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International Development Committee

Jobs and Livelihoods

Twelfth Report of Session 2014–15

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International Development Committee

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Summary

The shortage of full time jobs and the difficulty in earning a livelihood are one of the greatest global problems. Increasing population, especially in Africa, looks much less likely to stabilise than experts complacently believed until recently. World-wide 600 million young people will enter the job market in the next decade with only 200 million jobs awaiting them. The failure to address the issue will have serious consequences and threatens widespread social and political unrest. The situation is recognised by donors, but there seems to be a lack of passion in attempts to address it.

As DFID notes, the private sector is the driver of economic growth and will produce 90% of new jobs. DFID's approach to economic development is centred on its Economic Development Strategic Framework, which consists of a series of wide-ranging interventions, listed under five pillars, including international trade; improving the 'enabling' environment in countries; catalysing capital flows; engaging with businesses to help their investments contribute to development; and ensuring growth is inclusive and benefits marginalised groups. The choice and balance of interventions depends on the particular circumstances of each country. This basic approach was supported by many witnesses.

However, there are several concerns. DFID plans to spend £1.8 billion on economic development by 2015–16–more than doubling the amount spent in 2012–13; is DFID geared up to spend the extra money cost-effectively? We have seen examples of successful work on our visits, and urge DFID to publish lists of achievements under these programmes.

As the balance of interventions will vary from country to country, it is essential that decisions are made locally. The DFID country offices must lead this work; this means they should determine not only their own bilateral country programmes, but also ensure that programmes run from DFID in the UK are well-integrated with them.

We support DFID's work to improve the enabling environment, to create the space for the private sector to flourish, and have seen excellent examples of its work in areas such as public financial management. DFID should not do everything and investment in some areas such as infrastructure is best undertaken by its partners which have a comparative advantage. However, as we saw in both Dar es Salam and Kathmandu, poor urban planning is a serious obstacle to development. We recommend that DFID reassess the priority it gives to urban planning.

Turning to DFID's private sector development work, we welcome DFID's support for a wide range of sectors, including both manufacturing and agriculture, including food processing. However, we are surprised that some labour-intensive sectors are unwarrantably unfashionable. We recommend that DFID seek to increase its involvement in tourism, supporting the work of other donors and that CDC examine whether investment in this sector would be a cost effective way to create jobs. It has been predicted that 73 million jobs could be created in travel and tourism over the next decade. There are also a considerable number of jobs which could be created in the health and education

sectors where there are a dearth of health care workers and teachers.

DFID has been criticised in the past for its lack of understanding of the private sector. The situation has improved, but there is room for further improvement. We recommend that DFID needs to continue to develop its understanding of the private sector and to employ advisers with experience of working in the private sector, especially those who have run their own business particularly in a developing country.

DFID must ensure that it has put sufficient emphasis on economic growth which creates jobs and improves livelihoods. The creation of decent jobs is important; working conditions can be improved without losing jobs, as the experience of the Bangladesh garment industry shows. We recommend that DFID insist that any multinational company receiving its funds respect international standards set out in the OECD Guidelines for Multinational Enterprises and that any other company complies with local standards. We further recommend that DFID reinstate its core funding for the International Labour Organisation.

On our visits we saw several examples of DFID's productive involvement with private companies. However, our concerns from previous reports persist. DFID has to be careful not to distort the market by favouring one company over another. Moreover, we repeat our recommendation that in supporting private companies, DFID should make less use of grants and more of recyclable and returnable capital.

The majority of the working age population in developing countries earn their living through the informal economy. We recommend that DFID make working with the population in the informal economy a priority for its work. This will necessarily involve an emphasis on agricultural livelihoods. Social security should be extended to those in informal employment.

DFID needs specific interventions for marginalised groups if these groups are to benefit from wider economic growth. Women and girls carry a greater burden of unpaid domestic and care work than men, limiting their education and employment opportunities. We recommend that DFID take further steps to help lift this barrier.

Fertility rates remain high in many parts of Africa, exacerbating the problem of un- and under-employment. We are, therefore, surprised that DFID has reduced its spending on reproductive health. We recommend that work and spending in this area be significantly increased and that DFID assess whether the main problem is access to or attitudes towards contraception.

Young people have particular difficulty with jobs and livelihoods, and youth unemployment is, in our view, the greatest challenge. We recommend that DFID more explicitly target youth unemployment. We have seen examples of effective interventions, but have also received evidence about the need for improvement namely that far more needs to be done to encourage youth entrepreneurism. Education systems could be more effective in addressing the skills required for entering the informal economy such as financial literacy. Currently, donors, development agencies, the private sector and recipient countries are not working together on a scale to even approach meeting the challenge. The work needs to be scaled up and a sense of urgency injected.

Jobs and livelihoods is such an important issue we recommend that our successor Committee takes it up in the next Parliament to assess what progress has been made.

1 Introduction

> "A good job can change a person's life, and the right jobs can transform entire societies. Governments need to move jobs to centre stage to promote prosperity and fight poverty."

1. These were the words of World Bank Group President Jim Yong Kim[1] as he introduced the World Development Report 2013: *Jobs*. The challenge set by Jim Yong Kim has been embraced by DFID. The Secretary of State for DFID, Rt Hon Justine Greening MP made a speech at the London Stock Exchange a year later in January 2014 entitled "Smart aid: Why it's all about jobs." In the speech she said:

> "Growth reduces poverty through jobs…raising incomes for individuals through the dignity of work and providing tax receipts for governments to fund basic public services like health and education."[2]

Universal health and education systems if implemented will in themselves provide substantial numbers of jobs through the employment of teachers and health care workers. Following this speech the Department announced it was doubling the amount it spent on economic development to £1.8bn for 2015/16 and launched a new strategy to direct how the money would be spent its *Economic Development Strategic Framework*.

2. This inquiry examines DFID's new economic development strategy and its increased budget to ascertain what impacts DFID was hoping to make or could make on increasing jobs. Most people in the developing world work in the informal sector as there is not enough formal waged jobs available. Improving livelihoods is therefore also very important so this report looks additionally at DFID's work on livelihoods. We announced the inquiry in July 2014. In the call for evidence we asked questions such as: what had worked in increasing jobs and improving livelihoods; whether DFID's expenditure had shown sufficient understanding of these factors; whether DFID worked well with the private sector; and where DFID had the comparative advantage compared to other donors.

3. This is not the first time the Committee has looked at the subject of economic development and DFID's work with the private sector. Our predecessor Committee reported on DFID's private sector development work in 2006 and said:

> we commend the policies and financing mechanisms that DFID is using in support of private sector development. DFID has developed an array of innovative private sector development policies and is showing intellectual leadership in pursuing investment climate improvements simultaneously with supporting market development strategies.[3]

However it also had concerns over:

1 Jobs are a cornerstone of development, says World Development Report 2013

2 Rt Hon Justine Greening MP at the London Stock Exchange January 2014 "Smart aid: Why it's all about jobs."

3 International Development Committee Fourth Report of Session 2005–06 Private Sector Development HC 921, Summary

> whether DFID's organisational and operational capacities have kept pace with the Department's rapid proliferation of policy interventions towards private sector development.[4]

In addition at the beginning of this parliament we undertook an inquiry on CDC[5], the UK's Development Finance Institution and more recently on the future of development finance.[6] CDC has an important role in creating jobs so as part of this inquiry we heard from its chief executive.

4. For this inquiry we took evidence from various NGOs including those representing smallholder farmers, women, disabled people, youth and older people. The Committee visited Tanzania, one of DFID's priority countries for its economic development work– there we travelled around the country meeting smallholder farmers, industry representatives, government officials and representatives of NGOs to understand how DFID's high level policy on economic development and job creation was translating at country programme level. We would like to thank all of those DFID staff who helped facilitate this visit as well as all of the people who took time out of their busy schedules to meet with us.

4 International Development Committee Fourth Report of Session 2005–06 Private Sector Development HC 921, Summary

5 International Development Committee Fourth Report of Session 2010–11 The Future of CDC HC 607

6 International Development Committee Eighth Report of Session 2013–14 The Future of UK Development Co-operation: Phase 1: Development Finance HC 334

2 Background to jobs and livelihoods

The problems

5. The 2013 World Development Report found that:

> Worldwide 200 million people, a disproportionate share of them youth, are unemployed and actively looking for work. An estimated 620 million youth, the majority of them women, are neither working nor looking for work. Just to keep employment rates constant, around 600 million new jobs will have to be created over a 15-year period.[7]

It also highlighted that the problem in many developing countries was that although unemployment rates could be low only a minority of workers were wage earners:

> More than 3 billion people are working worldwide, but almost half of them are farmers or self-employed. Most of the poor work long hours but simply cannot make ends meet.[8]

In addition for those in work it found that "the violation of basic rights" was "not uncommon".[9]

6. DFID evidence told us that most of the 600 million new jobs that were needed globally for a growing working age population were in developing countries. Population growth predictions now look to be even higher as we discuss in Chapter 7. Currently only 16% of people in sub Saharan Africa work in waged employment in services or industry–less in the poorest countries. 900 million people who are working are living in poverty.[10]

7. The problems in relation to job creation, retention, and quality in developing countries, were summarised by DFID as:

i) There are too few productive waged jobs in modern, formal sectors;

ii) Most people are engaged in very low productivity, seasonal or subsistence work in both rural and urban areas;

iii) There are large gaps in job opportunities for women, youth and marginalised groups;

iv) Much work is in poor conditions or is unsafe or risky–including in formal employment; and

7 World Development Report 2013, Moving Jobs Centre Stage, Main Messages

8 World Development Report 2013, Moving Jobs Centre Stage, Main Messages

9 World Development Report 2013, Moving Jobs Centre Stage, Main Messages

10 Department for International Development

v) Many labour market-related institutions are ineffective, including skills institutions.[11]

8. It is also the case that economic growth alone is not enough to create jobs and improve livelihoods. This growth needs to be inclusive and sustainable. For example Sierra Leone before the Ebola outbreak had one of the highest national growth rates at 15% in 2012 and an estimated 13% in 2013.[12] However this was based on natural resource extraction which created minimal numbers of jobs.[13]

History of economic development work

9. DFID's current economic development focus is not a new phenomenon. Donor agencies have concentrated on economic growth in the past—in 1990 82% of Development Assistance Committee (DAC) Overseas Development Assistance (ODA) was directed to agriculture, industry, economic infrastructure and the private sector. However following the introduction of the Millennium Development Goals in 2000, by 2004 health, education and governance accounted for 51% of total DAC aid.[14] We asked the Secretary of State about this. She said that:

> the focus had shifted away from economic development perhaps over the last 15 to 20 years. What we are seeking to do is get back that balance that is required. If you are going to invest in the health and education systems, and see those numbers of primary children in school and have countries in a position to continue that, and ultimately to be aid-independent, then increasing the work that we are doing on economic growth is absolutely vital.[15]

She also said:

> I believe that people will look back on the times when DFID was doing less economic development and just see it as quite an odd thing that we were not doing as much as we possibly could. Certainly for the countries that we work with, the feedback that we are getting is that this is transformative for our relationship. They wish we had been doing this with them so much earlier and, indeed, many of them have been asking us for years to step more into the economic development agenda and their economic growth agenda.[16]

11 Department for International Development

12 International Development Committee Sixth Report of Session 2014–15 Recovery and Development in Sierra Leone and Liberia HC 247

13 International Development Committee Sixth Report of Session 2014–15 Recovery and Development in Sierra Leone and Liberia HC 247

14 Mawdsley, E. DFID, the private sector, and the re-centring of an economic growth agenda in international development. Global Society

15 Q188

16 Q233

10. We were interested to know what had changed to make economic development re-emerge as a priority on the development agenda. Stefan Dercon, Chief Economist at DFID told us:

> we live in quite a different world from 20 years ago. [...] We are coming up to 2015, where quite a lot of countries have been achieving really dramatic progress in health and in education as well. We are getting now a huge generation of young people coming on to the labour market who do need to be absorbed.[17]

Can aid create economic growth?

