

*Soundbites*

# *Reimagine your future:*

megatrends and  
international development

**pwc**

# Reimagine your future: megatrends and international development



## Demographic and social change

Another billion people will be added to the world's population by 2025, but the pace of change will vary immensely. Whilst Europe's population shrinks, Sub-Saharan Africa's population will grow faster than any other region in the world to 2050, doubling in size.

As well as being large, Africa's population will also be young in a world which is getting older overall. The average age in Japan in 2050 is expected to be 54, as opposed to just 21 in Nigeria.

This demographic dividend represents an enormous economic opportunity for Africa. By 2050, the continent will house the biggest labour force in the world, with over 1 billion people of working age.<sup>1</sup> It will also be home to the world's fastest-growing middle class, with consumer spending in the top 9 African economies expected to reach \$678bn by 2020.<sup>2</sup>

### What does this mean for the development community?

The aid sector can play a crucial role in helping Africa reap the benefits of its 'demographic dividend'. Donors and partners will need to have a strong focus on creating more jobs and skills for young people, supported by the right policy conditions – in education, employment, health and business. Could this be where the private sector steps in to drive the agenda – boosting apprenticeships and opportunities for millions of young people, on an unprecedented scale?

*PwC has identified five megatrends – demographic and social change, the shift in global economic power, rapid urbanisation, climate change & resource scarcity and technological breakthroughs – which we see as the big forces that are disrupting the economy, business and society as a whole today – and which will still be important over the next decade.*

Developing and emerging economies are at the heart of an impending collision between these megatrends which will transform the role of international development, and the way that aid is delivered by donor organisations.

## What will change?

We've worked with organisations globally to understand how the megatrends are affecting the world today, and what business leaders and policy makers can do to prosper over the next ten years. Our findings suggest that the megatrends will drive fundamental shifts in the aid landscape over the coming decades.

We explore the disruptions that lie in store from each of the megatrends for the international development community.

1 UN (2012), World Population Prospects [http://esa.un.org/wpp/Documentation/pdf/WPP2012\\_HIGHLIGHTS.pdf](http://esa.un.org/wpp/Documentation/pdf/WPP2012_HIGHLIGHTS.pdf)

2 AfDB and EuroMonitor <http://www.afdb.org/en/blogs/afdb-championing-inclusive-growth-across-africa/post/the-african-consumer-market-8901/>



### ***The shift in global economic power***

Economic power is shifting to the east and south but at a quicker pace than many people think. Just next year, it's expected that the number of people in the middle class in Asia-Pacific will overtake the number of middle class citizens in North America and Europe combined.

In the aid sector, we've already seen recipient countries like China and India move to become aid donors in a short space of time. The New Development Bank (formerly known as the BRICS Bank) and the Asian Infrastructure Investment Bank (AIIB) are significant new entrants to the aid landscape, and are challenging traditional models of delivering development, with a strong focus on infrastructure and non-interference with recipient government systems. Conditionality and stringent reporting requirements – the hallmarks of many traditional donors – may be less of a priority for these new donors, which recipients may see as a welcome change.

Developing and emerging economies are increasingly interested in learning from each other, rather than solely from developed economies. South-to-South cooperation, rather than North-to-South cooperation, is increasing in scale and emphasis, and may quickly become the norm.

#### ***What does this mean for the development community?***

With the entry of new donors (such as the New Development Bank), traditional donors will need to rethink the way in which they prioritise and deliver aid, including how far the Western model of conditionality, accountability and transparency can be pushed. What if there is a significant shift among aid recipients towards new donors, bypassing traditional donors and the Western model? How will traditional and new donors best work together, with such different models and priorities?



### ***Rapid urbanisation***

Strong population growth is leading to an expansion of cities across the world. Globally, 1.5 million people – the equivalent of three Manchesters – move to metropolitan areas each week.

Rapid urbanisation will affect Africa and Asia more than anywhere else. By 2030, there could be 4.9 billion people living in African and Asian cities. This places even more burden on infrastructure, energy, water availability and the social fabric for cities that are already under pressure. The number of people living in urban slums has risen by a third since 1990.

Cities cannot keep growing in the same way as before. Leaders will be presented with difficult choices if growing cities are to remain liveable communities. For the aid sector, the focus should be on supporting governments to build fairer, cleaner and more sustainable cities, with people at their centre and based on a sharing economy.

#### ***What does this mean for the development community?***

Donors and partners will need to think carefully about urban development (transport, infrastructure, water, sanitation), with a strong focus on the poor (particularly slum dwellers). Could developing economies 'leapfrog' developed countries, with an opportunity to test innovative and fundamental change in the way in which we think about, and design, cities?



