to make sure that trade promotes rather than undermines gender equality. Such interventions include making human rights and gender equality commitments central to trade agreements; evaluating impacts on gender equality before signing trade agreements; guaranteeing governments’ ability to spend and legislate in order to fulfil human rights and further gender equality; and ensuring that trade negotiations are transparent, accountable and consultative. Beyond these broad, essential principles, more research and discussion is needed from the sector to pin down how the UK’s future trading framework should look to be able to raise the living standards of the world’s poorest people.

As with international trade, a comprehensive policy approach is needed for technology to ensure that its impacts are inclusive and equitable. A human economy would embrace technological innovation – not least for the untold improvements it can bring to the lives of women through labour-saving devices. But as new technologies are developed, questions of who controls them, who stands to profit from them and which technology is the most socially useful to focus on become ever more important.

Governments are not bystanders in this situation – they play a useful role in developing technology to benefit people and the planet. Public money has funded important technologies that risk-averse private finance would not, such as early-stage wind and solar power. Indeed, government investments have been the backbone of the most successful innovations of the past few decades. The economist Mariana Mazzucato points out that ‘all the major technologies that make the iPhone so “smart”, for example, are funded by public sector organizations: GPS, the internet, touch screen display [...] all owe their funding to the state’. Government in a human economy should therefore be much more active in ensuring that the technology it helps to develop meets the needs of all, and that ownership of intellectual property not only financially benefits the developer but is managed in the interests of society, including those whose lives could be transformed by access to that technology.

AID FOR GENDER JUSTICE

Over the past decade, there has been a greater acknowledgement in public discourse of the need for gender justice, with governments and international institutions adopting laws and policies to make advances in this area. The issue of unpaid care and domestic work has risen up the policy agenda of the SDGs, with a specific target under SDG 5 (gender equality and empowerment) to recognize and value this work. The report of the UN High Level Panel on Women’s Economic Empowerment has likewise recognized unpaid care and domestic work as a key barrier to women’s economic empowerment. The Canadian government has redesigned its foreign policy based on feminist principles.
However, the evolution of such policies has yet to deliver sufficient investment and action on the ground by governments and the private sector. Investment in the public infrastructure and services needed to redress the heavy share of unpaid care and domestic work that falls on women and girls is still lacking, particularly in developing countries.

This is an area where it is critical for the international development sector to push the agenda at both the national and international levels. However, the sector will never be successful in promoting gender justice until it becomes serious about eradicating gender discrimination and sexual harassment within its own institutions.

**Put women in the driving seat of social, cultural and economic change.**

To put all this into practice, it is necessary to put women and women’s organizations in the driving seat and to involve them at all levels of decision and policy making, especially decisions about fiscal policies and budget allocation. This means more partnerships with and greater investment in women’s rights organizations, and it means that development agencies and NGOs themselves must operate according to feminist principles through learning, collaboration, participation, inclusivity and responsiveness.

Women’s rights activism and movements are the catalysts for legal and policy change to address gender inequality, and women’s rights organizations are pioneers in designing effective and innovative approaches to advance gender equality, but they require adequate levels and modalities of funding. Currently, women’s rights organizations receive very little support from governments and donors. In 2015–2016, donors allocated 37 percent of their bilateral aid to gender equality-related programmes (equal to $41.7bn per year), but only $225m per year was committed specifically to non-government women’s organizations, and even less, $38m, to women’s organizations based in developing countries.

Scaling up support to women’s rights organizations is especially important in a context where women’s collective voices and influence on economic decision making are hampered by the closure of civic space and compounded by social norms that prevent women and girls from speaking up or being listened to in the first place, especially in the face of violence or intimidation.

---

**Box 6: Oxfam’s Raising Her Voice programme**

Oxfam’s Raising Her Voice (RHV) programme ran between 2008 and 2013 and supported projects in 17 countries to enable over 1 million women to take part in, shape and monitor the decisions that most affect their lives. The programme showed that greater participation by women in decision making spaces leads to:

- **Greater transparency and improved accountability**
  By the end of the RHV project in Papua, Indonesia, village development planning meetings were held publicly and nearly half of all participants were women, compared with five years previously when only men could take part.

