

Business

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France and Britain agree deal to boost aid

- Paris backs plan for bonds to help fund development
- Brown won round to idea of levy on air passengers

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Wed 1 Mar 2006 02.12 GMT

Gordon Brown's plan to increase aid for poor countries received a hefty boost yesterday when France and Britain agreed to raise billions of dollars for health and education by floating bonds on the world's financial markets.

After weeks of behind-the-scenes haggling, Paris and London struck a compromise deal yesterday in which France backed Britain's international finance facility in return for British support for a levy on air travel.

The two countries said they wanted to move rapidly to set up an IFF, announcing yesterday that a working party would report back before the annual meetings of the International Monetary Fund and World Bank in Singapore in September.

At a conference in Paris, more than 100 countries agreed to look at new ways of funding development in the hope of meeting the United Nations' goals of halving the number of people living on less than \$1 a day by 2015, cutting infant mortality by two-thirds and providing primary education for every child.

British sources said France had been won round to the concept of an IFF - a scheme to "frontload" development aid over the next decade - by the success of a pilot scheme (IFFm), which has successfully raised cash for immunisation.

But French doubts about the long-term effects of Mr Brown's live-now, pay-later scheme mean the working party will report back on the feasibility of an IFF to be funded by a tax on airline passengers or other ways of raising revenue, including a stamp duty on foreign exchange. This would prevent future aid having to be used to pay back bondholders, thereby diverting resources from poor countries.

Campaign groups said the Anglo-French agreement was a breakthrough in generating the extra \$50bn (£29bn) in aid pledged by the G8 at last year's Gleneagles

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