11. We were also interested as to whether aid could help create economic growth and as a result jobs. Professor Gollin of University Oxford said:

> It is very difficult to know how far aid is driving growth in general and in specific country cases. One reason is that, by design, DFID is focusing on poverty. It is focusing on poverty alleviation in countries where poverty is most severe, in many cases. Those are countries that have all kinds of problems and so, in some ways, trying to achieve growth in the most difficult places is a very difficult thing to do. It is hard to know what the counterfactual is; what would have happened without the aid?[18]

12. However Professor Sir Gordon Conway of Imperial College London was far more positive about the effects of aid on growth:

> If you look at countries like Thailand, the Philippines and Indonesia, you can see quite clearly where aid, both technical and investment, really had a difference. Those countries have all grown. They have grown agriculturally and they have grown economically at the same time. If you look back, there are some great success stories there, and there was a role for aid in those success stories, even though they were driven by indigenous people and indigenous presidents.[19]

13. Stefan Dercon was pragmatic, he told us:

> Stimulating growth with aid is not self-evident, but the Department has quite a good record, even before the shift, to work around lots of specific things around the enabling environment and working with policymakers in the international space. In many ways, this is scaling up some of the things we were doing to go to a larger scale with a real ambition of trying to deliver more of that transformation, the actual job creation that is needed and the income opportunities that are needed.[20]

17 Q189

18 Q162

19 Q162

20 Q189

14. **The shortage of full time jobs and the difficulty in earning a livelihood are one of the greatest global problems. Increasing population, especially in Africa, looks much less likely to stabilise than experts complacently believed until recently. World-wide 600 million young people will enter the job market in the next decade with only 200 million jobs awaiting them. The failure to address the issue will have serious consequences and threatens widespread social and political unrest. The situation is recognised by donors, notably the World Bank and DFID but there seems to be a lack of passion in attempts to address it.**

3 DFID policy

Economic Development Strategic Framework

15. In February 2013 the Secretary of State, Rt Hon Justine Greening MP, made her key note speech where she first set out her priorities for DFID entitled "Development in Transition". She said "the evidence is really clear, economic growth is essential for sustained poverty reduction" and "the challenge I've set out [is] for DFID to be a driver of economic growth in developing countries."[21] In a speech to the London Stock Exchange a year later in January 2014 the Secretary of State went further saying that "I believe economic development must be DFID's top priority in the future".[22] This was followed by the announcement of DFID's Economic Development Strategic Framework (EDSF).

16. The EDSF has five pillars that DFID said provide an overall objective to "reduce poverty and increase prosperity by creating jobs and increasing incomes through the promotion of high, sustainable and inclusive growth." They are:

i) Improving international rules for shared prosperity;

ii) Supporting the enabling environment for private sector growth;

iii) Catalysing capital flows and trade in frontier markets;

iv) Engaging with businesses to help their investments contribute to development; and

v) Ensuring growth is inclusive, and benefits girls and women.[23]

17. The recent Resource Allocation Round process set the aim of scaling up ambitions to spend £1.8bn in 2015/16 on economic development. We were concerned as to how the Department could absorb this extra money. The Secretary of State told us:

> When we went out to our country programme officers and asked them to have a higher level of ambition on economic development, they came back with way more proposals than we can actually fund with that £1.8 billion. […]We do have an evidence base that can give us a clear sense of where we need to invest, but also some of the ways that we can do that sensibly.[24]

Jobs or livelihoods

18. The evidence we received for the inquiry was split between: the need for donors to support structural changes in developing economies from agrarian to industrial, and the resulting creation of more formal waged jobs; or whether the focus should be on improving

21 Rt Hon Justine Greening MP at ONE February 2013: "Development in Transition"

22 Rt Hon Justine Greening MP at the London Stock Exchange January 2014 "Smart aid: Why it's all about jobs."

23 DFID's Economic Development Strategic Framework

24 Q189

agricultural livelihoods and making smallholder farmers more productive. Jim Tanburn of the Donor Committee for Enterprise Development told the Committee:

> We debated this at our annual meeting this year. It was very vigorous. One camp was saying agriculture in the foreseeable future has to be the focus; the other camp was saying there are big opportunities now. Asian wages are going up a lot, so this is an opportunity for Africa to compete because wages and incomes are still much lower, so factories could start in Africa and employ people.[25]

19. There seemed to be a consensus that in the long term, the number of waged jobs that was required could only come from structural change to economies. The Foreign Policy Centre said:

> For many developing economies, the labour intensive industrial sector–particularly manufacturing–has provided an important platform for generating waged employment. However, across Africa south of the Sahara, jobs in industry represent less than 10% of paid employment, compared to over 30% in East Asia. A profound shift in the nature of African economies will contribute to: improving ordinary people's living standards, generating the investments needed to develop diverse economic sectors which support social development and building public and private infrastructure.[26]

However in the short term agricultural livelihoods needed to be supported and improved whilst these structural changes were happening. Tim Brosnan of Small Foundation said:

> The reality is that you have hundreds of millions of smallholder farmers who are extremely poor and will remain extremely poor unless policies help them to change that situation. Being extremely poor carries the threat of famine. It is as severe as that. It does not require much to go wrong if you are extremely poor for you to be in that life threatening situation and have your children in that life-threatening situation.[27]

He also said:

> Those of us who spend our money, spend our time and put our efforts into smallholding farming in Africa, why are we doing it? It is important to know that we are not doing it to save smallholding farming; we are doing it to save smallholder farmers. Over time that salvation will come by the vast majority of them ending up not in farming.[28]

Luqman Ahmad of Adam Smith International agreed that:

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25 Q21

26 Foreign Policy Centre

27 Q172

28 Q173

> While rural livelihoods remain important and will be for some time, if you look at the trajectory these economies need to go on, there will be a requirement for industrialisation elements within their economy.[29]

There is a strong link between agriculture and manufacturing. In the UK the largest manufacturing industry is the food and drink sector—with a turnover of £76 billion and employing 15% of the UK's manufacturing workforce[30]—which in itself is reliant on production through agriculture.

20. The World Bank has said that 90% of jobs in the developing world will come from the private sector.[31] DFID recognised this and its submission said:

> Creating more productive employment for all requires economic development and transformation led by the private sector.[32]

However it also recognised the importance of agricultural livelihoods:

> DFID's strategy recognises that agricultural transformation and job creation outside of agriculture are long processes, and that the majority of the rural poor will continue to rely on farm production for the majority of their livelihoods and household food security in the foreseeable future. This is why DFID continues to enhance productivity of small-scale farms and works with farmers to protect their livelihoods and to increase their resilience to shocks.[33]

21. The Secretary of State explained that the focus for DFID within a priority country was dependent on its current state of economic transition:

> While they are at that stage, as many of the sub Saharan economies are, for example, of being predominantly still agricultural in terms of what drives their GDP growth, you will continue to see us put a lot of weight on improving livelihoods. If you look at the progress Ethiopia is now making, with its nascent successful manufacturing base in leather and shoes, and perhaps further along that process is Bangladesh with its retail and clothing manufacturing, you will steadily see the mix of our work gradually change towards work that can help, for example, improve access to finance at that more medium enterprise level, looking at working conditions. It is a slightly different mix, but ultimately it is a continuum. What we are trying to do is get the right blend of work to fit the country where it is at that point in time.[34]

29 Q5

30 The Manufacturer, Manufacturing Statistics

31 World Development Report 2013, Moving Jobs Centre Stage, Main Messages

32 Department for International Development

33 Department for International Development, para 30

34 Q206

Developing programmes in each country

22. The Secretary of State informed us:

> We have a growth diagnostic that we now do to look at not just the broad economic context; it then looks at the opportunities for economic growth, some of the barriers where DFID can perhaps add value and some of the political constraints. It is a very structured way of helping us understand what needs to happen in country and that is an exercise that is being rolled out right now.[35]

Stefan Dercon explained that each DFID country office had created a 'growth diagnostic' to look at the country specific issues. The diagnostic considered whether there were opportunities for transformational growth activities. If there were barriers it considered their severity and whether DFID should instead be concentrating on income improvement for people.[36] When asked about whether the political economies were considered Alistair Fernie DFID's Director of International Finance said:

> the growth diagnostic asks our country offices not just to analyse what the binding constraints to growth are, but to make a political economy assessment of whether or not they can be overcome. The more the answer to those questions is that it is very difficult and we are unlikely to have much impact, the more the case is for us to invest more in direct assistance, which we know can have an impact in the shorter term.[37]

Our ICAI sub Committee considered the *Inclusive Growth Diagnostic* pilot document as part of its inquiry on ICAI's assessment of DFID's Private Sector Development Work.[38]

Centrally managed programmes vs bilateral country programmes

23. DFID's Economic Development Strategic Framework states that:

> All our economic development activities will be rooted in country need. Our activity will vary from country to country, depending on context.[39]

24. During our inquiry on Sierra Leone and Liberia the then Minister Lynne Featherstone MP, told us that overall funding plans for centrally managed programmes had increased from approximately £1.4 billion to £2.4 billion in Africa in 2013/14. At that time that meant for example an 18.6% cut in the bilateral country office budgets in both Sierra Leone and Liberia–although this has now changed due to Ebola. She said that this was because of:

> a shift in focus at DFID "to prioritise things like economic development and 'golden thread'" which had led to "a significant organisational restructure"

35 Q195

36 Q196

37 Q198

38 DFID's Inclusive Growth Diagnostic Pilot Document

39 DFID's Economic Development Strategic Framework, Page 10

> and the creation of "a big cross-cutting operation directorate" based in Whitehall.[40]