- **Public money being better spent**
  In Nepal, some 89,000 people benefited from additional funding in villages with RHV programmes – with women making up 42 percent of participants in development committees, compared with 2 percent in villages where no RHV programmes operated.

- **Gains in tackling violence against women and girls**
  RHV partners and coalitions contributed to the passing of 10 new laws and seven draft laws (including laws against femicide, acid throwing, domestic and sexual violence, female genital mutilation (FGM) and trafficking). In Bolivia, this included the creation of the Servicio Plurinacional de la Mujer y la Despatriarcalización – a special government cabinet to tackle violence against women – as well as the adoption of a new law to reduce overcrowding in prisons and accelerate criminal proceedings in cases of violence against women and children.
Help build an economy that works for women and girls.

Building an economy that works for women and girls means empowering them to take control of their economic lives and their money, to make decisions about their futures and to have access to information, transport, tools and land. It also means tackling the root causes of the structural disadvantages they face, including cultural beliefs, as well as taking into account the gendered impacts of laws and policies.

The international development sector can support women’s economic empowerment with interventions that reduce the burden of unpaid care work, support universal, quality and free public healthcare and education, and promote gender-responsive budgeting and a feminist approach across fiscal and macro-economic policies at the national and international levels.

Women’s unpaid care work

Women and girls the world over undertake the vast majority of unpaid care and domestic work, and this constitutes a valuable but largely unrecognized contribution to our economies and societies: women invest 2.5 times more time than men in these tasks and often 5–6 times more in poor rural communities. As a result they suffer ‘time poverty’, which limits their capacity to access paid work, attend and complete school or participate meaningfully in decision making, as well as to engage in important leisure and self-care activities. Women’s unpaid care work is one of the structural causes of the persistent gender pay gap. An increase of two hours a day in women’s unpaid care work translates into a 10 percent decrease in the rate of women’s participation in the paid labour force.

The prevalence of an economic model that places no value on unpaid care work leads to underinvestment in those policies and services that could help to reduce it, while social norms also perpetuate the problem, in particular expectations that women will take on the lion’s share of unpaid care work.

Donors can play a critical role in addressing this problem by providing funding to recipient governments to improve the public infrastructure and services that can significantly reduce unpaid care work – typically, these include domestic water and electricity supply, childcare, healthcare and public transport. Collecting time use data on unpaid care work done by women and men will support the recognition of unpaid care as a mainstream development policy issue.

Gender-responsive budgeting

A gender-responsive budget is one that works for everyone – women, men, girls and boys – by ensuring a gender-equitable distribution of resources and by contributing to equal opportunities for all. It involves analysing government budgets in terms of their effects in relation to gender, the norms and roles associated with them and the relationship between women and men. It demands the active involvement of women in decision making spaces where they can adjust budgets to ensure that gender equality commitments are realized, in order to transform gender roles and reduce gender gaps.

Several international financial institutions are incorporating gender-responsive budgeting into their policy analysis and advice. Notably, the IMF has recently conducted a global review of countries’ efforts in gender budgeting, identifying 23 countries with prominent initiatives. It has also started to advise governments on how to integrate concerns for gender equality and women’s empowerment into the laws, regulations and practices governing their budgets. A large part of this and other important work that the IMF has been doing on gender and economic inequality has been funded via a collaboration with DFID called ‘Macro Research for Development’. This is an excellent example of how donors’ support to multilateral institutions can promote innovative policy research in development.

However, progress in gender-responsive budgeting to date has been sporadic and has been undermined by austerity measures which hit women the hardest, such as targeting food subsidies, privatizing public utilities, downsizing social safety nets and increasing consumption taxes.

Overall, there is a need to recognize that effective gender-responsive budgeting is not only a technical exercise concerned with how well funds are used to deliver gender equity outcomes, but also fundamentally
a political exercise that involves shifting decision making power over what gets taxed and what does not and who benefits from that.

