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Sustainable prosperity and growth for all

PwC International Development Conference

22 November 2017

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Foreword

David Armstrong
International Development, PwC

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International Development, PwC

We are delighted to share with you our summary of PwC's 10th International Development Conference, held in London on 22 November 2017.

The conference attracted over 200 international development practitioners from the UK and elsewhere, from a range of professional backgrounds including public sector, academia, civil society and the private sector.

Under the overall theme of "*Sustainable prosperity and growth for all*" we examined a number of key issues for international development including: the role of the informal economy, big data and results measurement, and the management of fiduciary risk and complex supply chains.

This report summarises the key messages that emerged from our discussions on the day. Additional information in relation to individual panel sessions will be available on the international development space of the PwC website.

We would like to extend our sincere thanks to all of the speakers, panel members and attendees for ensuring this was such an engaging and thought provoking event. We hope you enjoy our report, and we look forward to continuing the conversation with you at our next conference in 2019 (dates for which will be announced soon).

If you have any queries, please don't hesitate to get in touch with us directly.





Contents

Glossary

ADAPT	Analysis Driven Agile Programming Techniques
AfDB	African Development Bank
ATM	Automated Teller Machine
CSR	Corporate Social Responsibility
CSSF	Conflict, Stability and Security Fund
DFID	Department for International Development
FCO	Foreign and Commonwealth Office
GAVI	The Global Alliance for Vaccines and Immunisation
GDP	Gross Domestic Product
GEC	Girls' Education Challenge
GGF	Good Governance Fund
HMG	Her Majesty's Government
ICAI	Independent Commission for Aid Impact
ID	International Development
IDA	International Development Act
LSE	London School of Economics
MDG	Millenium Development Goal
NGO	Non-Governmental Organisation
NHS	National Health Service
ODA	Official Development Assitance
ODI	Overseas Development Institute
SDG	Sustainable Development Goal
SME	Subject Matter Expert
UN	United Nations
USAID	United States Agency for International Development

Sustainable prosperity and growth for all

Keynote Speaker

Nick Lea

Deputy Chief Economist, DFID

Response

Simon Maxwell

Senior Research Associate, ODI

Keynote: Nick Lea

The last 40 years have probably witnessed the biggest positive economic shock the world has ever seen. The global income distribution has experienced change of unprecedented magnitude and velocity but it is apparent that this is not sustainable due to our alarming biosphere deficit. However, growth has driven huge reductions in poverty from 50% of the global population living below the poverty line in 1975 to below 10% in 2015.

The growth of the middle class and the extraordinary growth of Asia has contributed massively to reaching the 10% figure – China alone has brought 1/5th of the global population from the 25th centile to the 50th centile. By contrast much more modest relative changes have occurred in Latin America, Europe and America, while in per capita terms Africa hasn't grown much at all.

Closing the relative gap is what really matters for international development in the long term. East and South Asia have done well to progress but Africa unfortunately has not had the same fortune. It is projected that by 2030, around 400 million Africans will still live in extreme poverty and that this will constitute 80-90% of the world's poor. In my view, there are three big structural issues which are preventing Africa from escaping extreme poverty.

1) State fragility

Fragility and poverty form a mutually reinforcing lock. People in high poverty countries have less to lose from violent opposition to the status quo; and states with high risk of conflict are unable to create the public goods and services required for inclusive growth. The African continent currently has the highest incidence of fragility and as a result, is left unable to tackle poverty.

2) Slow fertility transition

As child and maternal mortality improves, every country has to make a once in history fertility transition of around 7 children per woman to just over 2 children. In Asia and Latin America, this took 40-50 years. However, it is expected to take 100 years for the same transition to take place in Africa. The Sub-Saharan population has doubled in the last 26 years, placing huge demands on urbanisation efforts and pushing existing infrastructure to its limits. Moving to a lower birth rate greatly simplifies the development process. Families and governments can invest more per child, savings rates rise, and it is good for growth as the proportion of the population of working age rises, leading to a higher GDP. Most importantly, supporting women in having the number of children that they choose is something the donor community knows how to do effectively.

3) Undiversified growth

Most African economies are driven by three key dynamics: agriculture, external transfers and commodity exports. None of these result in high sustained growth that creates jobs across society. Agriculture for the domestic market is rarely able to deliver fast growth, and subsoil commodity exports tend to trap an economy into global cycles without enabling them to upgrade into more sophisticated production and use their most abundant resource: their labour.

Achieving sustainable prosperity and growth for all requires three 'tasks of Hercules'

1. Support the transition of states through the stages of the Demographic Transition Model and encourage lower birth rates. This is cheap and easy to do, not only though contraceptives but also through focussing on girls' education, better healthcare, changing social norms, delaying marriage and increasing time between births.

2. Build inclusive economies. There are 4 qualities that are needed for this:

   i. Widespread employment across society

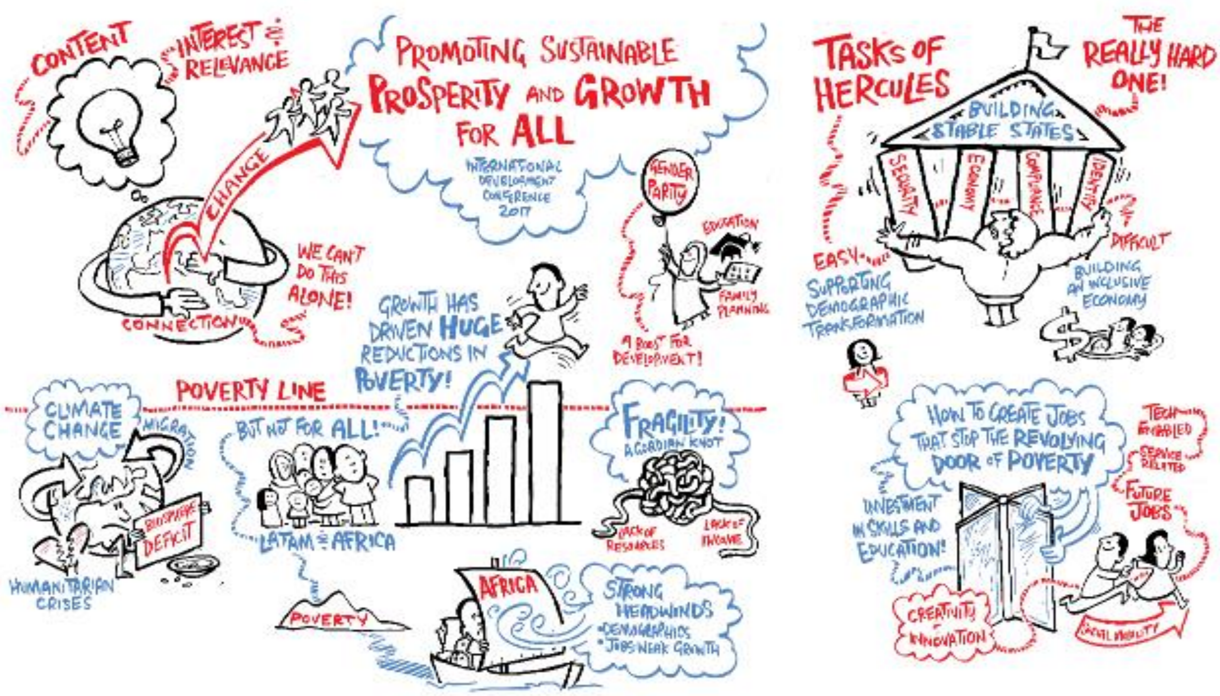
   ii. Exploit global demand as well as domestic demand

   iii. An upgradable growth model and flexible to the effects of automation

   iv. Diversification in order to be resilient to shocks

3. Build stable states.

These things are difficult for insiders to achieve and even harder for outsiders, so the best we can do is nudge the growth model in the right direction. As such, DFID's Economic Development strategy focusses on institutional work, connectivity, the labour market and finance.



Response: Simon Maxwell

Has HMG/DFID got it right?

The core narrative of fragile states being the main remaining problem is important – and has been around for a decade. However, other elements from the wider development narrative also need to be taken into account. For example, there was no mention in the keynote of: the SDGs; the refugee and migration crisis; the increasing burden of humanitarian emergencies, such as the Rohingyas and those in Yemen and South Sudan; climate change; or uneven globalisation.

The narrative around winners and losers of globalisation is extremely important. It would be interesting to know DFID's position on the causes and remedies. Similarly, does DFID have a view on the sustainability of continued growth, especially if per capita income around the world converges?

There are also wider issues in Britain, with huge public debates over aid, including campaigns by the likes of the Daily Mail, Daily Express and Sun, all petitioning against it. Although public support for aid exists, examples of aid money being spent on yoga in India over the NHS in Britain mean that support is thinning. It's up to us, at this conference and elsewhere, to tell a convincing enough story to show why development matters not just for Britain but for everyone around the world.

Questions from the floor

Q: What is your view on gender equality in fragile states?

Nick Lea: Is gender parity a pre-requisite for economic growth? The controversial answer to that question is "no", as evidenced by the pattern of Europe's development. However, gender parity is an enormous accelerant of development and therefore it is deeply foolish not to prioritise it. Once you have gender parity it helps to complement the steps to development that were previously mentioned, for example the fertility transformation, health and nutrition of families/children. This can translate into policy as politics becomes more inclusive once women are more involved. Ethics aside, the economic benefits alone build a strong case to push for gender equality.

Questions from the floor continued

Q: Technological change is destroying jobs in less developed countries where they are currently trying to compete with the likes of China to enter the export market. How will the whole argument about free trade, openness and generating inclusive economies work?

Nick Lea: Despite being hard-nosed internationalists, we still tend to view things through the lens of our own country. Overall global inequality is probably falling because of the effect of Asia on the global income distribution. But the inequality that we all feel is what happens within a country, and that is getting worse. The Gini coefficient has increased by around 15 points in China, and notably in the UK and US particularly in the 1980s and 1990s. Yet the big unknown in inequality is the effect of tax havens. We don't have a clear idea of the dynamics of the top end of the wealth distribution because it is hidden, and this gives rise to divergent opinions about what is happening to inequality in the UK. Inequality is going to become a bigger issue with technological change which is destroying jobs in developing countries.