We were concerned by this development and the growth in centrally managed programmes. We were even more concerned to discover that country offices were often not consulted on the centrally managed programmes being operated within their country. In our report we recommended that:

> the protocol to link bilateral country offices with centrally managed programmes be established as a matter of urgency. The protocol should ensure that the country offices are informed of all the DFID centrally managed programmes in the country and that the DFID country teams are consulted on the programme design stage. In its response to this report, DFID should inform us of how this protocol will operate in detail.[41]

This concern with centrally managed programmes was also raised in the National Audit Office report on the Private Infrastructure Development Group (PIDG) which found that country offices:

> were concerned about a lack of co-ordination between their activities and PIDG. They were sometimes unaware of important project developments, potentially putting DFID's reputation at risk and meaning missed opportunities for cooperation.[42]

25. We questioned the Secretary of State on the balance between centrally managed and bilateral programmes on economic development and she told us:

> of the £1.8 billion that we will end up investing over the coming year in economic development, about £1 billion of that will be in country. There is probably roughly a half-and-half split.[43]

ICAI's report on DFID's private sector development work found that a higher percentage was spent through country offices (£341 million) rather than centrally managed (£232 million) and regional (£41 million) programmes in 2012–13[44] indicating that DFID is preferring to move away from country office programme spending in this area. It is therefore difficult to see how it can be rooted in country need. As Luqman Ahmed of Adam Smith International said:

> each country requires its own unique solution and mix of responses.[45]

Professor Gollin agreed the importance of local knowledge:

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40 International Development Committee Sixth Report of Session 2014–15 Recovery and Development in Sierra Leone and Liberia HC 247

41 International Development Committee Sixth Report of Session 2014–15 Recovery and Development in Sierra Leone and Liberia HC 247, para 45

42 National Audit Office, Oversight of the Private Infrastructure Development Group, July 2014, Summary, para 14

43 Q195

44 Independent Commission for Aid Impact, DFID's Private Sector Development Work

45 Q17

> I would defer in great measure to the DFID country offices, which in my experience are enormously well informed on the opportunities that vary enormously from country to country.[46]

Fragile state economic development work

26. DFID has a strong focus on fragile and conflict affected states. It has committed to spend 30% of ODA on fragile and conflict affected states, 23 out of 28 of DFID targeted countries are classified as fragile and conflict affected.[47] ICAI found that in 2012–13 DFID spent an estimated £251 million in fragile states on wealth creation.[48]

27. In 2014 ICAI examined the effectiveness of DFID's bilateral growth and livelihoods projects in Afghanistan. It looked in depth at five programmes worth £97.7 million between 2006 and 2018. DFID received an amber/red rating. ICAI said:

> The growth and livelihoods portfolio lacks strategic coherence. Weaknesses in design–particularly a lack of direct consultation with intended beneficiaries and unproven theories of change–have made it harder for DFID to meet and assess its intended targets.
>
> Our fieldwork provides evidence that a positive difference is being made to the livelihoods of intended beneficiaries in the areas we surveyed. It is not clear, however, how positive impacts will, in all cases, be sustained in the long term.[49]

It concluded that there was no evidence of long-term sustainable change and recommended that DFID should "focus its future strategy solely on poverty reduction."[50]

28. When the Committee visited Afghanistan in 2012 it was told about the Bost Agricultural Park which was created to improve access for Helmandi entrepreneurs to agricultural processing and export opportunities–since the Committee reported the Secretary of State announced in January 2013 that the project was to be discontinued as it did not represent value for money. The UK had committed £8.3 million over four years (2009–2012, later extended to 2013) to support the development of the Bost Airfield and Agriculture Park in Helmand.[51] However the Secretary of State defended the Department's economic development work in fragile states:

46 Q156

47 International Development Committee Eighth Report of Session 2013–14 The Future of UK Development Co-operation: Phase 1: Development Finance HC 334

48 Independent Commission for Aid Impact, DFID's Private Sector Development Work para 2.19

49 Independent Commission for Aid Impact, DFID's Bilateral Support to Growth and Livelihoods in Afghanistan

50 Independent Commission for Aid Impact, DFID's Bilateral Support to Growth and Livelihoods in Afghanistan

51 Development Tracker, Bost Airfield and Agricultural Business Park

> economic development is important for stability. We have a whole generation coming through who will want to have some opportunity to reach their potential and to lead fulfilling lives.[52]

She gave the example of the work DFID was doing in the DRC where programmes were improving livelihoods specifically to address instability risks.[53]

29. David Kennedy, DFID's Director General of Economic Development said in a meeting with our sub committee on the ICAI private sector report that:

> A fragile state probably does not have a great opportunity any time soon of joining the global economy or attracting inward investment for export based manufacturing so […] you have got to look at the SME sector: what could you do with micro enterprises? What you can do with the agriculture?[54]

Youth Business International said evidence emerging from work on jobs and livelihoods in post-conflict states showed that a minimum level of infrastructure and economic and social stability had to be in place first.[55] Meenashki Nath, DFID's Head of Private Sector Development, said

> The fragile and conflict-affected states tend to be a really diverse group of countries so you need to have a customised approach for each of them.[56]

DFID's comparative advantage

30. We were interested to find out from witnesses what they saw as DFID's comparative advantage in the area of jobs and livelihoods. As Mike Bird of Women in Informal Employment: Globalizing and Organizing (WIEGO) said:

> DFID is not going to solve the world's problems. DFID is not going to create all the jobs that can be created. There is merit in deciding where your expertise lies, building on that expertise, and doing that work, but as part of a much broader approach.[57]

He thought DFID's strength was to:

> engage with other donors, and talk about how to run complementary programmes. I would encourage DFID to do exactly that.[58]

31. Andrew Devenport of YBI thought DFID had the advantages of:

- being able to take a long-term view;

52 Q190

53 Q190

54 Oral Evidence taken on 17 December 2014 HC(2014–15) 999, Q40

55 Youth Business International

56 Oral Evidence taken on 17 December 2014 HC(2014–15) 999, Q41

57 Q21

58 Q121

- being able to drive systemic important research and development;
- bringing interventions to broader geographies than the private sector might wish to operate in;
- being able to correct market failures in relation to finance by helping to bring credit to parts of the market where credit was not possible; and
- having a good understanding of the holistic development, covering areas such as sexual health, governance, participation, alongside employment.

He concluded that DFID was therefore, "a very valuable stable long-term partner, both of the NGO sector and the private sector."[59] David Woollcombe of Peace Child International thought DFID's strength was its access to Government.[60] Professor Gollin believed it was DFID's ability to take a "long term view, rather than trying to achieve only short term project level impacts" and he commended it for "taking quite a strategic view in thinking about growth and growth processes."[61]

Achievements

32. We have seen on our visits many successful examples of DFID's economic development work. We asked the Secretary of State for examples of DFID's achievements which we have received. They have been included at the beginning of each chapter in boxes under the five pillars of DFID's Economic Growth Strategic Framework. We do not believe these examples encompass the full scale of DFID's and the UK Government's work in this area particularly on improving international rules–there have also been for example legislation passed in the last Parliament and this including: The Bribery Acts of 2010 and 2012, the Modern Slavery Act 2015 and the International Development Act (Gender Equality) 2014. £1.8 billion is a considerable amount of money which we would like to see more evidence of how it has been and is to be spent.

33. **DFID recognises that the private sector is the driver of economic growth and will produce 90% of new jobs. Its approach to economic development is centred on its Economic Development Strategic Framework. This consists of a series of wide-ranging interventions, listed under five pillars, including international trade, improving the 'enabling' environment in countries; catalysing capital flows; engaging with businesses to help their investments contribute to development; and ensuring growth is inclusive and benefits marginalised groups such as girls and women. The choice and balance of interventions depends on the particular circumstances of each country. The basic approach was supported by many witnesses.**

34. **However, there are several concerns. Spending on economic development has increased greatly in recent years. DFID plans to spend £1.8 billion on economic development by 2015–16–more than doubling the amount spent in 2012–13; is DFID**

59 Q100

60 Q100

61 Q162

geared up to spend the extra money cost-effectively? We have seen examples of successful work on our visits, but *we urge DFID to publish regularly a list of achievements from the funding on its economic development programmes. A £1.8billion budget needs to demonstrate year on year outcomes and results*. We agree with ICAI that DFID should be clearer about the areas in which it has a comparative advantage relative to other stakeholders and where it can actually make a difference.

35. **As the balance of interventions will vary from country to country, it is essential that decisions are made locally. DFID country offices must lead this work; this means they should determine not only their own bilateral country programmes, but also ensure that programmes run from DFID in the UK should be well-integrated with them. Country offices should be properly consulted about centrally managed programmes to be run in their country.**

36. ***Economic development work can and should be done in fragile and conflict affected states. We recommend that DFID continues the difficult challenge of creating jobs and improving livelihoods in fragile and conflict affected states as it is successfully doing in the DRC.***

4 Creating space for the private sector to invest

37. The first three pillars of DFID's Economic Development Strategic Framework (EDSF) aim to create a suitable business environment for the private sector:

i) Improving international rules for shared prosperity;

ii) Supporting the enabling environment for private sector growth; and

iii) Catalysing capital flows and trade in frontier markets.[62]

DFID examples of its work on pillars 1,2 & 3 of the EDSF

Pillar 1—Improving international rules for shared prosperity

- The joint DFID/BIS/FCO Trade Policy Unit, supports developing countries to increase their participation in global trade by improving their market access and strengthening their capacity to trade. The Trade Advocacy Fund, currently supporting over 20 countries and regional organisations, has enable more effective participation of low-income countries in negotiations leading to agreements that better reflect the interests of developing countries.
- The UK works to influence EU agreements that contribute to economic development outcomes in developing countries. For example negotiating greater market access for Pakistan and supporting the successful conclusion of negotiations for three regional Economic Partnership Agreements (EPAs) between the EU and Africa in 2014. Preparations are underway for signature of these deals in 2015.
- During the UK G8 Presidency in 2013 DFID worked with Whitehall colleagues to ensure that the interests of developing countries were put at the centre of an ambitious G8 agenda on trade, transparency and tax reform (3Ts). Since 2013, the 3Ts have been hardwired into international gatherings, notably the G20 where action is being taken to ensure developing countries can take full advantage of international tax initiatives. In November 2014, the G20 agreed to implement high-level principles on beneficial ownership transparency.