**Box 7: Oxfam's work on gender-responsive budgeting**

In 2017, Oxfam in Vietnam and its partners embarked on a process to strengthen civil society engagement on gender-responsive budgeting. Despite Vietnam’s strong track record of promoting gender equality and women’s empowerment in its legal framework, there are still gaps in putting laws and policies into practice. Women face multiple disadvantages, including low levels of representation in politics and leadership, lower salaries than men, unpaid care duties and gender-based violence.

With the support of the UK-based Women’s Budget Group, Oxfam in Vietnam provided training for civil society representatives to increase their knowledge of gender-responsive budgeting, which they have subsequently applied to monitor state budget expenditures, particularly in the health sector, and to push for greater accountability. They have also engaged in research and advocacy on VAT reform, corporate tax incentives and property tax.
3  CORE PRINCIPLES FOR EFFECTIVE AID

Put aid ‘on budget’ and invest in universal, free, quality public healthcare and education.

General budget support has seen a steady decline in recent years, falling from 2 percent in 2004–05 to 0.6 percent in 2015, an all-time low. In 2015, DFID announced that it would ‘end all traditional general budget support’, after a long record of giving aid in this way. This trend undermines the role of aid in tackling poverty and inequality in the poorest countries because budget support has the greatest potential to support country ownership, transparency, accountability and development results.

Donors also failed to make progress on aid predictability between 2010 and 2015, undermining the ability of countries to use aid to fund vital core costs like health workers’ salaries. It is predicted that the amount of tied aid will also rise. This trend is often compounded by the use of public funds to invest in the private delivery of health and education services in developing countries, channelling them through development finance institutions, such as CDC in the UK’s case. Private service delivery requires that returns are generated on the aid invested and it is thus reliant on ‘beneficiaries’ paying fees or paying for expensive insurance. This means investments in hospitals or schools that are completely unaffordable for most people, excluding poor citizens and driving up inequality. Even ‘affordable’ models supported by donors have been plagued by concerns about quality and the exclusion of people living in poverty and of women and girls.

Research shows that education, healthcare and other public services delivered privately and funded through PPPs are not a viable alternative to government delivery of services. Instead, they risk significant cost escalations and the entrenchment of inequalities.

Box 8: The equity risks of PPPs in education – the case of Pakistan

A recent study by Oxfam examining a PPP running schools in Pakistan, a country that has the second-largest population of out-of-school children in the world, raises questions about the validity of key claims made about PPPs – that they provide better-quality education while avoiding the inefficiency of the public sector.

The study looked at schools in Punjab province administered by the semi-autonomous Punjab Education Foundation (PEF) – which receives most of its funding from the Government of Punjab, with support from DFID as well as the World Bank – and found that cost savings come at a high price, with schools sacrificing quality due to a lack of investment in qualified teachers, relevant training and support and adequate facilities.

It also found that the PEF’s incentive model, in which the funding of schools is tied to student performance on a standardized test, created disincentives for schools to cater to the poorest and most marginalized children, particularly girls and children with disabilities. With regards to the latter, evidence from the field found no reasonable accommodation for students with disabilities in most PEF schools, despite the Punjab state government’s promotion ‘of an inclusive education system for children with special needs’. Of a sample student population of 12,502, the study found that only 11 students had a disability, and none of these students were being supported by the PEF. Instead, the schools’ owners were charging them a nominal fee to attend school.
In most of the schools visited, buildings were not physically accessible and there was not a single special needs teacher in any of the schools. The lack of facilities for children with disabilities in PEF schools is an important finding and indicative of broader concerns: that the PPP approach may not be effective in addressing the real challenges involved in delivering quality education in Pakistan and may instead risk deepening economic and gender inequalities by creating greater disparities in educational access and outcomes.

Maintain targeted support to middle-income countries.

Middle-income countries (MICs) are home to 5 billion of the world’s 7 billion people and 73 percent of its poor people. Five of the 10 countries with the largest numbers of people living in extreme poverty (Nigeria, India, Bangladesh, Kenya and Indonesia) are in this group of countries. In many lower-middle-income countries (LMICs), poverty is compounded by high levels of inequality and growth is not inclusive (Ghana, Indonesia and Vietnam) or it is threatened by environmental risks, which are likely to have the biggest impacts on poor people (Pakistan, Vanuatu). Recent research has also shown that there are a number of LMICs that cannot currently finance their own development, even if they were to maximize the amounts of revenues they raise. It is therefore vital that aid is not withdrawn from countries as soon as they reach MIC status and that the level and type of financing they are provided with reflects the poverty, inequality, financing and other challenges they face as they progress.