Regarding free trade, it is clearly economic suicide to reduce tariffs with an extremely overvalued currency as happened in Latin America and Africa during the 1980s and 1990s. Yet sensibly valued currencies and modest tariffs can serve a country well. For example, Ethiopia has created a successful garment industry and it may become a source of substantial job creation in the country.

Simon Maxwell: Firstly, the SDGs are a great set of objectives but are useless as a road map to development. Secondly, we are facing a complex industrial revolution in which there will be large scale rapid disruption associated with the backlash against globalisation, climate change and automation. Jobs appear and disappear very quickly within industrial revolutions. Communities are destroyed by the kinds of globalisation processes we have spoken about and therefore we need a strong progressive industrial policy. These need to deal with the social and economic consequences of globalisation which are central to the narrative. We need to understand how change happens in order to deliver the right policies.

Questions from the floor continued

Q: How compatible really are open, inclusive and democratic societies in African countries with economic growth, when we see those countries that are achieving economic growth being increasingly oppressive towards society?

Nick Lea: In the past, developing countries would have to have a democratic road map before they were taken seriously. There seems to have been a shift in that people are getting used to dealing with functional/acceptable autocracies. This is on the grounds that an autocracy that can deliver development will sow the seeds for its own democratisation (e.g. South Korea model). In order to do this, there have to be very structured incentives and knowledge of what interventions will work within these countries. It is also important to remember that nobody is clean in the game of political systems.

Simon Maxwell: Development is not granted by 'up high' powers but mobilised from below by individuals and communities. The emergence of the social welfare state in Britain was all due to bottom up interventions. The movement has to come from below.

It's a good job:

towards better paid and higher skilled jobs in economic development

Chair

Zlatina Loudjeva
Director, PwC

Speakers

Melinda Bohannon
Deputy Director, Growth and Resilience Department, DFID

Asyia Kazmi
Girls Education Challenge Team Lead, PwC

Shamik Dhar
Chief Economist, FCO

Why are skills and innovation important for businesses in Africa?

Pauline Githugu: M-KOPA employs more than a thousand people in Kenya and has more than 1,500 sales agents in rural areas. We are an example of a thriving local business focused on sustainable energy and bringing it in an affordable way to poor and rural areas.

M-KOPA Solar's sales and reach are dependent on local networks of mostly rural salespeople, typically not with high education levels. Our people have learnt and innovated with the business, enabling us to grow over time. We have created opportunities for them to earn a living by selling our products. We look for people who are ready to learn, entrepreneurial and open minded.

Innovation is ongoing and the market changes so rapidly that we are constantly investing in the skills of our employees. However, while we have in-house and on-the-job training, some of our employees are at risk of being left behind as the company outgrows the skills they have. This can happen rapidly within a space of two years. We need to look critically at education and how to make sure people's skills are moving in tandem with the innovation that is happening. It is unaffordable for skills and vocational training to be left to small local companies to pick up. We need a more entrepreneurial skills system linked with the market needs. *Pauline Githugu, M-KOPA Solar, via Video.*

Is our education fit for purpose?

Asyia Kazmi: As a team leader of the Girls' Education Challenge (GEC) operating in 18 countries, I am looking for people who have excellent communication skills, who can be in a team but also lead it, who can challenge, are innovative, creative and problem-solvers. But the people who take the decently paid jobs in GEC-countries are not the poor, rather they are at the higher end of their societies.

So how do we get the poorest, who understand their communities and already have innovative skills, to take on these roles? It's got to be about training. With 250 million children out of school, basic literacy and numeracy skills are needed. It is also important to look at teacher training systems, and link employers with educational institutions to articulate the skills needed and be part of curriculum development. By some estimates 80% of jobs in 2025 for young people have not been created yet, so we also need to ask what role schools have in developing the skills for these jobs.

Education cannot stop with schools in the rapidly changing economy we live in. The UK has excellent experience to offer in vocational training, certification and apprenticeship schemes, part time degrees combined with work experience and on the job training.

> ***"Only 3 million formal jobs are available for the 10-12 million young people entering the workforce each year."***
>
> – Melinda Bohannon, citing AfDB, 2016

What is the link between the rapid economic change we see and the jobs of the future? What needs to be done for the generation now in school?

Shamik Dhar: We don't know what the jobs of the future will be, but it's clear that we need to raise productivity, ensure good basic primary, secondary and tertiary education with investments geared towards that, and a solid institutional infrastructure to help deliver these. We will also have to focus a lot more on social policy over next few years, and the role of social safety nets in transitioning to good jobs in the future. We haven't necessarily done that as imaginatively as we could, but some countries have started thinking about things like universal basic income, large transfers and big educational subsidies. Those are the kinds of innovations we as social policy makers have to deal with.

There is much fear about the negative impact of technology on low skilled jobs, any jobs really. I am a technology-optimist and feel like we've been here before. Substitution of labour by technology and capital has been going on for a long time – we cope with it, we've generated enough demand and new jobs. The introduction of ATMs did not prove a problem for banks as feared. We actually saw the proliferation of new financial services and more jobs were created than lost.

The real threat is the growth model we have become used to as experts. We base all our planning and analysis on it but it may have become out-of-date. I suspect this tyranny of artificial and real barriers to better paid jobs will come further down thanks to technology and we will find a whole caboodle of jobs in the service sector that will provide an accessible path out of poverty in the future.

How is DFID thinking about jobs and technology?

Melinda Bohannon: Delivering jobs is such an important point for development – they matter for social cohesion, stability and poverty reduction. DFID looks holistically at economic transformation, at raising productivity in sectors where people are employed and moving people into higher productivity jobs. Our aspirations are around helping governments invest effectively in productive sectors, focusing on international trade, and in skills and creating demand for these skills in different sectors. We also seek to address inclusion and the blockers stopping the poorest people from getting access to better jobs, tackling informal social barriers, and raising transparency and accountability through an inclusion lens. If we are really talking about systems change, actors need to come together in a different way. We are already starting to see this happening among aid and trade actors, multilateral development banks and tech companies.

Is technology helping to address the mismatch of skills?

Asyia Kazmi: Technology is here to stay and will go further only if we support its development with adequate training and skills. To incentivise a different set of skills, assessments need to change, for example, through gaming, self-assessment and self-directed learning. The focus should not just be on basic skills – in order to leapfrog to higher order skills there also need to be more innovative ways to learn, for example, by bringing in new actors and establishing new partnerships. Examples of this include the remote teaching models championed by the Varkey Foundation in Ghana and personalised online learning championed by Avanti in Kenya. None of these models are perfect. They are evolving as we learn about what works but we simply cannot progress if we continue with old ways in a rapidly changing world.

Shamik Dhar: Blockchain could revolutionise the way institutions work. This is a difficult area but the lesson of history remains that countries are much more flexible to change than we think. Obviously there are huge challenges and technology alone is not the solution to everything. It's important to get social policy right.

Melinda Bohannon: I see technology as an absolutely fundamental solution. For example, Cisco is purchasing from a business software and data analytics platform in the West Bank, to sell internationally. The idea that technology could ever be a constraint is flawed. For me, it's as much a generational issue as one requiring attitudinal shift. We need to distil it into the way people learn, how they access information and how they access markets. The biggest opportunities could be in e-commerce, online translation services and business software development. We should not try to predict the markets or products but give people, particularly the poorest people, the skills and the resources to invest in life-long learning.

"There are 263 million children and young people out of primary and secondary education. Of those who are in school, 250 million are struggling to learn basic literacy and numeracy skills." – Asyia Kazmi

Questions from the floor

Q: Job creation is also a role of government. What is DFID's view of being able to work with governments in fragile states to help create the business and regulatory environment for job creation?

Melinda Bohannon: It's clear that the developmental state isn't always and everywhere a democratic or legitimate state, so the answer has to be based on context. In line with DFID's economic development strategy and how the Growth and Resilience team works, we focus on technical assistance to help governments make choices around growth planning. It can be extremely difficult in some places but it has to be part of the solution to work with whatever authorities there are and to think about the private sector and growth in a job-creating way.

Q: We see many more jobs being created but not being filled, and this is putting a strain on government and other actors. How can this be resolved?

Asyia Kazmi: This comes back to what skills we equip young people with right now in order to take on jobs like that. Jobs are outgrowing people. It's the key skills that young people and employees now need, which is about being able to flex, being able to constantly change and learn new things to keep up. It is the responsibility of employers to ensure people are growing with the jobs they already have and to nourish an environment for constant learning in order to keep pace with new skills requirement. It's also the responsibility of governments and donors to look at the kind of programming they are doing that values these skills, anticipates the new skills required and provide assistance to allow this to happen.

The FCO:
a major player in international development

Chair

Tom Pedrick
Director, PwC

Speakers

Edward Ferguson
Her Majesty's Ambassador to Bosnia and Herzegovina, FCO

Sofka Brown
Policy & Programme Transformation Unit Lead, FCO

Simon Maxwell
Senior Research Associate, ODI

This panel explored how the Foreign & Commonwealth Office (FCO) is adapting to major increases in the aid funding for which it is responsible. Aid funding made up some 10% of the total FCO budget in 2010, and is forecast to be 70% of the total budget by 2020. In 2016-7, the FCO administered just over £1bn of aid funding, some 8% of 'Official Development Assistance' (ODA), and this proportion is scheduled to increase.

FCO perspectives on the increased focus on aid spending were shared both from the field, by the UK's Ambassador to Bosnia and Herzegovina, Edward Ferguson, and from Headquarters by Sofka Brown, the FCO's Policy Programme Transformation Unit Lead. An external perspective was then shared by Simon Maxwell, Senior Research Associate at the Overseas Development Institute.

The 'on the ground' perspective

Edward Ferguson: Bosnia and Herzegovina (BiH) is a complex, post-war, country, where the legacy of ethnic cleansing that left 100,000 dead and 50% of the population displaced still endures. War has heavily shaped the present and threatens to shape the future, with an embedded ethnic division of power. There are currently 5 Presidents, 13 Prime Ministers, 14 Parliaments and 120 Ministers for a country of only 3.5 million people. Party loyalty is often required to gain and keep a public sector job, and the private sector is very weak as an alternative source of employment. The government's monopoly on power, patronage and money is a recipe for corruption and holds back the country's development.