### ***Climate change and resource scarcity***

Agriculture is a key driver of many Sub-Saharan African economies. Yet over the next 60 years, climate change could reduce agricultural productivity across large parts of Africa by up to a third<sup>3</sup>. At the same time, Africa's population is expected to double by 2050. Cooperation between the development and private sectors could help to turn the tide for food security, by developing new business models that can boost agricultural productivity and economic growth.

Economic growth spurred by emerging markets will lead to unprecedented demand for water at a time where climate change is constraining the availability of water across the globe. Currently, there are already over a billion people who live in areas with physical scarcity of water, with 500 million more quickly approaching this situation<sup>4</sup>. This is leading to a 'Global Sahara' where the concept of water as a 'renewable' resource will become a thing of the past.

#### ***What does this mean for the development community?***

Climate smart agriculture will continue to be a big priority for donors and partners, with new business models supporting the move of agriculture into new markets. With water scarcity increasing and the possibility of a 'Global Sahara' on the horizon, could the development community play a key role in developing a 'water market' (similar to the 'carbon market'), managing global water regulation and investing in smart and water-efficiency technologies?



### ***Technological breakthroughs***

Technology and digitisation have transformed our world over the last few decades. This impact hasn't been limited to the developed world – in fact, developing countries have often been ahead of the curve, using technology in creative ways to solve infrastructure challenges and overcome remoteness.

Mobile telecommunications has revolutionised many parts of the developing world (particularly Africa), with communities that never experienced landlines quickly adopting mobile wallets and associated services (for example, the M-KOPA system, which provides solar power to over 100,000 off-grid households in Africa, using affordable payments made through the M-PESA system). Children have also learned to read by SMS in remote areas of Bangladesh, where schools are too difficult to access, and community health workers in India are using mobiles to register patients and provide guidance during home visits.

As well as using technology to deliver aid programmes, donors are increasingly using technology to track and monitor outcomes, boosting the importance and quality of data for development. The UN has set up 'Global Pulse', a flagship innovation initiative on big data, with a mission to accelerate discovery, development and scaled adoption of big data innovation for sustainable development and humanitarian action. Using big data may soon become the norm for the aid sector and could be used to predict the next big development challenge, before it even occurs.

#### ***What does this mean for the development community?***

The emphasis on technology and innovation in development will only increase, with this being seen more and more as part of donors' and partners' core business. Could donors become more like venture capital funds in the future – scaling back from delivery, but increasing their catalytic role to understand the latest development needs before they happen, and placing big bets based on analytics from experiments in the field?

3 UNEP estimates

4 <http://www.un.org/waterforlifedecade/scarcity.shtml>

### ***New donors, new ways of doing things:***

The Asian Infrastructure Investment Bank (AIIB) is a new multilateral development bank that will provide finance to infrastructure projects in the Asia-Pacific region. Originally proposed by China and with starting capital of \$50bn, its establishment has now been recognised by twenty-one countries, including India, Pakistan, Thailand and Malaysia. While specific details of the AIIB's operations have not been made public, several countries have withheld support for the bank, citing concerns about a lack of governance and transparency arrangements, as well as whether environmental, labour and procurement standards (equivalent to other donors) will be applied.

### ***So what?***

The megatrends are already re-shaping the international development landscape today, and will continue to do so over the next few decades.

So how should donors adapt, and what will success look like in 2025? While there are many possibilities, it's clear that new thinking and new delivery models are needed. 'Business as usual' will not be an option - donors will have to step out of their comfort zone, and the scale of interaction with the private sector and new donors will need to increase. With new donors placing less of an emphasis on conditionality, accountability and transparency, traditional donors will need to decide whether, and how far, they

are prepared to compromise. For example, with transparency being such a strong focus for traditional donors (through the International Aid Transparency Initiative, open data and other sources), what will a model of cooperation on transparency between traditional and new donors actually look like?

The role of donors could even change in the near future - some may shift more to a venture capital model, funding game-changing innovations for development. As the scale and emphasis of the private sector increases in international development (driven by the search for new markets and sustainability as a core metric), donors may be better placed to select new ideas with the most potential for overcoming development challenges, rather than simply delivering programmes on the ground. We may see a growing differentiation between 'thinkers' and 'doers' - with some donors seeing innovation as a larger part of their core business than others, and moving more quickly to react.

Donors are already starting to rethink their purpose and role in society, but this should be expedited for those who want to continue making an impact. Perhaps donors could take a zero-based approach to their business, not just their budgeting - asking themselves: what would really happen if they didn't exist? Some donors may become less relevant over the next few decades and it may make sense to merge with others with similar objectives. The World Bank is already undergoing a process of reform, as many of its clients graduate from the low- to middle-income categories in the near future, forcing it to rethink how it delivers programmes.

Whatever the outcome, donors will need to be agile and have a firm eye on global changes in order to remain successful.

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