Pillar 2–Supporting the enabling environment for private sector growth

- The Bangladesh Investment Climate Fund supports improvement to the business environment by reducing time and costs to businesses through simplifying government processes. Areas of work include business registration, taxation, and commercial justice/alternative dispute resolution. The International Finance Corporation is expected to contribute to a saving of $189 million in reduced compliance costs for businesses.
- The new Land Investment for Transformation programme in Ethiopia supports increased land tenure security through improved certification, strengthened land administration and governance, and cross-cutting policies on communal land holdings, pastoralists, customary land use and improving the transparency of land allocation in line with international good practice and human rights obligations.
- Global experience shows that the most effective way for governments to improve the business environment is through strong dialogue with the private sector. The ENABLE (phrase I) programme in Nigeria has supported business associations to advocate for tax reform, helping over 352,000 micro-enterprises (of which 148,000 are female-owned) in Lagos to reduce multiple taxation and official harassment.
- The Investment Facility for Utilising UK Specialist Expertise (IFUSE) operates a peer-to-peer learning model, sharing expertise of UK civil servants and professional organisations with DFID partners looking to improve their business environments. IFUSE has already completed over 90 assignments, providing support on energy policy in Ethiopia; micro-insurance sector development in Ghana; building safety in Bangladesh; and competition policy in Burma.
- Businesses headed by women often face struggle because of discriminatory laws and practices. DFID supports the International Trade Centre to work with governments and customs authorities to support women-owned enterprises to export, and to improve conditions for women informal traders who face harassment and extortion at borders.

[62] DFID's Economic Development Strategic Framework

Pillar 3—Catalysing capital flows and trade in frontier markets

- DFID's contribution to the Global SME Finance initiative has helped to support 20 financial institutions to provide nearly £2.7 billion of commercial lending to over 86,000 Small and medium enterprises in 11 target countries: DRC, Mozambique, Ghana, Liberia, Sierra Leone, Cote d'Ivoire, Nigeria, Afghanistan, Bangladesh, India and Pakistan. The Initiative has done particularly well in fragile and conflict affected situations with over 90% of the results from FCAS countries.
- Through support to the Conflict-affected and Fragile Economies Facility (CAFEF), DFID will encourage investments into some of the most insecure countries in the world through the provision of political risk insurance for cross-border investments and lending in fragile and conflict affected states (FCAS). CAFEF is expected to help to secure $550 million foreign direct investments to FCAS.
- The Regional Infrastructure Programme for Africa (RIPA) aims to address some of the binding constraints for regional infrastructure development by strengthening the preparation of infrastructure projects and the availability of investment financing for their implementation. Overall project preparation efforts, which RIPA contributes to, have managed to secure an estimated $1.5 billion of implementation funding in 2013.
- CDC Group plc is the UK's development finance institution, 100% owned by the UK government. CDC aims to support the building of businesses throughout Africa and south Asia, to create jobs and make a lasting difference to people's lives in some of the world's poorest places. At 2013, CDC has £2,504 million invested in 1,298 companies, supporting over 1 million jobs in 75 countries. In 2013, CDC made 26 new investments totalling £608 million, including 13 direct investments.

Source: Department for International Development Supplementary Submission

We have discussed some of these issues, for example the importance of policy coherence, including on trade in our *Beyond Aid* report published in January 2015[63] and financial instruments in our Development Finance Report[64] published in 2013. We will therefore concentrate in this report on pillar two, supporting the enabling environment for the private sector and on the CDC as part of pillar three catalysing trade in frontier markets.

Supporting the enabling environment for private sector growth

38. David Norman of SAB Miller told us:

> the big opportunity here is that there are going to be 3 billion new middle class people in developing countries by 2030. That creates extraordinary opportunity.[65]

He went on to say he thought that job creation in sub Saharan Africa was:

> almost inevitable. It clearly needs to be linked with growth in productivity; it is about growth in wealth creation. However, this is a reflection of a transformation of sub Saharan Africa's economy, which is certain to go ahead. The question is the pace and the question is about the rate we can tackle the enabling conditions that are currently holding back that growth.[66]

Francis Teal from the University of Oxford questioned what was preventing potential entrepreneurs from investing in technology for manufacturing in Africa which

63 International Development Committee Tenth Report of Session 2014–14 The Future of UK Development Co-operation: Phase 2: Beyond Aid HC 663

64 International Development Committee Eighth Report of Session 2013–14 The Future of UK Development Co-operation: Phase 1: Development Finance HC 334

65 Q2

66 Q2

complemented the large number of unskilled labourers and why higher income jobs were not being created for those who were educated. He thought it important for whatever was causing this to be understood before policies could really be formed.[67] Dr Keith Palmer of AgDevCo said

> The productivity of African labour and manufacturing, despite the very low wages is not enough to create competitive industries.[68]

He gave the example of the cotton industry in Tanzania which he said ought to be thriving but was not.[69] DFID has told us it is using its '*Growth Diagnostic*' to understand what the blockages are in the enabling environment for such job creation and then attempt various programmes to unblock them such as helping to reduce business red tape or to make the revenue authorities more effective.

39. On visits and in discussions with business people in developing countries we have heard that the right conditions for business to flourish include clear procedures for:

- land registration;
- company regulation;
- employment regulation;
- setting up a company such as company registration;

and consistency of government policy and taxation.

We have also seen examples of this work such as in Tanzania, where we met with the Revenue Authority to talk about DFID supported work to simplify the business taxes, and in Rwanda where land registration had brought land titles to nearly every family in Rwanda. Most people we have spoken to for this inquiry or received evidence from have agreed that having a conducive enabling environment for business was extremely important for job creation. David Norman of SAB Miller said that for his company:

> it is tremendously important that smallholder farmers have secure tenure of their land, so they can think about investing and improving its productivity.[70]

Luqman Ahmed highlighted that in Northern Nigeria reducing double taxation and harmonising federal and state taxes had stimulated growth in the economy. He said:

> We are definitely seeing links between improved enabling environment in tax and land and improved incomes and investments.[71]

67 Francis Teal

68 Q172

69 Q172

70 Q7

71 Q23

40. As discussed in the previous chapter we were interested to find out from witnesses where they believed DFID had a comparative advantage in job creation. David Norman said DFID had been most successful on this exact issue:

> in making the case, based on evidence, based on specific international examples, of settings in which the right kind of business-friendly framework has in practice enabled those companies to benefit rapidly from investment.[72]

41. In past inquires as well as in this inquiry we have heard of the role of elites and corruption in holding back business. We questioned the Secretary of State on this who agreed:

> If you ask businesses, they will tell you that the business climate is one of the key drivers, and there is a lot of evidence to show that, where it is hard to set up a business, where there is an absence of a consistent application of law, where there is corruption, it is much harder for companies to invest and then grow. It is critical that corruption is addressed in time and the key to doing that successfully is ultimately political commitment, from the very top, to rooting out corruption.[73]

Stefan Dercon thought DFID was in a particularly good position to work on some of these issues:

> one of the key strengths of DFID has always been that we can work across different parts; we are not polarised in a narrow sense, so our economic development work can be strongly supported by our political economy work, our governance work.[74]

He also highlighted the work DFID could do with the Foreign Office and other Government Departments to combat this issue.[75]

Infrastructure and urban planning

42. Physical infrastructure is vital for economic growth. In many countries this is the main priority of governments, as we heard on our recent visit to Nepal where the Minister of Finance emphasised the need to improve roads and energy supplies. In our report on *Infrastructure in Developing Countries*, we concluded:

> Transport infrastructure has a major role to play in achieving the Millennium Development Goals, and is fundamental to security, prosperity and development. Road and rail infrastructure, in particular, can boost regional

72 Q19

73 Q197

74 Q198

75 Q198

> trade and integration by carrying raw materials, labour and manufactured products and can enable people to reach health and education services.[76]

In our report on *Global Food Security*, we noted:

> Improving rural infrastructure would have a dramatic effect on food security. Across much of the developing world, inadequate roads and storage facilities lead to large-scale post-harvest crop losses.[77]

43. BRAC told us that a good infrastructure network was an incentive that encouraged the private sector to invest in agriculture:

> a lack of developed trunk and feeder roads (and, other types of infrastructure–railway/rolling stock, electricity and transport systems as well as ICT) inhibit movement of goods and services into and out of rural areas, increases the cost of transportation and dampen farmers/producers' incentives to generate surplus. The absence of rural and feeder roads and, therefore, access to domestic, regional and international markets are a key bottleneck to increased agricultural production. [78]

44. DFID does fund road-building, as we saw in Nepal. In the same country, we learnt how its technical support for the Investment Board of Nepal was leading to significant investment in hydro-power. It also makes a significant contribution to the funding for road and power infrastructure through Multinational Development Banks such as the World Bank and African Development Bank, which have a comparative advantage in this area.

45. However, there are important aspects of the enabling environment which seem relatively neglected by all donors. Our predecessor Committee's report in 2009 on Urbanisation and Poverty concluded that

> donors such as DFID need to take immediate action to push urban poverty back up both their own and the international agendas. Without such action, the size and the poverty of developing country cities—especially in Africa—will continue to grow sharply. This could trigger crises in a number of cities as overcrowding overwhelms weak infrastructure and deficient public services. Delaying action will cost lives and money; it is easier, safer and less costly to repair broken infrastructure and build up basic services now than it will be to pick up the pieces later.[79]

46. Professor Gollin was concerned with what was currently holding back the growth of jobs especially in urban centres in sub Saharan Africa:

76 International Development Committee Ninth Report of Session 2010–12, DFID's Role in Building Infrastructure in Developing Countries HC 1435

77 International Development Committee First Report of Session 2013–14, Global Food Security, HC 176

78 BRAC

79 International Development Committee—Seventh Report of Session 2008–09 Urbanisation and Poverty HC 511

> The puzzle we see in African cities is that you have the emergence of large growing almost mega cities, in some cases, without the kind of industrial or manufacturing base to create jobs, which we have seen in Asian and Latin American cities. […] Unlike the East Asian economies, we are not seeing the emergence of competitive export orientated manufacturing sectors in very many places in Africa. […] That is something of a concern. I am not sure if we know exactly how to change that.[80]

47. Unfortunately and surprisingly tackling and addressing the problems of urbanisation seems to have become a lower priority for donors since 2009 even though the problems have become ever greater, as we saw on our visits to Dar es Salam and Kathmandu. In the former the World Bank is the lead donor, in the latter the Asian Development Bank. But, as we heard, additional support from DFID would be welcome.

CDC

48. CDC is the UK's Development Finance Institution. It is a public limited company with an independent board. DFID is not involved in the investment decision-making process. CDC's mission is to support the building of businesses in Africa and South Asia, creating jobs and making a lasting difference to people's lives. As sole shareholder of CDC, DFID agreed a new Strategic Plan for CDC in 2012. CDC has two objectives, which it weights equally. It seeks to:

- achieve development impact which it has focused on job creation especially in the more challenging and poorer regions of its geographies; and
- generate a minimum financial return on its portfolio both to protect taxpayers' capital and to demonstrate to more commercial investors that these types of investments can be successful.[81]

As part of this inquiry we took evidence from Diana Noble, CEO of CDC and Alex MacGillivray, Director of Development Impact at CDC.