The focus of the FCO in BiH

Edward Ferguson continued: The UK has a significant level of influence in BiH because of its involvement in the peace process. The Embassy's direction and instructions come from the UK National Security Council and it looks to address three sets of issues:

1. Stability, including the legacy of war and of institutions
2. Concern about malign influences from the East and South and supporting BiH to move towards EuroAtlantic integration
3. Direct security threats to the UK such as extremism, terrorism, organised crime and firearms trafficking.

FCO funds operating in Bosnia

Conflict, Stability and Security Fund (CSSF)

This is mainly used as a traditional post-conflict development fund. With this the FCO is targeting the legacy of conflict, building up key institutions such as the army and police, making them better regulated, more competent and more capable of delivering convictions, and building institutions.

Good Governance Fund (GGF)

This is more flexible and forward looking, and is only a few years old. There is not only a lack of technical capacity in the Bosnian government but also an unwillingness to change, as the political class benefit from the current system. With the GGF, the capacity excuse is removed, as the expertise is provided by the programme. The GGF helped produce Bosnia's first ever nationwide strategy, starting with transport and is now targeting the energy sector, with digital being the next focus.

The key differentiator of the GGF is its rapid response to reform opportunities. Other organisations tend to run multi-year programmes – which are important but take a long time to come to fruition. Where the FCO can add real value is by using some of its development funding to push progress much faster than through alternative routes.

The central perspective

Sofka Brown: The Policy Programme Transformation Unit in the FCO aims to ensure the integration of increasing programme spending activity with policy design and delivery. As part of this, the Unit is developing capacity building work which will be crucial for the FCO to cope with increased programme spend.

The FCO is not a new actor in international development, it has been a significant spender of ODA for over a decade, with a track record of achieving policy impact. The FCO is not acting in a development role by itself; it works collaboratively with DFID through joint units and ministers. The creation of the National Security Council in 2010 enabled top-level, cross-government discussion of the nexus of development and international security issues in the broadest sense (including economic security, for example). This in turn facilitated the establishment of the cross government CSSF and Prosperity Fund, which was game-changing in ensuring that policy and programmes were joined up across government. The funding models are unique in the world and the CSSF in particular is envied by other governments.

Such a model is designed to complement and add to DFID's funding models, making the most of the relevant expertise across the UK Government. The FCO brings a lot to the table, including its traditional diplomatic strengths of understanding the context, local sensitivities, the aspirations of local populations, and being able to use that knowledge to spot opportunities to make a difference and to work out the implications for programme design and delivery. There are collaboration opportunities with other organisations too, allowing the UK Government to bring diverse expertise together and solve problems that currently have no answers.

The overall aim is to have robust political engagement with dynamic programming. The FCO will continue to make the case for why aid is crucial and deliver the 2015 International Development Strategy, all while being evaluative and self-critical.

The external perspective

Simon Maxwell: Everyone agrees that DFID's and the FCO's development agendas are different and that inter-ministerial and cross-government collaboration are essential to delivering effective aid. There are six questions that I wish to consider:

1. Where do strategic questions get asked about the balance between bilateral and multilateral options (e.g. the World Bank's State and Peacebuilding Fund, or UN Peacebuilding Fund)?

Sofka Brown: It all comes together at the National Security Council. Here, aid and strategy are considered from geographical and multilateral perspectives. Right now, there is a national security capability review looking at accountability and the strategic steering of these funds. These questions are being asked and recommendations, for instance from the National Audit Office, are being taken on board.

2. Are the criteria for allocating aid pro-development?

Simon Maxwell: The CSSF makes no reference to ODA principles or to the International Development Act (IDA). The Prosperity Fund has a set of criteria which stipulates that 25% of the weighting for all project evaluations at the proposal stage must be for UK benefit. This is explicitly inconsistent with the IDA. This gives the impression that these funds were set up to sidestep the IDA by keeping them outside of the remit of the DFID Minister who has to abide by them.

3. Is ODA spent through the Prosperity Fund and CSSF untied?

Simon Maxwell: Large amounts of FCO-administered funds are allocated to other Government departments and are thus not untied. No-one seems to be exploring whether the UK army can deliver peace as effectively as the UN can, for example.

Sofka Brown: ODA is definitely untied. Tenders are open and fair. Not all CSSF funds are ODA.

4. Does setting up separate funds lead to excessive earmarking of aid?

Simon Maxwell: We really do not want to emulate the excessive earmarking of aid conducted by US Congress as it removes all room for manoeuvre. Where is the unified, unitary planning going to occur if money is pre-allocated into pots by parliament?

5. Does having multiple agents undermine unitary management and turn us into the kind of Balkanised model prevalent in much of the EU?

Simon Maxwell: This is exactly what you find in other countries, where the Treasury decides how much money goes to the World Bank, the UN and EU aid channels, with a separate department again to manage humanitarian funds. We do not want to end up in a situation where larger budgets mean that the main drivers of development are other government departments. Having all our eggs in the same DFID basket is a really good model and we should be proud of it.

Edward Ferguson: In Bosnia, DFID closed its office a while ago and is now involved through a 'Joint Unit' with the FCO. This means that the FCO is not treading on toes, but filling a gap. We are working in uncomfortable spaces of peace and security, institutional strength, anti-corruption and state capture. 30-40% of my time is spent driving these politically, and they can be quite niche projects. We are developing skills and are the only growing embassy programme in Bosnia – we have gone from delivering £2m of aid to £7m since 2014.

6. And, of course, is the FCO any good?

Simon Maxwell: With the ICAI review of the CSSF due in 2018, we must hope they focus on all of these questions and not just the last one. DFID is regarded as one of the strongest aid agencies in the world and this is precisely because it has a clear development-focused remit as well as the resources, the ability and the enthusiasm to recruit other government departments to the cause. On top of this, it is guided by the IDA, ICAI and the International Development Select Committee. This is immensely valuable and we must not lose this.

The 'City Hack':
an interactive urban economic development journey

Speakers

Dan Dowling
Director, PwC

Zoe Green
Manager, PwC

What's the context?

The urban age is upon us – it is estimated that there will be over two billion people moving to cities across Asia and Sub-Saharan Africa over the next 20 years. Rapid urbanisation can be a positive indicator of growth, but this comes with key challenges that can present severe constraints to sustainable development. Of these, infrastructure investment, job creation and climate change are front of mind for today's city leaders. Cities and urban areas are key to global prosperity and we have an important window of opportunity to make them smarter, more productive, sustainable and inclusive.

Cities have been the bastions and engines of growth throughout the history of modern civilisation and they can continue to do this, but overcrowding, pollution, congestion and inequality present massive challenges which are limiting their effectiveness. Drawing on combined learning and experience, there is opportunity to influence the way that rapidly urbanising cities develop, hopefully avoiding some of the pitfalls of the past while still harnessing the benefits of agglomeration, growth and prosperity.

The urban transition is a process, but has not always been a mindful one. As cities grow, they need to find different, better and more modern ways to make sure that those who arrive looking for employment and other opportunities are better able to engage with the city productively and sustainably. How can we improve cities to manage growth and make it more effective?

The City Hack presented audience members with the chance to experience what it is like to be a City Mayor, choosing potential paths to growth until 2030 in Jinja, Uganda and Delhi, India, advised by a city panel (including finance and economics; social; environmental and infrastructure experts representing the city directorates.)

Round One: Jinja, Uganda

The first posting for our City Mayor was Jinja, Uganda, a city on the cusp of economic transformation but starting from a low base in terms of income and productivity. There is a significant infrastructure deficit in Jinja as the city struggles to keep pace with its rising population, which is hampering business growth and the creation of formal jobs.

The City Mayor was presented with two options for growth: a ‘globalised export approach’, which concentrates on encouraging foreign direct investment through the creation of special economic zones, and a ‘domestic market focus’, which concentrates on developing local, domestic businesses particularly focused around agro-processing that could reduce reliance on imports.

After advisors from the finance and economics, social, environment and infrastructure directorates gave their opinions on both growth strategies the audience voted in favour of a ‘domestic market focus’ by 65%.

Round Two: Delhi, India

In their second posting as City Mayor, the audience was presented with a larger city, and arguably a bigger challenge: Delhi, India. The city has started to suffer some of the externalities that come with rapid urban growth, in particular, air pollution and waste management. Delhi has become infamous for its very high levels of air pollution which is creating a long term health burden for its population, reducing its competitiveness and retention of talent, both local and international.

The City Mayor was presented with two options: a ‘community led city’, which encourages a localised provision of services and infrastructure, and a ‘digitally enabled city’, which views cities as platforms with the population encouraged to use technology to creatively disrupt and redefine core functions. After hearing from the panel of advisors, the audience overwhelmingly (80%) voted for the ‘digitally enabled city’, opting to back a flourishing technology industry which harnesses new innovations to reduce the environmental burden of rapid industrial growth.

What did we learn?

The City Hack simulated the multitude of advice, frameworks and tools that are presented to City Mayors which can be inconsistent. While there is value in many of the conceptual frameworks, the real challenges for the City Mayor are implementation and communication to citizens and investors. To do this there are three things a City Mayor can do: define the city’s proposition (what is its purpose); focus on leadership (getting governance and capacity right); and develop the right partnerships.

Questions from the floor

Q: Across different cities, to what extent does development boil down to the fiscal autonomy a city has relative to the central Government?

Dan Dowling: Devolution is a big trend at the moment. In the case of Jinja, Uganda, the local government has a severely limited ability to borrow, constraining what policies and measures they can implement. The ability to self-finance is extremely limited. Delhi in India is very different. The metro scheme was funded from a range of sources – they have been able to combine local and central government revenue with financing from development banks. Fiscal autonomy helps but there is a danger to jumping to that conclusion too quickly before you have proper structures like tax systems in place.