Upper-middle-income countries (UMICs) are home to only 6 percent of the world’s poor people and theoretically are in a position to finance their own development needs. However, some, such as China and South Africa, while experiencing rising economic inequality, still have pockets of extreme poverty where modest amounts of highly targeted aid could have a big impact.

In recent years, DFID has withdrawn the bulk of its bilateral aid from a number of UMICs, including China, India and South Africa. While DFID is right to focus its spending on poorer countries, evidence from ICAI suggests that in several cases the exit and transition processes have been slow to translate into new development partnerships and have created uncertainties among national stakeholders, which risks undermining DFID’s previous investment in these countries.

Measure what matters and assess progress using SDG targets and indicators.

Measuring the impact of development interventions is critical for achieving effective aid. This means going beyond averages when assessing outcomes in economic and human development, comparing how the poorest people are doing with respect to the richest; it also means collecting disaggregated data that can reveal outcomes for different beneficiaries.

The targets and indicators set out in the SDG framework are valuable instruments for this. They signpost where to take action to most effectively leverage change and provide benchmarks against which change can be measured and assessed. However, they demand proactive data creation, collection and analysis.

Box 9: DFID advocates for inclusive data and data disaggregation

In January 2017, DFID launched its own Data Disaggregation Action Plan, committing to work towards disaggregating data according to sex, age, disability status and geography. Its new Disability Inclusion Strategy recommits the department to ensuring that all new programmes collect, use and analyse disability-disaggregated data for relevant indicators. It also supported the launch of the Inclusive Data Charter, committing partners to ensure that no one is left behind in the pursuit and measurement of social and economic progress.
An area where the SDG framework is weak but which nevertheless is paramount to developing aid programmes that tackle inequality is the measurement of economic inequality. None of the targets and indicators set for SDG 10 (reducing inequality between and within countries) compares the extremes of distribution. Instead, the focus is on shared prosperity – a comparison between the bottom 40 percent and the average.

A proper assessment of global and national trends in economic inequality demands the adoption of additional measures of inequality such as the Palma ratio, which is better able to capture inequality between the top and the bottom segments of the income distribution. Donors should encourage recipient countries to set clear targeted plans to reduce the gap between rich and poor, expressed in terms of the Palma ratio, and should assess progress in terms of the Palma premium, the extent to which the incomes of the poorest people grow compared with those of the top 10 percent. Donors should also devise measures of other aspects of economic inequality, such as wealth inequality and social mobility, and how they intersect with identities of gender, class, race, sexual orientation, ability and age.

Finally, more resources should be devoted to tracking changes in public policies and how they show commitment to pro-poor and pro-equity reforms. For example, Oxfam’s Commitment to Reducing Inequality Index ranks countries according to their performance against indicators in three policy areas critical to tackling inequality: social spending, taxation and labour rights.
4 CONCLUSION

This paper proposes that it is essential for the international development sector to address economic inequality in its fight against poverty and shows that doing so would also make it easier to cope with the big challenges of the 21st century: gender equality, climate change, democracy and technology.

This message is rooted in Oxfam’s programme, advocacy and campaign work in many countries around the world, but it also builds on the evidence and knowledge created by many others on the common solutions to poverty and inequality.

Based on this, a key objective of this paper is to share Oxfam’s learning so far, and to this purpose it outlines nine tenets for international development, articulated around three areas for action, which show how UK international development can and must play a key role in fighting inequality to beat poverty.

1. **Aid for accountable government and free and fair societies**
   - Help countries invest in free and universal public services.
   - Help countries mobilize the finance needed to tackle inequality and deliver development priorities.
   - Expand civic space.

2. **Aid for a human economy**
   - Help create jobs that lead to poverty reduction.
   - Support agricultural workers and rural communities.
   - Foster alternative business models that share value by design.
   - Ensure that trade and technology help create equitable and sustainable economies.