49. In 2010 following the then Secretary of State, Rt Hon Andrew Mitchell MP's decision to restructure CDC the Committee undertook an inquiry on CDC in parallel with the Government's restructuring consultation. Our main recommendations of most relevance to this inquiry were:

- CDC should establish more comprehensive indicators rating development impact, poverty reduction and employment generation (including whether the jobs are permanent, the wages paid, whether any jobs were lost due to restructuring before an investment was made etc.); and
- CDC should target agriculture, infrastructure and SMEs.

80 Q141

81 Department for International Development

50. We were pleased to hear that many of our recommendations had been fully endorsed by CDC and it had changed the way it did business. However there were still criticisms from NGOs. Christian Aid said:

> According to its 2013 Annual Report, CDC has investments in 159 funds managed by 88 different fund managers—and 19 direct investments. This makes it impossible for the company to understand its contribution to jobs and livelihoods in developing countries. It says it knows about employment numbers in 81% of those companies–but not whether the jobs are direct, via sub-contractors or entirely casual. Nor does CDC appear to know about wages and working conditions at the firms in which it is an indirect investor.[82]

CDC disagreed with this analysis. Alex MacGillivray told us that since the Committee reported CDC now wrote into its legal agreements with all fund managers to supply CDC with employment numbers from investing businesses. He said that there was still some legacy contracts where CDC did not have the legal agreements in place but he believed there was now 90% coverage. As a result CDC was able to report last year that its portfolio had created 68,000 net new jobs. This information was broken down by geography and CDC had also recently started gathering data on wages, job quality and gender. He said as it was still early days CDC did not yet have a full picture on these categories but it was gradually getting a better picture as old investments left its portfolio and new ones came in that were bound by the legal reporting agreements.[83]

51. CDC's priority sectors are agribusiness, construction, financial institutions, infrastructure, manufacturing, health and education. Diana Noble explained that CDC had asked DFID's Chief Economist Stefan Dercon, the academic, Ethan Kapstein, and the leading impact-measurement consultant, René Kim, to help CDC develop a methodology for identifying which sectors would have the highest potential for creating employment. They did it by using three criteria:

i) the potential to create employment directly, as indicated by the employment-to-capital ratio—how much capital is put in to get jobs out;

ii) the potential to create employment indirectly through backward linkages, the supply chain, as indicated by the local procurement-to-capital ratio; and

iii) the potential for indirect forward job creation through investment into a central infrastructure and areas such as financial services, where there were significant business constraints.[84]

She explained that generally rather than creating new sectors in countries in Africa CDC was looking at the gaps in existing sectors. CDC had found that there were "enormous gaps

82 Christian Aid

83 Q41

84 Q43

everywhere. Africa does not have enough of everything, whether that is electricity, transport infrastructure, schools, hospitals or cement plants."[85]

Conclusions and recommendations

52. **We support DFID's work to improve the enabling environment, to create the space for the private sector to flourish, and have seen excellent examples of its work in areas such as public financial management. DFID should not do everything and investment in some areas such as infrastructure is best undertaken by its partners which have a comparative advantage in this area. However, as we saw in both Dar es Salam and Kathmandu poor urban planning is a serious obstacle to development and is relatively neglected by donors.** ***We recommend that DFID reassess the priority it gives to urban planning.***

53. ***It is important for DFID to use its influence with recipient governments to encourage them to focus on the investment climate especially to reduce corruption. We recommend that DFID maintain its focus on improving the enabling environment in the areas where it has its competitive advantage.***

54. **We are encouraged that CDC has followed our recommendations and has refocused on job creation.**

85 Q43

5 Engaging with businesses

55. The fourth pillar of DFID's Economic Development Strategic Framework is:

iv) Engaging with businesses to help their investments contribute to development.[86]

DFID examples of its work on pillar 4 of the EDSF

- In November 2013, DFID's Secretary of State visited Tanzania accompanied by representatives of 18 UK and international companies to promote investment through partnerships and co-investment. As a result of the visit, DFID has co-invested in Kilombero Plantations Ltd, with its 4,300 smallholder farmers, to support the pilot stage of a new gasification plant, and to expand irrigation for rice cultivation.
- In 2013, DFID intensified its work on the Trade in Global Value Chains Initiative which works with global businesses to improve working conditions and job opportunities for poor workers and smallholder farmers and support the long-term resilience of global supply chains. Over 700,000 people in Kenya, South Africa and Bangladesh in the horticulture and garment sectors are expected to benefit.
- The Responsible and Accountable Garment Sector (RAGS) programme aimed to improve working conditions in ready-made garment production. Factories in Bangladesh and India supported by RAGS increased their hourly pay for over 100,000 workers; enabled 4,575 informal women workers in India to benefit from social protection schemes; and helped to establish over 20,000 new peer education groups in Bangladesh to improve women workers' understanding of their labour rights.

Source: Department for International Development Supplementary Submission

Our predecessor Committee's report on *Private Sector Development* in 2006 found:

> DFID also needs to find ways to involve the private sector in policy-making by changing its ways of engaging with the private sector and bringing more business expertise 'in-house'. Currently, somewhat of a cultural divide exists between DFID and the private sector.[87]

Working with the private sector

56. DFID says it has taken a number of steps to increase its engagement to better understand the priorities of the private sector and the role they see DFID playing. This includes:

- establishing an External Advisory Group on Economic Development to provide an opportunity for the Secretary of State to draw on private sector experience;
- redesigning systems for managing relationships with priority companies with significant potential to help reduce poverty through their core business;
- conducting a series of roundtables with business representatives from the extractives, retail, infrastructure/construction and accountancy industries/professions to hear views on how commercial and development objectives can support each other;

86 DFID's Economic Development Strategic Framework

87 International Development Committee Fourth Report of Session 2005–06 Private Sector Development HC 921, Summary

- increasingly forging new partnerships with the private sector to achieve development outcomes; and
- building its internal skills and capabilities. There are now over 80 private sector development advisers in the Department, up from 30 in 2011.

The Secretary of State said:

> One of the things we have tried to do over the last year and a half, and one of our pillars, is about engaging businesses, working with them to help them understand how they can have the broadest possible development footprint from the work that we are doing.[88]

57. Dr Keith Palmer of AgDevCo was complimentary about DFID's work with the private sector. He said that it was doing well at facilitating contacts resulting in private investors now looking to "make good business that is also socially responsible and helps smallholder farmers." He said DFID was also trying to find evidence of what had worked and then taking it to investors to demonstrate what could be done.[89]

58. David Norman of SAB Miller said that working with donor agencies was about leveraging "real additional value" out of the company's investments and removing barriers which were holding this back for example the availability of finance, skills, education and training.[90] He praised DFID's new approach to the private sector–he said that the Secretary of State's delegation to Tanzania was "a good model of listening".[91] His experience was:

> There have been open doors. We have had lunchtime discussions with senior advisers across all the different issues, not just with people within DFID who are focused on private-sector development. People who are absolutely focused on livelihoods and nutrition have also come together in conversation within DFID with representatives of SABMiller. That is all really good.[92]

David Norman said SAB Miller now had a key contact within DFID "who brokers our engagements and connects our engagements with different departments" and this allowed for a sharing of experiences and for SAB Miller to also learn from DFID for example, through environment advisers and social-development advisers.[93]

59. However there have been criticisms. Some commentators were concerned with the concept of donor agencies and private sector companies working together. Jim Tanburn of the Donor Committee for Enterprise Development argued that in terms of both priorities and measurement there was a mismatch between development and commercial priorities. He argued that although most jobs were created by business, business itself rarely prioritised job creation and that for business, jobs were the means to an end, not the end

88 Q208

89 Q183

90 Q6

91 Q18

92 Q26

93 Q26

itself.[94] Tim Brosnan of the Small Foundation however was not so concerned about whether the aims were the same but the importance was in the actions and impacts, which he referred to as the 'invisible hand':

> You can have aims that have nothing to do with development, nothing to do with the wellbeing of smallholder or indeed the wellbeing of anybody, which do promote the wellbeing, by accident almost or a by-product.[95]

60. Professor Gollin also was cautious of DFID's work with the private sector:

> what DFID's role as a public sector aid organisation is in supporting private sector actors. I think it is complicated. [...] In many cases, multinational private sector actors have a lot of expertise to provide. The question is: what is the public sector role in opening doors for them and what relationship should a public sector aid organisation that has a poverty-reduction mission have? [...] I would start to get nervous myself at the point of suggesting that DFID should be making investments that support the private sector. The private sector can do that on its own.[96]

However Dr Keith Palmer believed that DFID country offices were very mindful in their decisions about working with the private sector of not losing their primary development goal and as a result more potential private sector programmes were turned down than accepted.[97]

61. ICAI's report on *DFID's Private Sector Development Work* highlighted that in the market and private sector there were winners and there were losers–the risk being the poor becoming the losers:

> private sector and markets are predicated on the idea of competition, which presupposes that there will sometimes be losers. [...] A focus on Private Sector Development may, from time to time, result in certain groups of the poor being worse off as a result of its interventions.[98]

Later, the report cautioned that:

> DFID needs to remember that the private sector is not a developmental panacea. References to "the miracles" that companies are able to perform [made in DFID 2011, for example], risks underplaying the role that donors like DFID and country governments have in ensuring that economic development provides benefits to the poorest in society.[99]

94 Donor Committee for Enterprise Development

95 Q184

96 Q163

97 Q185

98 Independent Commission for Aid Impact, DFID's Private Sector Development Work p 21

99 Independent Commission for Aid Impact, DFID's Private Sector Development Work p.33

62. ICAI's report was also critical of DFID's new private sector development advisers. One of the ICAI commissioners, Diana Good, reported back to us that:

> The vast majority of those people really are very junior and have had very limited experience in private sector work, and even more limited experience at any senior level within the private sector.[100]

Adam Smith International suggested that DFID needed to get much better at coordination across country programmes and within country teams on its private sector development work.[101]

Which sectors of the economy: tourism and culture

63. DFID supports projects in a range of sectors. Agriculture is a particular emphasis. The EDSF also stresses the importance of manufacturing and services:

> wealth creation and poverty reduction will rely in the long term on the majority of the rural poor finding livelihoods outside of agriculture. This will require sustained growth in job-creating manufacturing and services, over time.[102]

As outlined in Chapter 3 the biggest manufacturing industry in the UK is the food and beverage sector which itself relies on agriculture. Of service industries, tourism is very important for jobs. The sector is the UK's third largest employer, accounting for almost 10% of total employment. Tourism also has considerable potential to create jobs, as we heard on our visits to Tanzania and Nepal. Studies have shown that tourism could bring benefits to millions of poor people.[103] Hilton have reported that the travel and tourism sector as a whole currently employs more than 255 million people around the globe, and it is predicted to create 73 million new jobs by 2022.[104]

64. Individual members of staff we have met in DFID country offices have been enthusiastic about the potential of the industry. DFID has a few programmes which provide some support for tourism such as the Skills Improvement Programme in Zambia and the Nepal Market Development Programme, but the tourism industry does not seem to be a focus for DFID.