Questions from the floor continued

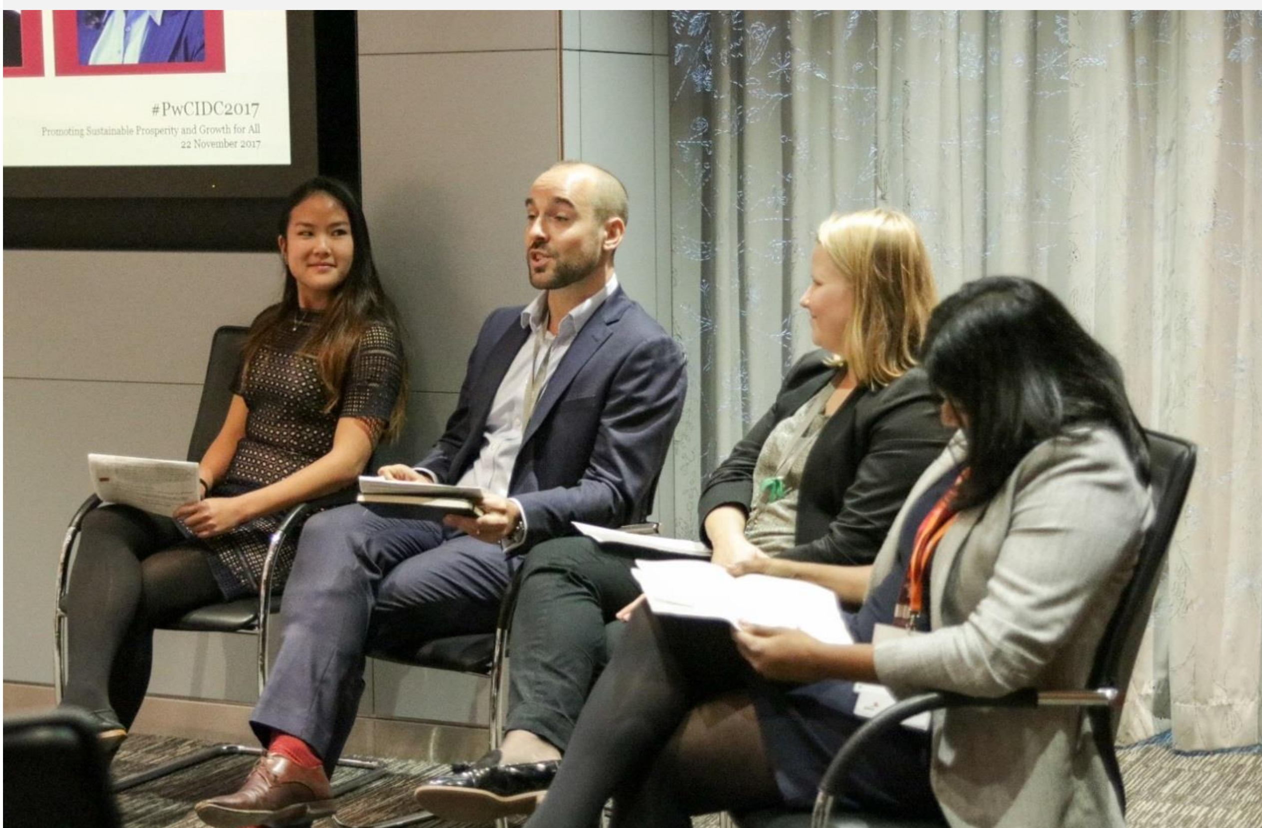
Q: When designing a new suite of smart city standards a common problem we have faced has been removing old infrastructure in order to replace with the new. In many countries we do not have the luxury of building from scratch but you have to work with existing infrastructure.

Dan Dowling: Yes, these decisions may take 50 to 100 years in reality to implement once you have committed to a certain strategy or approach. The burden of the cost of changing from one system to another is insurmountable for many cities so flexibility and adaptability is a crucial point for planners.

Zoe Green: It's really important to think about the future when planning your city, such as protecting transport corridors for public transport and thinking about road widths in advance. We've seen in London how expensive retrofitting is, in the case of Crossrail etc.

Q: There are lots of cases of cities done badly, but who has done really well in the developing world?

Dan Dowling: Most people look to Latin America for examples of good cities – there have been good examples in Medellin and Bogota, to a certain extent. The land systems in Latin America have been positive, taking a community-led approach but they do not address everything. There is no single solution so we have to pick and choose from a variety of experiences.



Big data, big deal:

can big data revolutionise results measurement in International Development?

Chairs

Maaike Platenburg
Manager, PwC

Harjinder Kaur
Manager, PwC

Speakers

Sebastian Mhatre
Data Innovation Lead, DFID

Dwan Kaoukji
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How can digital data revolutionise programmes and projects in international development?

We hear a lot about big data these days. There is a good chance that in 15 years our job will be performed by computers since decisions once based on experience and intuition will be made through machine analysis of massive amounts of data. Think about an autonomous vehicle. Much like a human driver does, the vehicle will be able to read its environment and react accordingly, but unlike a human driver, the vehicle will also be able to analyse other sources of information that will make the trip safer, faster and more efficient.

However, it will also create very detailed profiles for all of us, which will include information that we'd much rather keep private. Will big data make privacy obsolete or will it bring transparency, accountability and progress? And how can we use this growing amount of digital data to improve and change the way we measure results in international development projects and programmes? *World Economic Forum, via video.*

The gender revolution and big data creates enormous opportunities

We need to leverage innovation and technology to accelerate global progress towards achieving gender equality and women's empowerment. The gender revolution and big data are creating enormous opportunities for greater transparency, advocacy and decision making. Big data can shine the light on the invisible by providing information on the lives of women and girls and provide early warnings of emerging crisis and issues. Such sentiments are not easily measurable using traditional methods. Societal stereotypes for example and gender based violence will not be easily picked up in a survey.

Realising the benefits of big data does depend on an effective approach to the way we acquire, analyse and use data and ensuring that big data complements traditional data sources. It's also important to remember limitations in terms of data bias. In some parts of the world there is a growing digital gender divide which leaves women excluded in many data sets. *Fiona Bayat-Renou, UN Women representative, via video.*

What are the more technical challenges associated with the use of big data?

Jeroen Goudsmit: The biggest challenge is determining which data to use for what purpose. When companies collect information they typically deal with a very similar purpose – they collect it to be used for a specific reason and then afterwards when they are looking for data for something, they forget that they have that data available. Organisations must look at data from a completely different perspective and see if the information that they have can be used for different purposes, remembering to respect privacy and other regulations when doing so.

How can big data add value in advancing gender equality?

Dwan Kaoukji: At Girl Effect, one of the key types of data that we look at is media behaviours for adolescent girls. Unfortunately, even though big data is accessible in certain sources, it is tricky to find data on specific audiences like adolescent girls. Their age group requires consent to collect data and they are also a hard to reach population. We collect stories from girls through different digital means - everything from online behaviour patterns through their comments on specific websites that we have and what specific questions they ask about their own health and their own education. Our vision is essentially to use that data to improve the way that we work and to deliver our services better to girls but also to contribute to that data gap on gender.

Savita Bailur: We need to be careful with the results we get from big data because if we are focusing on the people who leave digital traces then we are discounting everyone who doesn't. We soon begin to programme for those who are just online and the socio-economic demographic is something we need to bear in mind. If we keep focusing on big data we might actually be making the development gap bigger.

What are the main challenges that we will be encountering in the future?

Sebastian Mhatre: From the monitoring point of view, DFID is trying to keep up with the pace of change and that really requires getting the right expertise and experience. For example, if you are conducting a mobile phone survey instead of a face to face interview, you need to bear in mind several factors that otherwise wouldn't be relevant, such as the fact that people switch off because they are on their mobile phones, so you might get a lower response rate. You will need to consider the questions you write and the way you write them. All of this requires a lot of expertise to navigate and this is something that programmes need to work out in the design stage – what expertise they have available and the best way to conduct monitoring as a result.

> ***"If we keep focussing on big data, we might actually be making the development gap bigger."***
> – Savita Bailur

Questions from the floor

Q: How available is information in terms of whether you need to commission the data in order to be able to infer the patterns that you are talking about or is this something you can just access freely?

Savita Bailur: One of the projects we are doing with UN women relies on Twitter data and within the UN system we have to approach Global Pulse, the gatekeeper who has a partnership with Twitter. So there is a lot of discussion at the moment on how big data is being extracted and contained as it is being analysed by specific types of people. We also have to understand that data scientists interpret the data in their own way. It is being analysed by people who did not produce the data. The main problem is that it is expensive and difficult to get access to big data.

Q: Often institutional memory remains within communities where it needs to be. How can institutional memory be used by wider groups also?

Dwan Kaoukji: It's also a question about the purpose of the data being collected. Often it serves a very internal purpose – it tends to stay on in the institution. At Girl Effect, we have collected data for five years in Rwanda and thanks to this evidence base we have the ability to reflect on the data and the progress of how well we have been doing. This has a very clear purpose for internal use which we haven't shared and have prioritised this as internal purpose only. We would look to sharing this with other projects who have a similar use for their data.

Adaptive programming:
is it time to end the quest for the Holy Grail?

Chair

Sam Bickersteth
Director, PwC

Speakers

Ben Ramalingam
Leader of the Digital & Technology Cluster, Institute of Development Studies

Julie Leonard
Director, PwC

Emma Proud
Director of Organisational Agility, Mercy Corps

Sam Bickersteth: As development practitioners, we are faced with real everyday challenges around accountability to the people we work with as well as political complexity. In this climate, it is important to acknowledge the value of adapting and learning in the work we do.

What is Adaptive Management?

Traditional Management

- Standardisation and control
- Change efforts driven top-down
- Relies on management planning and execution of repeatable tasks

Adaptive Management

- Interaction and change
- Change is emergent and contextual
- Relies on organisation having appropriate capacities and processes to generate novelty in day-to-day performance

Challenges we face in moving towards adaptive programming

Ben Ramalingam: Development programmes are not always fit for purpose - whether that be in their conception or execution. International development mostly remains in a traditional management model that relies upon the management and execution of repeatable and reliable tasks. We need to be able to move towards a more agile and adaptive way of working where practitioners embrace these ideas and design programmes that are the 'best fit' for the context that we work in.

Progress has been good; DFID has moved towards the Smart Rules and innovative ways of working triggered by a review by Justine Greening. The issue, however, lies in that systems and machines demand predictability and so see adaptation as a failure. They are unable to be flexible. When you are looking to adapt, agile contracts also require trust between procurement and the deliverer. It requires reliability and trust between organisations and teams in a way that forces a devolution of autonomy. Being able to be accountable but also flexible proves to be an ongoing challenge.