3. **Aid for gender justice**
   - Put women in the driving seat of social, cultural and economic change.
   - Help build economies that work for women and girls.

The success of following these tenets lies in a commitment to a ‘whole of government’ approach and an adherence to three core principles for delivery of effective aid: putting aid ‘on budget’, maintaining targeted support to middle-income countries and measuring what matters.

A second important objective of the paper is to identify areas where Oxfam has learning to do and would benefit from discussion and sharing with the UK government and the other actors populating the international development sector. The four key challenges outlined above raise new questions which will need collective efforts, collaboration and an evidence-based approach to be answered with practical solutions. For instance:

- **Climate change and inequality**: How do we design decarbonization pathways that are accessible to the majority and not just the wealthy, to the level required to achieve the 1.5°C target?

- **Gender and economic inequality**: What does programming that really changes social norms with regards to gender, class, race, sexual orientation, ability and age look like? What tax and spending policies are needed and what can donors do to help?

- **Democracy and inequality**: What are the causes of shrinking civic space observed in many countries and what role can international development play in reversing it without interfering with domestic politics?

- **Technology and inequality**: What interventions are needed now to make new technology inclusive rather than entrench gender, economic and other types of inequalities?

More questions will continue to emerge as the four challenges unfold that will need to be dissected and understood if we are to achieve the vision set out by the SDGs to end extreme economic inequality and poverty. We look forward to continuing this vital discussion, applying the lessons and taking action.


15 A 2018 report by the ODI identifies one LMIC – Zambia – that cannot finance more than 50 percent of its required expenditure, and another nine (Bangladesh, Cameroon, Côte d’Ivoire, Ghana, Kenya, Mauritania, Nicaragua, Nigeria and Pakistan) that cannot fully finance their development on these terms. M. Manuel, et al. (2018). Financing the End of Extreme Poverty, op. cit.

16 M. Roser (2018). The world is much better; The world is awful; The world can be much better. Our World in Data. https://ourworldindata.org/world-is-much-better-can-be-much-better


24 Ibid.


30 Ibid.


39 Ibid.


A living wage is one that is high enough to enable workers and their families to meet their needs for nutritious food and clean water, shelter, clothes, education, healthcare, energy, childcare and transport, as well as allowing for some savings and discretionary spending. A number of different methodologies exist for calculating the living wage; these are detailed in Oxfam Australia. (2017). A Sewing Kit for Living Wages: Pathways to living wages in global garment supply chains. https://whatshemakes.oxfam.org.au/wp-content/uploads/2017/10/A-Sewing-Kit-for-Living-Wage.pdf


89. For a list of ILO’s Fundamental Conventions, see: https://www.ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang--en/index.htm


93. Ibid.


100 Promoting Economic Justice, Food Security and Agricultural Governance in Ghana. https://policy-practice.oxfam.org.uk/our-work/food-livelihoods/agricultural-governance-ghana#contentprimary_0_ctl00_FirstTab


105 Ibid.


112 D. Green (2016). Is this the right moment to reboot the Aid, Trade and Private Sector agenda? Oxfam blog. https://oxfamblogs.org/fp2p/is-this-the-right-moment-to-reboot-the-aid-trade-and-private-sector-agenda/ For an example of social enterprises in special economic zones (SEZs), see the case of Liberia: http://sesezliberia.org/


141 The World Bank classifies MICs as those where per capita income exceeds $995 a year. This category includes a wide range of countries, from those where incomes have recently just exceeded this threshold – lower MICs (LMICs) with per capita incomes of $996–$3,895 and characteristics similar to those of low-income countries (LICs) – to emerging economies: upper MICs (UMICs) with per capita incomes of $3,896 to $12,055 and whose economies are expanding rapidly.


144 A 2018 report by the ODI identifies one LMIC – Zambia – that cannot finance more than 50 percent of its required expenditure, and another nine (Bangladesh, Cameroon, Côte d’Ivoire, Ghana, Kenya, Mauritania, Nicaragua, Nigeria and Pakistan) that cannot fully finance their development on these terms. M. Manuel et al. (2018). *Financing the End of Extreme Poverty*, op. cit.

145 Ibid.