65. This has not always been the case. From 1999–2005 DFID ran a Tourism Challenge Fund, but later tourism seems to have become less of a priority for the Department. Our

100 Oral Evidence taken on 17 December 2014 HC(2014–15) 999, Q8

101 Adam Smith International para 1.4

102 DFID's Economic Development Strategic Framework

103 Poverty reduction through PPT can be significant at a local or district level. PPT strategies do appear able to 'tilt' the industry, at the margin, to expand opportunities for the poor and they have potential for wide application across the industry. However, they have made little dent in national aggregates so far, because initiatives are small-scale, site-specific, or at early stages of implementation. National impacts would require a shift across the sector, and will vary with location and the relative size of tourism. Nevertheless, if opportunities for the poor could be opened up in all the places where tourism is significant in the South, they would affect millions of poor people. (Pro-Poor Tourism Strategies: Making Tourism Work For The Poor, Caroline Ashley, Dilys Roe and Harold Goodwin, 2001)

104 Hilton: Creating Opportunities for Youth in Hospitality 2013

predecessor Committee considered the issue of tourism in its report in 2008–09 on Sustainable Development in a Changing Climate:

> given the economic importance of the tourism industry to so many developing countries in which DFID has a programme, and its inclusion in many Poverty Reduction Strategy Papers, the Department cannot afford to ignore it.[105]

The Government replied:

> DFID country programmes will consider tourism initiatives where they judge them appropriate for helping partner countries deliver their growth and poverty reduction objectives. However, we anticipate that these will remain few in number and DFID will not devote centralised resources to tourism initiatives.[106]

66. We raised the issue of tourism in our inquiry into Nepal and asked whether the Nepal market development programme which inter alia supported tourism should be expanded. The Minister of State replied that:

> the market development programme builds on the work we have done earlier on the Himalayan trail. It enables local people to adapt their accommodation and catering to the standards that might be expected by tourists. It is really important where you have got poor people to educate them as to what tourists will expect. I recollect that I have just extended that programme with another £2.8 million.[107]

The deputy Head of DFID Nepal added that

> The wider DFID Nepal portfolio of programmes also has an impact in this area. Our work on infrastructure creates infrastructure that tourists will use… We have got an access to finance programme that is providing funds for small and medium-sized enterprises. Some of those will be in the tourist sector.…Part of it is about enabling the broader economy and context to be suitable for tourism development and part of it is targeting very specific interventions within tourist areas.[108]

67. As well as providing support to tourism through specific programmes, DFID can also engage in discussions with governments to discuss the barriers to the expansion of tourism such as the levels of litter scattered round the lake at Pokhara in Nepal and the impact of poaching in Tanzania, which seriously threatens the future of tourism in the country. Here DFID and the FCO could reinforce the work done by Prince William as patron of the Tusk Trust.

105 International Development Committee Fifth Report of Session 2008–09, Sustainable Development in a Changing Climate HC 177

106 International Development Committee Fifth Special Report of Session 2008–09: Sustainable Development in a Changing Climate: Government Response to the Committee's Fifth Report of Session 2008–09 HC 1008

107 Oral evidence taken on 11 March 2015, HC (2014–15) 854, Q24

108 Oral evidence taken on 11 March 2015, HC (2014–15) 854, Q25

Tourism and the illegal trade in wildlife in Tanzania

As part of this inquiry we visited Tanzania. Whilst on the visit we learnt about Tanzania's huge tourism potential to create jobs and improve livelihoods. However we were very disturbed to learn about the increase in poaching and the illegal wildlife trafficking in Tanzania. Tanzania's wildlife is one of its great natural assets. It is the reason that people from all over the world visit Tanzania to safari in the Serengeti or the Ngorongoro Crater. However the current rate of ivory poaching and the killing of Giraffes is seriously depleting the country's assets. We spoke to tour companies who were greatly concerned on the effects on their businesses.

A recent report by the Environmental Investigation Agency: Vanishing point: Criminality, corruption and the devastation of Tanzania's elephant population, found that Chinese-led criminal gangs were conspiring with corrupt Tanzanian officials to traffic huge amounts of ivory: even diplomatic visits by high-level Chinese Government delegations have been used to smuggle ivory. The Giraffe Conservation Foundation have reported that giraffes are being killed for their heads and bones which can fetch a high price in Tanzania, due to the belief that their bone marrow can cure HIV/Aids, many are also killed for their meat. As a result giraffe numbers have plummeted by 40% in the last 15 years.

This is one of the many areas that the UK must work across cross government between departments and agencies such as DFID, DEFRA, the Foreign Office, Customs and Excise and The Crown Prosecution Service.

Source–visit meetings and The Giraffe Conservation Foundation

68. In the UK, according to the Government, the creative industries accounted for 1.68 million jobs in 2012, or 5.6% of UK jobs. Clearly, we would not expect such a high share of jobs in these industries in developing countries, but that does not mean the sector should be ignored by DFID. In Tanzania we visited the Nafasi Art Space which receives EU funding. The centre provides studios and support for artists 'to stimulate the creation of contemporary art in Tanzania'. It was pointed out that the arts support not just the artists but a much larger group of ancillary workers. The EU was also providing funding to help train craftsmen to restore buildings in Zanzibar. This would provide jobs not only for the craftsmen but also to cater for the additional tourists which the restored buildings would attract.

Decent jobs

69. ActionAid thought that a major gap in DFID's EDSF was the failure to link the aspiration to create jobs to the imperative that those jobs be "decent" jobs.[109] ActionAid said that its research in Costa Rica, Bangladesh and India found that the pressure on suppliers for lower prices, faster delivery times and greater flexibility was passed on to workers in the form of low wages, job insecurity and a denial of their basic human rights:

> Freedom of association is rarely upheld for garment workers, or other workers in global supply chains, especially women. Workers are commonly warned by factory management not to join unions, and in the worst global examples big brands have 'punished' union activity by locking-out trade unionists and even shutting down factories where union activities have taken place.[110]

70. ActionAid added that whatever commitments UK retailers had made to ethical standards, it was impossible for these to be met whilst insisting on purchasing practices which forced suppliers into such a weak position that pay and conditions could not be

109 ActionAid

110 ActionAid

improved. Mike Bird of WIEGO referred to the research carried out by DFID on supply chains and contractual arrangements within them called 'Capturing the Gains'. It found that the business model pushed risk down the supply chain creating 'hollowed-out companies' which did not own the factories where garments were produced and did not own the shops where the garments were sold–only owning the brand and therefore evading responsibility.[111]

Bangladesh Garment Workers—Tazreen fire and the Rana Plaza building collapse

In December 2012 there was a big factory fire at the Tazreen Fashion factory on the outskirts of Dhaka. It was reported that they had a large order to fulfill so when the fire alarms went off, managers insisted the workers kept working. Once the smoke built up and people tried to escape, some doors were locked or exits were blocked with packing cases for the order. People jumped from the burning building, 114 died and hundreds were injured. At the Rana Plaza factory, also on the outskirts of Dhaka, the building had been evacuated because giant cracks had appeared in the walls but the next day, managers insisted that workers returned to work. The building then collapsed during the morning rush hour and 1100 people were killed, many more were injured.

The '*Capturing the Gains'* report found that although the Bangladesh government had the main responsibility for buildings it was concerned that safety regulation would increase costs and reduce the country's competitiveness. The Bangladesh Commerce Minister admitted that oversight had been lax because they wanted the jobs. Farah Kabir of ActionAid Bangladesh told us that one of the barriers to progress in improving conditions for garment workers had been that often legislators themselves owned the factories, and they were more interested in "their own pockets and interests" than "making legislation for the poor and the workers".

Both incidents led to demands for improvements in safety and working conditions but also wage increases. Farah Kabir said that "suddenly, there was this awakening, and talk about inspectors, changing the labour law and bringing in association. There was a lot of pressure, and, of course, my government has complied, and now we have 200 labour unions registered. There are 200 or so inspectors to be employed."

Some of the brands themselves have insisted on better standards. The Accord (mainly North American retailers and brands) and the Alliance (largely European based buyers) initiatives were set up which have carried out more than 1250 factory inspections and identified thousands of deficiencies. However the question of who pays for the necessary factory repairs and upgrades is unresolved—so far none of the major brands or retailers have made a public commitment to fund them. The Alliance have estimated an average cost of $250,000 per factory. DFID has been involved in the Challenge fund and the RAGS fund, creating opportunities for workers to attend legal literacy programmes outside of factory premises helping them to understand their rights.

There have been concerns that the improvements in working pay and conditions would increase costs so companies would source elsewhere where prices were more competitive. The '*Capturing the Gains'* report found that wages and working conditions–although nowhere near desirable for standards of decent work–had been improving. It was seen to be as a result of "the rapid and continuing growth of the garment industry in the country [which] has increased workers' ability to exit from particular factories, certain of getting jobs in other factories." This had increased 'the voice' of garment workers which in turn had forced the Bangladeshi governments and factory owners to listen and accede to demands.

In the first quarter of the current fiscal year 2014–15, Bangladesh's total export earnings rose to $7.7 billion, which was nearly 1% higher compared to $7.63 billion for the same period of the previous year, according to Bangladesh's Export Promotion Bureau data of October 2014. ActionAid staff in Bangladesh have concluded "So far the confidence of international brands towards the Bangladesh market is still in place which showcases the impact of improvements of safety concerns and compliance in the garment industries."