Adaptive programming works when a group of individuals have the right political capital and ability to convince the organisation to do something different. The issue is trying to recreate this by getting these individuals in the right places. Additionally, there's been a shift back to a bureaucracy that demands pre-defined targets, development relationships based on contracts as opposed to trust and focus on risk minimisation instead of management.

Adaptive programmes can only flourish once these attitudes evolve. The challenge is that it is less about tools and methods and more about collective culture and leadership.

Enablers of adaptive management on the front line

Julie Leonard: Running an adaptive programme in the Democratic Republic of Congo, which has as part of its portfolio improving electricity access for businesses, has proved a big opportunity for international development. The Essor business environment programme was structured in a way that allowed us to start, stop, scale up or scale down. There were three critical enablers for adaptive management:

1. **Type of management:** It needs trust, open discussions and risk transparency between the delivering organisation and donor so that they have the same level of understanding.

2. **Governance:** Establishing the right governance mechanism between the supplier and donor and ensuring quick decision-making processes within each organisation to move through the decision gates.

3. **Contracting:** A contract structure that gives flexibility so that as needs and resources change, we can react without going through several contract amendments and creating bottlenecks to acting in an agile way.

Organisational agility - scaling up the adaptive management approach

Emma Proud: Great results are being seen from programmes that plan for adaptation in Mercy Corps. Mercy Corps and the International Rescue Committee have put together six case studies to launch ADAPT (Analysis Driven Agile Programming Techniques) which research, innovate and field test adaptive management techniques for the sector.

One of the case studies is on the RAIN (Revitalising Agricultural/ pastoral Incomes and New markets) programme, a USAID funded market development programme in Uganda, which showcased how the team's curiosity and openness to shifting programming beyond workplan boundaries helped stimulate system change. Enablers on the ground include:

1. **Team and leadership culture**: Creating trust in the team and between the donor and implementer
2. **Finding action metrics**: Whilst 'vanity' metrics are important for the donor, we also need to think about what data we can gather to know where and how to adapt and be courageous enough to do it.
3. **Devolution in decision-making**: This requires humility and courage from leaders who acknowledge how effective it is when power and decision-making are given to those closest to the ground as they can see change coming and respond quickly.
4. **Being able to admit failure and openly share experiences.**

Questions from the floor

Q: What institutional contractual constraints have you been up against as there is an increasing reliance on payment by results and quantitative indicators?

Julie Leonard: For payment by results, it is important to invest in operational evidence to support decision making as there is currently underinvestment in monitoring. We need to ensure we monitor progress and think about how to capture the story and evidence creatively on the ground. We need to invest in the methodology that creates the conditions for adaptive programming.

Questions from the floor continued

Q: At the World Bank, we have an initiative called Agile led by Jim Kim that allows us to tear up the rule book for 12 programmes as long as there are no legal implications. We are looking for a second wave but are seeing some resistance to take the next steps. How do we incentivise companies to make these changes?

Emma Proud: You effectively need a ‘pincer movement’ where you can build on what works on the ground and set organisational incentives that encourage programmes to change.

Q: Do you have good examples of how formal decisions are made three to four years down the line?

Ben Ramalingam: One of the panellists gave an example of how when a programme workshop was organised with people from different backgrounds, it created a culture of trust and broke down pre-conceived notions as it was clear everyone was willing to be creative and innovative.

Julie Leonard: It is also important to build evidence from the start but it is clear that a tension does still exist between moving quickly and needing time to baseline and monitor. This is something we need to figure out. As echoed earlier, building an environment of autonomy stimulates creativity, innovation and curiosity in long term decision-making.

Fiduciary risk:

how do we trace the invisible hands through the ID supply chain?

Chair

Adam Perkins

Senior Manager, PwC

Speakers

Anthony Garnett

Head of Internal Audit, DFID

Alison Evans

Chief Commissioner, ICAI

Sean Lowrie

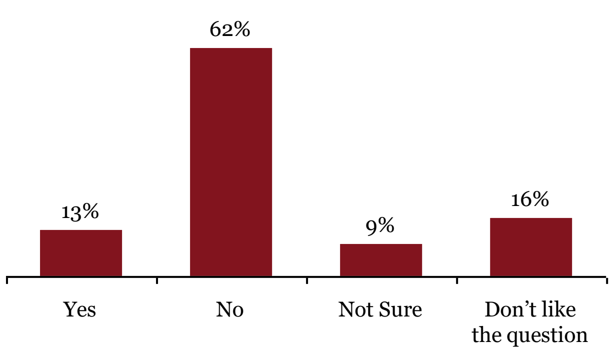
Director, The Start Network

The reduction in extreme poverty over the last 30 years has occurred almost entirely in stable states. As a result, an increasing amount of aid is being directed towards fragile states but this comes with its challenges, including not being able to access those locations to monitor aid. We are also seeing greater collaboration between development partners to deliver innovative and specialised solutions to these development challenges and with that comes more complex supply chains.

At the same time there is greater demand from donors for transparency down the supply chain and of spend, greater scrutiny from the media and the political sphere on ODA spend and greater focus on the outcomes and results based measures of aid spending to demonstrate value for money. There are also huge advances in technology which is something we can, and some actors have started to, harness to better spend and deploy aid.

The current operating environment...

Question to the audience: Do you think that the risk of fraud in fragile states can ever outweigh the need to deliver development funding?



Figures show the per cent of attendees who responded to the question (55 responses in total)

Supply chains are complex, do you believe that complex supply chains are essential to aid delivery?

Sean Lowrie: Yes, change often requires lots of organisations to work together to solve the complex problems we face, especially in the case of humanitarian crises. Some kind of complex supply chain is needed to mobilise and align all of the different organisations to the same goals. Donor agencies often want to write bigger and fewer cheques to deploy aid, which can result in increased transaction costs combined with a decrease in donors' appetite for risk. If you put these things together, it means you need a chain of capable intermediaries who can handle smaller and greater numbers of cheques the further you get down the supply chain but there are questions around whether this structure delivers value and transparency. To do this is expensive – NGOs don't get compensated for the expenses they incur in adhering to the (reporting) requirement up the supply chain. All these intermediaries result in a slow and expensive chain. There is a consensus in the humanitarian sector that that what we need is more locally led, decentralised and agile systems of responding to humanitarian crises which seems to be in contradiction to the pressures and demands of risk management from donors.

Anthony Garnett: From the donors' perspective the longer and more complex the supply chain, the less value for money it delivers because the proportion of the pound that gets to the end of the chain is smaller. Sometimes there is a need for complexity but it is often unjustified and just a product of the slow and sub-optimal procurement process. From a value for money perspective, as an auditor, I don't see the justification for some of the complexity. In some cases, for example in the Syria programming, there is a need for complexity and having agility is important, but generally I think the system is overly complex and impacts value for money.

How has the complexity and agility of aid supply chains impacted on the oversight ICAI can give?

Alison Evans: I'm very uncomfortable with the idea that we can separate risk from our understanding of what development results we are trying to achieve. We in ICAI work from the starting point that the aid enterprise is about taking informed risk. If we are talking about trying to eliminate risk from the picture then aid is not the right instrument to be using. We have to make sure that aid is utilised in ways that the right level of risk is taken to achieve the most transformative change. But ultimately to take risk you need to manage risk.

ICAI analysed DFID's system for managing fiduciary risk and found that its decentralised system of aid delivery has strengths in following the money. However, there is undoubtedly a tension between having flexibility at the 'sharp end' of aid delivery and the need to be assured at the highest level of the department that risk is being effectively and consistently managed. Bigger cheques are being written and larger programmes are being designed, but I'm not convinced that inherently means more complexity and risk. We don't talk enough about the architecture of aid delivery – I think there needs to be a discussion around the architecture and design of delivery and supply chains.

You deal with a wide number of different types of organisations. Can you comment on how we pass risks down the supply chain and can we hold everyone to the same high standards?

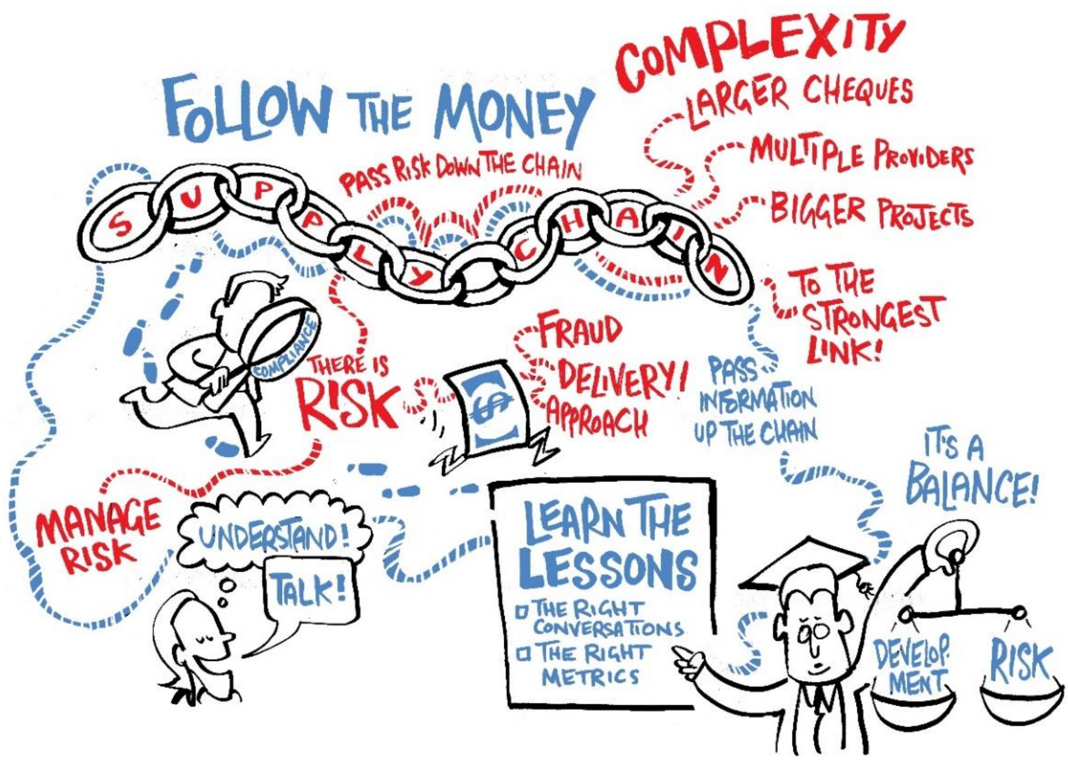
Sean Lowrie: I don't think it's fair to transfer all the risk down to local organisations at the bottom of the supply chain as they don't have the capacity to manage it. The Start Network has tried to create collectively owned aggregations of risk which means a network of NGOs who manage the allocation and distributions of those funds and local organisations can become members of the network. We think that by creating that kind of architecture of pooling risk it can address some of these challenges and not load risk onto actors who can't manage it.

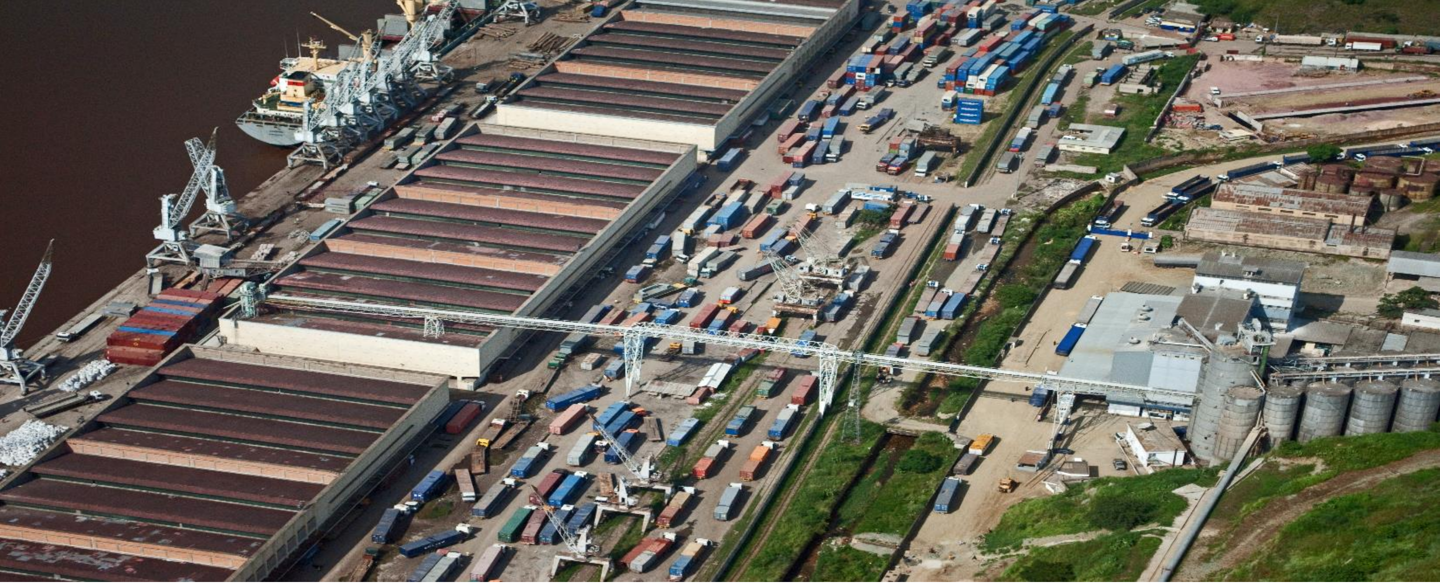
Thinking about reputational risk, contractual risk etc. as well as risk of fraud– how can we appropriately pass risk down while retaining ownership at the top?

Anthony Garnett: Ministers, not just in the UK, are generally unwilling to accept that money has gone missing – there is a zero tolerance of fraud (not fraud risk, but of fraud discovered). There is a very strong narrative of accountability reform particularly of suppliers. From an audit perspective the standards of risks do not change down the supply chain and the reality is that fraud can occur at all levels of the chain which can result in programmes being stopped. You need a supply chain that pools and aggregates risk in the most appropriate place – I agree that it's not always the local partner. The expectation is high and it should go right down the supply chain, but agencies need to become better at understanding the complexity.

Alison Evans: The protocols around the management of fiduciary risk are not sufficiently clear. In DFID there hasn't been a clearly articulated protocol around how risk is managed and transferred and it is certainly the case that most community and local based organisations do not have the capacity and investment required to undertake this risk. It is essential that the lead supplier within a chain creates a safe space to talk about any kind of risk and preventatively raise a flag and concerns. In the pressure to deliver and in the challenges of remoteness, this is often lost. If it is the case that it is not safe to raise a flag and say we're worried preventatively- the danger is that risk remains something that is talked about rarely and it is not acknowledged that is something to be managed on a daily basis.

Adam Perkins: Often in programme management there is the temptation to see risk as an 'other' – as something which is detached – and really we want to get to a place where we view risk as part and parcel of a management programme and to be managed by putting in place the mitigation measures.





What goes up must come down:
what can gravity models teach us about priorities for UK trade and aid?

Chair

Helen Liddell
External Adviser to PwC

Speakers

Tony Venables
Professor of Economics, University of Oxford

Shamik Dhar
Chief Economist, FCO

Libby Mason
Director, PwC

Helen Liddell: Distance has an important impact on trade. This can be seen from the example of the Australian economy, which suffers from the *'tyranny of distance'*. Distance from other markets prevents industries such as heavy manufacturing from taking advantage of just-in-time innovations. Its 9-11 hours' time difference with Britain poses a challenge for bilateral trade, particularly for the financial services sector, despite their similarities in law, accounting standards, and language. This highlights that distance is an important factor to be taken into account when considering policy on trade and aid.

Joel Strange: Newton's Law of Universal Gravitation (which says that the force between two physical objects increases with their mass and reduces with their distance) finds applicability in Economics in the form of the 'gravity model of trade'. This says that countries trade more when they are closer together and the larger they are (in terms of GDP). Though this 'empirical law' is well documented and reproduced widely in econometrics literature, the question exists if it still holds in today's world of decreasing transport costs and rapid technological progress. PwC economists undertook an analysis to explore this issue of the evolution of 'economic gravity' over time.

Laura Gatz-Schulz: The analysis examined over 1,700 estimates from the literature on the impact of distance on trade by means of a meta-analysis, a statistical evaluation of a body of literature. The data indicates that distance is no less relevant now than it was in the past few decades, and if anything it might have become more important for trade. For example, UK trade with a country 500 miles away would have been 111% higher than with a country 1000 miles away in the 2000s, but only by 97% in 1970s. Possible reasons behind this include:

- **Supply chain dynamics:** Trade in intermediate goods has risen rapidly. For example, Airbus manufactures its final planes in Spain but the components are sourced from all over Europe. This type of trade tends to be most effective over short distances, not only because of lower transport costs but also because of the need for 'just in time' delivery.
- **Technological changes:** There is an increasing trend of 'sending' intellectual property across borders, instead of physical goods, i.e. setting up factories closer to local markets. This means that goods are ultimately traded over shorter distances. This trend has already been present for a long time, but new technologies such as 3D printing can make this trend even stronger.

What is the evidence of the importance of the gravity model of trade?

Tony Venables: *'It is not a theory or model or law, but a fact.'* The negative effect of distance on trade is enormous. For example, the UK trades about 8 times more with France and Germany than with Japan which has a similar sized economy but is 8 times farther away. Over the years, globalisation has led to more trade but distance has also become more important for trade. Distance manifests itself in underlying frictions such as time difference or transport costs, and impacts all economic activities, with trade being one of them. Some frictions to trade can be variable, such as tariffs and trade policy, but distance remains fixed.

Shamik Dhar: The effect of distance on trade is not as consistent as the effect of gravitational force on objects (which is always 9.8 metre/second^2). The gravity model of trade is a rule that is more applicable in the short and medium run, but it might not hold up so well in the long run. If distance was the only or the major factor in determining trade, then the share of UK's trade with European countries should be relatively flat over time and consistently more than its trade share with others. However, long run behaviour of UK trade data displays wide variations, casting doubt on the importance of distance over a longer time-horizon.

The *new trade theory*, pioneered by Tony Venables and distinguished by *four Is- Imperfect competition, Imperfect substitutes, Increasing returns to scale and Iceberg costs*, is hugely important in explaining trade dynamics. However, older theories of perfect competition still provide a better approximation over longer term periods.

"The UK trades about eight times more with France and Germany than with Japan, which has a similar sized economy but is about eight times farther away." – Tony Venables

How will Brexit impact UK trade?

Tony Venables: Brexit is a non-policy barrier to trade and has the potential to reduce UK's trade with its neighbours. Off-setting this reduction in trade with a comparable increase in trade with non-neighbours is difficult to achieve despite the fast growth seen in countries outside the EU. Even if the Emerging Seven had the average income levels of the EU, then their economic mass (population times the income) would be about eight times that of the EU, but their economic significance would be offset by the fact that they are about eight times farther away than the EU.

Shamik Dhar: Brexit is a worry for trade, particularly in the short run. However, it can be managed over the long run. In level terms, the UK sends 44% of its exports to the EU. Even if not 44%, the UK could replace a significant portion of its trade over longer time horizons. Historical evidence supports this view, as about 12 percentage points of UK's trade with EU has been replaced by trade with the emerging economies over the years.

What are the implications for UK trade and aid policy?

Tony Venables: The priority for developing countries, especially Sub-Saharan Africa, is to break into tradeable goods, thus suggesting UK aid policy could focus on:

- Committing to much lower tariffs for low income countries and start extending this process even to low-middle income countries.
- Supporting regional integration within Africa.

What are the business implications of the gravity model?

Libby Mason: PwC's Global CEO Survey highlights that some of the fastest growing economies such as Brazil and India have dropped out from the prospective investment list because of frictions beyond distance such as lack of ease of doing business. Such challenges have significant impacts on small UK exporters who having traded with the EU are now trying to break into developing markets. It is for these small traders that distance matters the most. The PwC global survey also brings out the importance of adapting to consumer demand using data and localisation of preferences. This again becomes a challenge for small firms that often don't understand foreign markets that well. The increased localisation of intermediate goods trade in modern supply chains is also a challenge particularly for small enterprises.