Source: Capturing the gains 2014 Working Paper 40 University of Manchester, IDS, Dhaka and Institute of Human Development New Delhi and observations of ActionAid staff in Bangladesh

111 Q127

71. Farah Kabir of ActionAid Bangladesh highlighted that part of the problem for Bangladeshi workers and workers' rights lobbyists was that although they could travel to the UK or USA to lobby the garment companies, it was only companies' countries of origin that could hold the firms responsible. She said:

> I can complain; I can create all the noise with all my civil society organisations and workers' unions in Bangladesh. How does it impact Primark or Marks & Spencer here, unless your government and your civil society create that pressure?[112]

She said consumers had to ask, "How can I get a t-shirt for £3?" Somebody, somewhere, is being deprived."[113] Mike Bird referred to one of his board members who had said "It is difficult to wake people up when they are already awake and pretending to be asleep."[114]

72. ActionAid recommended that for real change to happen, retailers needed to pay a better price for goods and enter into relationships with suppliers which allowed space for fair treatment of workers. It suggested that 2015 was an appropriate year for the UK Government to re-engage on the issue as the UK Action Plan for the UN Guiding Principles on Business and Human Rights was due to be reviewed. As part of the review ActionAid would like to see the explicit recognition of the gendered impacts of UK business activities overseas as well as references to the Convention on the Elimination of All forms of Discrimination Against Women and the Beijing Declaration and Platform for Action.[115] Farah Kabir of ActionAid Bangladesh said:

> DFID could hold other international development partners or national governments to abide by ethical, business and human rights principles. Back in the UK, it can also hold their companies responsible.[116]

73. The new Trade in Global Value Chains Initiative was set up aimed at encouraging UK businesses to improve supplier standards. Recipients of funding include Tesco, Primark and Asda. For example Marks and Spencer is to receive money to develop "the leadership and management skills of farm workers in Kenya and South Africa", while Sainsbury's is receiving funding to establish an "innovative radio show" for farmers in Kenya. Firms are eligible for grants of up to £750,000 for which they then provide match funding. The goal is to harness private sector expertise, to leverage private sector finance, and to raise standards in value chains with benefits for all. Critics expressed concerns that this was not the most appropriate or efficient use of ODA, and that these initiatives were sticking plasters: they were not helping structurally improve the terms and conditions of labourers.[117] The Secretary of State said:

112 Q128

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114 Q127

115 ActionAid

116 Q124

117 Mawdsley, E. DFID, the private sector, and the re-centring of an economic growth agenda in international development. Global Society

> What we have tried to do over the last two years within DFID is really reach out to the UK corporate sector to make that case far more broadly. I believe that, over time, we are seeing more and more companies now seeing the opportunities, but also the necessity, to invest responsibly and with a lens on development, job creation and poverty reduction as part of how that investment works. Companies are getting that. Actually, that is about advocacy from DFID. It does not necessarily require any money at all.[118]

Slavery and forced labour

74. Slavery and forced labour[119] still affects a minimum of 21 million people in the world, according to the International Labour Organization's (ILO) 5.5million of them children.[120] Anti-slavery International says that its investigations have shown that millions of people work as forced labourers in high profile industries and as a result "their employment contributes nothing to poverty reduction".[121] It gives the examples of:

- "the fisheries supply chains of Thailand, most notoriously that of prawns, are rife with forced labour of migrant workers;
- the brick kilns of northern India are staffed almost exclusively with bonded labourers from the Dalit or minority communities;
- the garment workshops of Southern India which supply many prominent UK retailers are in large part staffed by the forced labour of girls and young women;
- the building sites for the infrastructure and venues of Qatar's World Cup employ the forced labour of vulnerable South Asian migrants; and
- domestic workers in every major city on earth are frequently trafficked for forced domestic servitude."[122]

We came across this ourselves on our visit to Pakistan where on a school visit it became apparent from talking with the school children's parents that they were bonded labourers from the local brick kiln.[123] In Burma we met Rohingya who try to escape from persecution by boat to Thailand only to become forced labourers in the Thai fishing industry.[124]

75. Anti-slavery International said it did not believe that DFID demonstrated an understanding of the issues of slavery, forced labour or the systems of social exclusion and discrimination that underpined them. It highlighted DFID's guidance on technical

118 Q230

119 Human rights abuses that would be classified as slavery or forced labour either under the 1926 Slavery Convention, the 1930 Forced Labour Convention, the 1956 Supplementary Convention on Slavery, or the 2014 Forced Labour Protocol

120 Anti-slavery International

121 Anti-slavery International

122 Anti-slavery International

123 International Development Committee Tenth Report of Session 2012–13, Pakistan, HC 725

124 International Development Committee Ninth Report of Session 2013–14, Democracy and Development in Burma HC 821

assistance to India which it said did not "grasp the fundamentals of how the politically entrenched issue of caste discrimination underpins poverty and slavery in that country".[125] It believed that to maximise the opportunity for decent work within any given country or community it was essential for DFID to understand the constraints on people obtaining decent work. In many parts of the global South those constraints came most sharply into focus by consideration of the underlying causes of forced labour and slavery.[126] We note that consideration of forced labour and slavery does not feature on DFID's 'growth diagnostic'. Anti-slavery International recommend that DFID could be more involved in investigations of slavery in international supply chains to help businesses better understand and address the risks of slavery in their supply chains and to encourage engagement in the struggle for slavery eradication. It also recommended that all DFID programmes and DFID funded projects on jobs and livelihoods should ask about the threat of slavery. It said:

> Business can play a vital role in both poverty and slavery reduction. But there must be a candid recognition that it cannot be "business as usual". Rather business must be practiced in a way that places at the core of all business models, particularly international business, respect for human rights through their operations and across the entirety of their supply chains.[127]

The International Labour Organisation

76. Christian Aid said:

> The ILO's concept of 'Decent Work' and the corresponding basic labour conventions are vital in increasing the number of stable jobs available in the developing world.[128]

Following the Multilateral Aid Review (MAR) in 2011, DFID decided to end core funding to the International Labour Organisation. The MAR cited 'significant weaknesses' and 'poor value for money'. However, the ILO's response revealed inconsistencies in the UK's position, and deficiencies in the evidence base for its decision.[129] Submissions to this inquiry have asked DFID to reconsider its decision. Mike Bird from WIEGO said:

> I do think it is about time to re-evaluate the relationship with the ILO. If DFID is serious about working on employment, you had better be working with the one multilateral organisation that knows absolutely what is going on there.[130]

He told us about the ILO's Better Work project, set up initially as the Better Factories project in Cambodia. It provides factory inspections, and it is building a framework

125 Anti-slavery International

126 Anti-slavery International

127 Anti-slavery International

128 Christian Aid

129 ILO 2011

130 Q124

supported by both management and workers. It also assists the running of commercial courts.[131]

77. We asked the Secretary of State whether with the new emphasis on job creation DFID should be working more closely with the ILO. She said:

> We will be re-doing the Multilateral Aid Review over the course of this year and it is likely that, as part of that, we will look at doing a light-touch review of the ILO.[132]

She also highlighted that DFID still does "individual programmes with them" and it also partners with DFID "on some of the World Bank work that is under way, looking at how we can drive economic development more broadly."[133]

DFID's funding of the private sector

78. We looked at financial instruments in our development finance report[134] and in our report on CDC.[135] We were pleased to see that some of DFID's Economic Development Strategic Framework accords with our findings. Notably, the strategy sets out new ways DFID is to finance growth. It said:

> Also changing is the way that development is financed. Poor countries have more choice in who they engage with on development. Countries are increasingly raising their own resources, domestically and internationally. Foreign investment, new sources of funding and remittance flows are becoming increasingly important in low income countries. But the financing required to achieve an exit from poverty still remains substantial for many poor countries, and aid remains vital for some. DFID is changing to ensure we can respond to countries' changing needs and circumstances.[136]

The strategy goes on to say:

> We are gradually increasing our use of investment instruments to stimulate private investment that benefits poor people. Through returnable capital, including loans and equity, we will share some of the risk that would otherwise slow down investment and business growth. Where we are sharing the risk of launching or expanding a business venture, we will also seek to share the rewards. This enables us to redeploy our aid money many times over, multiplying the development uand reducing the distortion to the private market. In the last year, DFID has launched several returnable capital

131 Q130

132 Q211

133 Q211

134 International Development Committee Eighth Report of Session 2013–14 The Future of UK Development Co-operation: Phase 1: Development Finance HC 334

135 International Development Committee Fourth Report of Session 2010–11 The Future of CDC HC 607

136 DFID's Economic Development Strategic Framework

> investments including the Impact Fund run by CDC, and the Samridhi Fund, targeting inclusive growth in India's poorest states. Investment instruments require additional skills and management processes to traditional grant programmes. We have been developing our capability, and will continue to do so as our use of investment instruments increases. We will be monitoring the financial returns and development impact of these investments closely.[137]

79. The Secretary of State further endorsed the case for returnable capital:

> If, rather than having to simply give grants, we are able to make investments where we have a chance of getting that money back, so that we can reinvest, then we can make that taxpayer funding into international development go way further, whilst still having dramatic development impacts on the ground. [138]

> setting up funds, impact funds, gives us a real chance to develop the portfolio of programmes we have in relation to returnable capital in a way that we have not been able to do in the past.[139]

Conclusions and recommendations

80. **DFID has recognised that if it is to spend large sums on economic development and engage with the private sector, it needs to recruit people who have worked in that sector. We welcome the progress made, but *recommend that DFID recruit people who have set up businesses themselves or have run businesses in developing countries to work in the private sector department.***

81. **DFID must ensure it has put sufficient emphasis on economic growth which creates jobs and improves livelihoods. It needs to be open to working in a wide range of economic sectors which have the potential to create large numbers of jobs. This should include tourism and the creative industries. *We recommend that DFID and the FCO make tourism a greater focus of its work, both in programmes which support the industry and in engaging with governments; this might include in Tanzania encouraging the Government to increase efforts to combat poaching.***

82. **The creation of decent jobs is important; working conditions can be improved without losing jobs, as the experience of the Bangladesh garment industry shows. *We recommend that DFID insist that any multinational company receiving its funds respect international standards set out in the OECD Guidelines for Multinational Enterprises and that other companies fully respect local standards. We welcome the Secretary of State's commitment to review DFID's relationship with the International Labour Organisation as part of its reconsideration of the Multilateral Aid Review. In light of the much greater involvement of DFID in jobs we recommend that it should reinstate its core funding to the International Labour Organisation.***

137 DFID's Economic Development Strategic Framework

138 Q235

139 Q236

83. ***We recommend that as part of DFID's growth diagnostic consideration should be given to the presence or potential for forced labour, debt bondage and slavery in its priority countries. An explicit part of DFID's economic development programme in a country should be working to ensure labour contracts are freely entered into and the end of forced or bonded labour, on the understanding that this is a condition for economic development in the same way as secure property rights or access to capital.***

84. **On our visits we have seen several examples of DFID's productive involvement with private companies. However, our concerns from previous reports persist. DFID has to be careful not to distort the market by favouring one company over another.** ***We welcome the Secretary of State's support for new forms of finance along the lines we recommended in our report on Development Finance. We look forward to seeing greater use of returnable and recyclable capital alongside more traditional grant aid develop further.***

6 Improving livelihoods

85. DFID's Economic Development Strategic Framework does not have a pillar dedicated to those who are not in formal employment but are in desperate need for their livelihoods to be improved. Jim Tanburn of the Donor Committee for Enterprise Development notes that the concept of a 'job' is:

> more applicable in wealthy countries where employment is mostly formal; the poor in developing countries live in a very different setting. For example, their employment is typically informal rather than formal. They are 'below the radar' in terms of statistics, partly as a survival strategy against predatory officials, and partly because the costs of formalization are often high. Statistics that exist in more wealthy countries around formal employment do not have an equivalent in developing countries, relating to informal jobs.[140]

86. The informal economy is comprised of enterprises that are not registered with the state and workers who do not receive legal or social protection through their work; and the output from both. The majority of the working age population in developing countries earn their living through the informal economy for example through street hawking in cities or in agricultural work in rural areas. Informal employment comprises more than half of non-agricultural employment in most regions of the developing world: for example 84% in India and 66% in sub Saharan Africa. On average in the informal economy, incomes are low and costs plus risks are high.[141] Mike Bird of WIEGO told us:

> There was a notion in the late 1950s that it was a stage we would go through, and then we would get past it, and formal jobs would be created for the people who needed them. It just has not happened.[142]

He said that 'informal was now normal' and that there was a need to extend:

> the benefits of work, and the protections that come with work, and the dignity that comes with work as well, into an informal economy, and just accepting that it is always going to be with us.[143]

In Tanzania the National Social Security Fund has been extended to those in informal employment who can also now pay into the national insurance scheme.