Thus, looking at the UK's desire to have a trillion pounds worth of exports by 2020, UK trade policy should look at different tiers of the market to help small sized firms and focus on foreign direct investment that enables firms to set up and trade locally.

Questions from the floor

Q: Over time, were other factors such as the level of democratisation more important than distance?

Joel Strange: Yes, factors related to political structure and language barriers are important for trade evolution. These are also captured in gravity models of trade. Distance remains important even when these other factors are taken into account: distance is important in spite of these.

Q: What constitutes New Trade Theory?

Tony Venables: It is inspired by intra-industry trade and focuses on firms rather than the industry based approach of the traditional theory. Heterogeneity is important – different sectors will have different gravity equations. It also considers factors beyond comparative advantage such as access to market, access to suppliers, transport costs etc. For development purposes as well, trade with all countries cannot be lumped together.

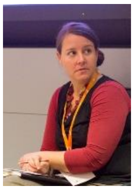
Modern slavery unchained:
using new technology to create identity

Chair

Emily Coates
Manager, PwC

Speakers

Gary Booth
UK Programme Director, Hope for Justice



Sasha Jesperson
Director of the Centre for the Study of Modern Slavery, St Mary's University

Peter Andrews
Head of Sustainability Policy, British Retail Consortium

Patrick Spens
Director, PwC

Modern slavery is a complex subject

Sasha Jesperson: We often think about modern slavery in terms of coercion where people are forced to 'work' against their will. However it is more complex, particularly when there is significant overlap with migration. In a recent visit to Sudan, research shows migrants fleeing Eritrea in order to avoid military conscription by paying smugglers. However not all migrants have the means to pay for the entire journey to Europe and therefore take on work. Hence there are various levels of exploitation depending on the negotiating power of migrants; those who are unable to support themselves or get support from the diaspora often end up being victims of slavery.

Gary Booth: All trafficked victims have one thing in common: vulnerability – either chronic or at a moment in time. Traffickers will exploit that vulnerability.

Is identity always a good thing?

Sasha Jesperson: In the case of Sudanese migrants, identity increases the risk of exploitation. For example, if you're fleeing military conscription, you would want to protect your identity from the government of Sudan. Identity also paves the way for traffickers to investigate the paying potential of migrants, demanding ransoms until hefty payments are made.

Gary Booth: When victims are trafficked, their identity documents (passports, ID cards, bank cards) are seized by the trafficker, increasing the risk of fraudulent activity and behaviour.

Modern slavery in the supply chain

Peter Andrews: The key question that businesses face is how to uncover challenges that exist in supply chains. Most are going through due diligence processes, undertaking risk assessments to identify areas that could be vulnerable to slavery. Once identified, implementing a solution is often dependent on the country which you operate in as weak legal and governance systems hamper progress. Hence, different approaches need to be taken in different countries, which makes the issue more complicated.

How can technology help?

Peter Andrews: Technology can be a powerful way to address part of the issue, particularly on the risk assessment side. For example, investor groups are monitoring news traffic in various countries to pick up links with modern slavery, or crowd sourcing research through satellite imagery to allow the public to identify potential connections to slavery. However, technology alone cannot solve the issue; in-country capacity building needs to take place to prevent people being vulnerable to slavery.

Gary Booth: Technology is the way forward to protect victims of modern slavery. Businesses are now a key stakeholder in public protection and safeguarding as a result of the Modern Day Slavery Act.

Patrick Spens: The world is going digital; paper passports will be redundant in 50 years. ID2020 is forming partnerships with GAVI, the Vaccine Alliance, PwC, Accenture and Microsoft to vaccinate the world's poor and most vulnerable. 93% of the world is vaccinated and this can potentially be used as a mechanism for identity recording. It is not as complex as we assume. Giving people the ability to have access to government services and bank accounts away from the black economy may take them away from the possibility of being trafficked.

"There is recognition in the retail industry that every company assumes it has modern slavery somewhere down its supply chain."
– Peter Andrews

Questions from the floor

Q: People distrust immunisation programmes such as GAVI as they feel it is a spying mechanism for the government. How are we going to prevent the breakdown of trust to get these immunisation programmes to work?

Patrick Spens: GAVI teamed up with a host of alliances for ID2020 and publicly confirmed that they will be the delivery mechanism for identity registration and any fears people have, the whole alliance will work together to address. ID2020 is about understanding whether this mechanism is feasible whilst ID2030 is about implementation. If people trust someone to inject them with a vaccine, people should be willing to provide personal details, given the right communication.

Q: Can you comment on some of the workstream areas under ID2020, particularly data storage and maintenance of data protocols?

Patrick Spens: Storage facilities vary across the globe. For example, the Afghan voter registration system is a piece of paper. The UK has an electronic voter registration system. Stage 1 will be tapping existing databases, authenticating that this is genuine and generating tokens that can be relied upon via Blockchain.

Questions from the floor continued

Q: How do we ensure that, as due diligence takes place in supply chains, high risk areas are being engaged with rather than moved away from? How do we use modern slavery as a bridge to other human rights issues e.g. gender rights in the workplace rather than becoming a closed box, vital though it is.

Peter Andrews: Different pieces of legislation can drive different outcomes. Overbearing liability regulations are likely to drive companies to immediately terminate contracts with suppliers who are suspected of labour exploitation, instead of working with them to remediate the situation where possible. Companies operating under these regulations may be less likely to source from high risk countries. The UK modern slavery legislation takes a more progressive approach by focusing on transparency and companies are more encouraged to work with their suppliers when issues arise instead of cutting and running. The value of sourcing from high risk countries in this context is that local suppliers and their Governments will see the benefits of business and become engaged in taking the necessary steps to secure and grow that business, which if driven by responsible companies will incentivise improvements to working conditions.

Gary Booth: What you are trying to change is the culture within a sector / business and the whole economy. The standard you set is the standard you get around HR and labour rights. The businesses that want to make a change will do it from that perspective.

Sasha Jesperson: The first phase of implementation of the Modern Slavery Act was a period of panic for a lot of businesses. However there is acknowledgement that this is about showing that businesses are willing to take the first step, identifying where there is potential for risk and progressively trying to work through that. Ultimately we will get to a point where will be part of the broader response.

Peter Andrews: The Modern Slavery Act has really pushed companies to look at their supply chains, particularly through a broader human rights lens.

Better together:

the role of the private sector in achieving the SDGs

Chair

Cristina Bortes
Director, PwC

Speakers

Michael Gidney
CEO, The Fairtrade Foundation

Laura Kelly
Head of the Business Engagement Hub, DFID

Lisa Bonadonna
Global Head of GSK – Save the Children Partnership, GlaxoSmithKline

David Croft
Global Sustainable Development Director, Diageo

Cristina Bortes: In 2016, 17 Sustainable Development Goals (SDGs) with 169 targets came into play, feeding off the momentum from the MDGs to address the root cause of poverty. Nearly 2 years on, partnerships are increasing amongst stakeholders, but there is no clear roadmap on how to get there. With an estimated US$5 – 7 trillion funding gap, what can the private sector, NGOs and governments do to finish what they have started and end poverty by 2030?

What are the challenges actors in the private sector are facing when working in partnerships?

DFID's Economic Development strategy clearly highlights that we cannot achieve sustainable development unless we work with both the private sector and the public sector. Despite this, when opened up to the floor, 69% of practitioners in the room believed only a *few* companies are engaging with the SDGs. So what is it that is stopping companies from engaging in partnerships?

1. **Building relationships is not enough**

David Croft: The challenge lies in bringing together different organisations with different cultures and processes and simply building relationships isn't going to be enough. For example, for a business like Diageo procuring services, often systems and processes don't discriminate between sectors, companies and charitable-based organisations which can lead to problems as simple as facilitating payment. Such issues can act as a disincentive for people wanting to engage. What can solve this problem, and incentivise companies to follow through on these relationships is if you are able to agree a common vision that is material to the business. In the case of Diageo, it is clear that investing in smallholder farmers provides a security of supply for their products and this is the sort of joint programming that can help to support multiple agendas.

2. Accountability along the value chain

Lisa Bonadonna: Within our sectors all players are good at their own specialisms, but it is how we join these all together that has posed the biggest challenge. For instance, GSK are at a point where they have good scientific information, they understand how to do research and clinical development programmes and manufacture quality medicines in different countries, but they are not experts in large scale malaria eradication programmes for example, and for that they need supranational organisations, the governments on the ground, solution providers, those who are in contact with the beneficiaries as well as the donor agencies. There is a huge opportunity here to embrace partnerships in order to fill this gap in delivery, but in doing so, there needs to be a clear indication of accountability upstream and downstream.

"By looking at what is material to business...it soon becomes clear that progressing towards the SDGs is aligned to achieving their business strategy." – David Croft

We need to rethink four areas in order to propel towards progress:

Michael Gidney: We have fragmented pockets of progress, so the question now is what steps can be taken to join them up? In doing so, we need to rethink four key areas in the way we approach the SDGs.

1. **The way we seek to control our International Development activities:** As a sector we are quick to be proprietorial of our projects and our vision, but this forces fragmentation
2. **The way we think about power:** Is it *my* organisation that drives the change, or is it collective action? There are questions of contribution vs. attribution which must be addressed. We need to bolster the agency and voice of our beneficiaries to ensure partnerships are sustainable and effective.
3. **How we share learning:** The private sector needs to proactively think about how they share learnings from their partnerships and codify what good looks like, so that there is some way of benchmarking their impact.
4. **The way we look at rules:** How do we entice companies to work together to create better value in origin countries when there is a fear of coming up against competition law?

Operationalising the SDGs

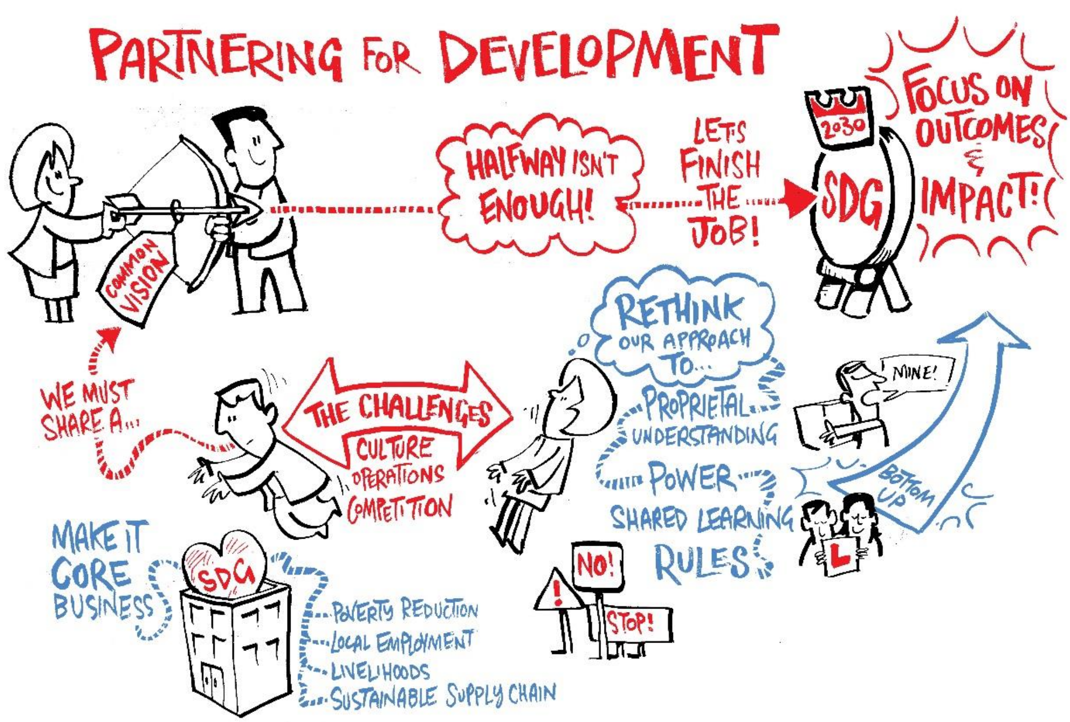
Move beyond seeing the SDGs as a CSR strategy

Laura Kelly: There are some reservations out there from a development agency perspective as to why we should work with profit driven companies, but without their involvement, the likelihood of sustainable job creation and livelihoods is slim. This doesn't mean creating partnerships as part of a CSR programme, but pushing for SDGs to be embedded into the core business strategy. Governments and non-profit organisations can work with the private sector to help them to build business cases for what would be traditionally piloted as a CSR programme. DFID has recently done this with Reckitt Benckiser in Pakistan on sales of health related products proving that there is an appetite for the approach if positioned and pitched as a sustainable market proposition.

Businesses need to pull on three key levers

David Croft: By looking at what is material to business both now and in the future, in terms of their profit and loss but also their stakeholders, it soon becomes clear that progressing towards the SDGs is aligned to achieving their business strategy. For example, water scarcity places the production of barley for Diageo's beer at risk. Businesses must recognise that this is not merely a tick-box exercise but pivotal for their future. All-in-all companies need to pull on 3 key levers:

1. **Things that are done inside the business** - e.g. diversity and gender policies.
2. **Things that are done in our supply chains** (upstream and downstream) - e.g. what can Diageo do about sexual harassment in the hospitality sector.
3. **Things that are communicated through our brands** - Consumers do not necessarily know what the SDGs are but they do connect with the issues behind them. The trick then is reaching consumers in a way that motivates them to engage with the issues more deeply.



Questions from the floor

Q: For the SDGs to progress there is a huge amount of money that is going to be needed, over and above what we already have. How do we leverage new and innovative financial partnerships to ensure we achieve the SDGs?

Laura Kelly: A lot of what DFID is doing now is focusing on investment. For example, we've worked with the Centre for Disease Control and Prevention and Aviva through our index initiative, where we are looking at the SDGs and how to measure how funds perform against them. We're not trying to set up new metrics, it's about looking at what's already out there that can be made fit for purpose. The other thing we need to think about in financing the SDGs is the actual impact private sector companies make and the best way of measuring that impact.

David Croft: There is certainly a premise for inclusive growth. Investors are starting to talk about taking longer term equity in companies who are performing well against the SDGs. But the other point that's important to think about is that the focus of that finance is not necessarily into Diageo or GSK but those intermediaries within the value chain, as that is where resource is really needed to create local growth. Diageo already invests heavily in developing farming activity with farmers, what I need is investment in those people who will process the farmed agricultural materials, so I can then use them as quality ingredients. That will add much greater value to the farmers and open up new market opportunities. But that aspect of the value chain is somewhat invisible. Everyone knows Diageo… everyone knows smallholder farmers… but the bit in the middle is quite invisible to a lot of international actors. If we can focus on that, we can unlock a lot more value in the network.

Q: We all acknowledge partnerships as being the way forward, how much are you investing in partnering with organisations and what are you investing in?

Lisa Bonadonna: We take governance very seriously for partnerships and programmes. One of the big learnings from working with Save the Children has been the need for a monitoring and evaluation framework. We started out with something very focused on inputs but we are now getting more focused on outcomes and impact, including those that benefit the business.

Q: What we haven't heard so much about is the opportunity for business to engage its people, and bring talent into business through doing the right thing - can you share your thoughts on this?

Lisa Bonadonna: Skills based volunteering programme at GSK is very structured in its deployment, the most value you can get from an accountant is allowing them to be an accountant. We use 3-6 month programmes of working with an NGO on a specific skills based project. Employees who come back from that experience, return with resilience and the ability to work in low-resource settings and their approach and timescale tend to be much tighter. When you break it down, one of the biggest benefits is the impact of the partnership on our employees. We have 600 ambassadors who are organising fundraising for us and our employees have raised £2.6m over four years which GSK has matched.

Closing remarks

Myles Wickstead, CBE

Former Senior Civil Servant, FCO/DFID

Myles Wickstead: There was a lot of discussion throughout the day around the need for coherence. Developing countries need coherence in the way they deal with the huge challenge of bringing together all the issues of job creation, decent work, women's education, and so on. These clearly cannot be addressed one by one, but must be tackled together.

We too need a coherent approach when thinking about development. The Centre for Global Development produces 'The Commitment to Development Index' annually, providing an important way of thinking about development. It's not just about the quality and quantity of aid programmes, it's also about what you do about trade barriers, intellectual property rights and so on.

Within the UK it is not just DFID that is involved in international development; over a quarter of official development assistance (ODA) is now spent by other government departments, so the British Government needs a coherent overall strategy too. The greater involvement of other government departments should mean that they feel more involved in international development and encourage them to look carefully at the implications for poorer countries of the international policies for which they are directly responsible. At the same time, they should be clear that any ODA funds for which they have responsibility must have the economic development of, and poverty reduction in, partner countries as their primary focus.

The progress we have made in the last 25 years or so has been extraordinary, and we need to keep going to make sure that we don't leave the job half done. The 5Ps set out in the 2015 *Transforming Our World* document on the Sustainable Development Goals are a useful way of framing where the finishing line is:

Prosperity: We need to generate and sustain inclusive growth

People: We need to reach the people that tend not to be reached

Planet: We need to promote sustainable consumption and production and protect our planet from the threat of climate change

Peace: Fragile states are a huge issue. We cannot have prosperity without peace.

Partnership: We need to bring together people who are interested in development and the planet – global public goods, diseases that cross borders, drug trafficking groups, terrorism etc. are all issues that required increasing amounts of international cooperation to tackle. Governments, civil society and the private sector all have important roles to play.

There are a further two Ps which I would like to add:

Populism: Since 2008/2009, growth in the rich global north has been slowing while the global south has seen growth rates of 7-10% a year. This has fueled a growth in populism – we are having to defend foreign aid expenditure when there are growing problems in our own countries.

Political Will: None of this will work without the will and buy-in of not only governments, but everyone.

The SDGs are global goals, not just for developing countries, and their impact will be on every country, rich or poor. Let's make sure that together we move from being halfway to achieving these goals right through to the finishing line.

What can DFID do to create a more diverse supply base?

Group 1

- DFID tender processes are too onerous, they need to be simplified and made less expensive to comply with.
- DFID could do more to convince smaller players that it doesn't just award work to 'cosy primes'.
- There need to be better incentives for primes to work with SMEs (as opposed to freelancers).
- Don't blame the primes for everything! They are trying to compete in a highly competitive market.
- DFID really needs to reconsider its use of framework contracts, as these restrict access for new entrants. Our suggestion is to use more traditional 2-stage tenders, but make their requirements less onerous.
- Improve data – there are lots of local suppliers already but DFID doesn't know about them, as it tracks spend data just through prime organisations which are often based in the UK but then use other local suppliers.

Group 2

- Make available a list of suppliers, and their specialisations, that are registered on the DFID portal.
- Publish information on delivery chains to enable SMEs to become more well-known.
- Overcome SME barriers to entry arising from the new terms and conditions.
- Change the dialogue to create positive engagement with supply chain / supply base rather than the typical antagonistic approach.
- Create an easier and more engaging and welcoming way to receive feedback from the market.

Group 3

- Account for risk in the supply chain.
- Focus on in-country and medium-sized suppliers.
- Provide capacity building for new entrants/smaller contractors.
- Pay more attention to forecast results rather than previous experience.
- Look at an organisation's full capability, not individuals.
- Enforce the rule on 'no exclusivity' contracts.
- Work more with suppliers to other donors (e.g. World Bank etc.)
- It is difficult to prove experience in the way requested.

Group 4

- Reduce procurement time and costs (plus keep to the timescales advertised!)
- In-country team procurement.
- Break up larger contracts into smaller packages.
- Have less of a focus on DFID-specific experience in evaluation.
- Establish a SME cohort with established relationships with DFID, who can be accessed by primes.
- Reduce working capital/cashflow restraints.
- The monitoring and evaluation burden makes it difficult for new suppliers – DFID needs to be open to innovation.
- Frameworks with specialist lots are good but they do lock out new players.
- Diminish the 'cult' of the Team Leader.

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