87. Mike Bird recommended that DFID support workers' education programmes so they could create representative associations of workers. These associations could then have a dialogue with their government and explain what it was that they needed in order to see their livelihoods improve. He said "the world's working poor, without being organised, are not going to see benefits accrued to them."[144] He explained that his organisation, WIEGO,

140 Donor Committee for Enterprise Development

141 WIEGO's Approach to Economic Empowerment

142 Q115

143 Q115

144 Q124

which had been set up as a small organisation by self-employed women in India in the 1970s now had 1.9 million members, and was part of the International Trade Union Confederation. The women‘s motto had been, "We are poor but we are many" and as a result of their organisation the women had won many benefits for their members.[145]

88. We asked Stefan Dercon what DFID was doing to help those in informal employment. He said DFID had been carrying out research:

> trying to understand what stops firms from formalising. Why do small informal sector firms not enter into the formal economy? [...] Some of the answers are tax regimes are actually quite unfavourable. Sometimes it is a little bit of worry about becoming easy targets for corruption in some places, because they become more visible while, in other places, it has much more to do with financial markets and if they have the ability to start growing.[146]

Agricultural livelihoods

89. Nearly 60% of Africa's working population are employed in agriculture. On average the sector accounts for 25% of the continent's economic growth. Sir Gordon Conway said:

> agriculture is crucial to reducing poverty in rural areas and to increasing rural economies[147]

Luqman Ahmed of Adam Smith International agreed saying:

> Where do we see the greatest opportunity for income change growth? We do see it in agriculture. That is where a lot of the different programmes have gravitated towards, not only because there are great incomes for income change growth, but a lot of poor people also reside in rural areas. You have agriculture as being a strong sector where there are opportunities to impact on livelihoods and incomes. Trying to improve the productivity within agricultural sectors can also contribute to jobs.[148]

Farm Africa and Self Help Africa in their submission argued that:

> The multiplier effect of growth in the agriculture sector is 11 times greater in reducing poverty than other sectors.[149]

90. However Professor Gollin warned that it was not clear whether investment in agriculture had a higher return in terms of growth and poverty reduction than any other investment:

145 Q124

146 Q210

147 Q136

148 Q4

149 Farm Africa and Self Help Africa

> it is not obvious that a dollar invested in agricultural development achieves growth more easily, partly because the sector is big and it is a little unwieldy. [...] it is not necessarily the case that the things that will benefit the agricultural sector most are necessarily agriculture-specific investments. They may be investments in infrastructure, education and other sectors of the economy.[150]

Problems for sub Saharan agriculture

91. The Foreign Policy Centre said:

> the sector is failing to meet its full potential. Less than 5% of cultivated land is irrigated across Africa. Post-harvest loss ranges from 15-20% and universally there is low use of quality inputs. On average 13 kilograms of fertiliser per hectare is used across Africa south of the Sahara compared to 73 kilograms across the Middle East and North Africa.[151]

Small Foundation said that productivity of smallholder farmers in rural sub Saharan Africa was 75% lower than that of farmers elsewhere. In 2011 Africa spent $35 billion on food imports. Sir Gordon Conway said:

> average cereal yields in Africa, like maize, are a bit over 1 tonne per hectare. In India, they are 2.5 tonnes. In China, they are 3.5 tonnes. Here it is six, seven or eight tonnes or more, and they have places where they could easily produce European level yields. That is not the issue. They can do it; it is a question of how they can do it.[152]

92. In a similar way that economic development has come in and out of fashion with development practitioners so has agriculture–it was a focus of policy in the 1970s and 1980s, then basically ignored in the1990s and 2000s. A Report by the African Smallholders Farmers Group said that although development aid to Africa increased by 250% since the early 1980s the allocation to agriculture had halved. [153]

93. We asked witnesses why there had not been the 'Green Revolution' in Africa as there had been in Asia and Latin America. Professor Gollin thought it was that Asia had had different macroeconomic policies, a greater emphasis on education, better developed markets which he compared to Africa's unstable macroeconomic policies and institutions at the time.[154] Sir Gordon Conway thought it was due to strong political leadership in the countries where there had been a Green Revolution such as the Philippines and Mexico.[155]

94. We also wanted to find out why African Agriculture was still failing. Professor Gollin thought it was because there was a disconnect between the cities and the rural areas–for

150 Q140

151 Foreign Policy Centre

152 Q135

153 Africa's Smallholder Farmers Group Report, Executive Summary

154 Q137

155 Q138

examples cities in West African find it easier to import food than to procure it from the interior. He blamed bad transport links, lack of processing, distribution, storage and warehousing.[156] Dr Keith Palmer of AgDevCo said:

> one of the biggest barriers of all is the fact that we are coming out of a period of 30 years of failure. There has been essentially no progress and, relative to most of Asia and Latin America, there has been regression over this period.[157]

He thought the three main problems to overcome were:

- policies which he believed had been "terribly wrong in the 1980s and 1990s";
- huge under-investment in public infrastructure by which he meant both what he called 'hard infrastructure' such as electricity connections to farms, roads with 24/7 weather capacity to transport goods and 'soft infrastructure' for example the ability to have effective trading relationships so that people could buy from farmers in an efficient way for sensible prices. He said "the whole thing has been broken and needs to be fixed"; and
- farmers who do not really believe it can work. He described them as older people who had "spent their whole lives bashing their heads against a brick wall, not succeeding in commercial agriculture and falling back on these dismally low incomes that small farmers have been earning." He believed this required taking a "patient view and show people things are working, and then they will see it is working and see an opportunity to do things on a more productive basis."[158]

95. Tim Brosnan of the Small Foundation said the main problems for smallholder farmers were:

- access to knowledge,
- access to finance,
- access to technology; and
- access to markets.

He believed that all of these had be addressed together and at once if any progress was to be made:

> Make progress in a few areas and one of the other things will block you.[159]

156 Q144

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Opportunities

96. There is renewed interest in agriculture by donors and world leaders. Sir Gordon Conway believed this was partly due to the food crisis in 2008 and the realisation of leaders that much more needed to be done to improve agriculture.[160] Professor Gollin thought it was due to the advocacy work being done in donor countries.[161] He also believed that with a growing urban middle class demanding more processed food in African cities there were real opportunities for African agriculture by creating a food sector–that was not there thirty years ago.[162] Agriculture was now being seen as having commercial potential for investors including foreign investors.[163]

97. Our predecessor Committee's 2006 report on private sector development recommended:

> If a series of key constraints can be addressed, there is no reason that Africa cannot emulate Asia's successes in achieving agricultural growth. A lack of agriculture-supporting infrastructure is the primary barrier, and increases in infrastructure funding must be targeted towards this sector. Irrigation is a particular concern. DFID must work with other donors to achieve the Commission for Africa-recommended 50% increase in funding for irrigation before 2010. Another priority is re-building the seed industry within Africa. This package of measures should be closely linked into other investment climate improvements such as addressing property rights and land tenure.[164]

98. Sir Gordon Conway said for food security to be achieved in Africa, there was a need for:

- farmers who had some rights to land;
- farmers who were part of farmer associations;
- farmers with access to seed and fertiliser, micro-credit and micro-insurance locally, through agro-dealers;
- links to markets, through for example warehousing;
- efficient and transparent markets;
- value chains where entrepreneurs could become engaged;
- links into local and regional markets in Africa, and international markets; and
- political leadership.[165]

160 Q150

161 Q150

162 Q148

163 Q151

164 International Development Committee Fourth Report of Session 2005–06 Private Sector Development HC 921, para 97

165 Q141

DFID's role

99. Many of the submissions we have received have called for donors to become more involved in the agricultural sector. Self Help Africa and Farm Africa said:

> Along with other donors, DFID's support for agriculture suffered from a near terminal decline for many years. However, over the past five years, its attention to the sector appears to have increased, linked to its growing emphasis on food security, nutrition and, more recently, economic development.[166]

However they have criticised DFID's Economic Development Strategic Framework for making "little reference to agriculture or smallholder farmers."[167] There is a call for DFID to have an agricultural strategy. We questioned the Secretary of State about this and she said that one was currently under consideration.[168]

100. DFID said it has demonstrated a renewed interest in agriculture through its involvement in and support for a range of initiatives linked to agriculture, such as the Nutrition for Growth events held during the UK's G8 Presidency in 2013 and its involvement in other G8 initiatives, such as the New Alliance for Food Security and Nutrition.[169]

101. Dr Keith Palmer from AgDevCo said he 'applauded' DFID's approach:

> That fact is that these are very difficult problems. DFID has encountered a desire to get involved in economic and agricultural growth agendas and they are no better sighted on what are the solutions than many others … so what they have been doing is they have been seeing a number of organisations to explore models for smallholders and for the development of small and medium sized farms.[170]

Tim Brosnan argued that what was needed was an 'emergent strategy' which involved "trying things, experimenting and seeing what happens and then iterating."[171]

Conclusions and recommendations

102. ***The majority of people working in developing countries are not in formal waged employment but are eking out a living in the informal economy. As one of our witnesses told us 'informal is now normal'. We recommend that DFID make working with those in the informal economy a priority. Social security funding should be extended to those in the informal economy along the lines of the National Social Security Fund in Tanzania.***

166 Farm Africa and Self Help Africa

167 Farm Africa and Self Help Africa

168 Farm Africa and Self Help Africa

169 Department for International Development

170 Q182

171 Q182

103. ***We support DFID's focus on agriculture as the most likely sector to help raise people out of extreme poverty. It is a job intensive industry and the sector that most poor people currently work in. Agricultural processing and the food industry has the greatest potential for many African countries as the raw materials and market are local. We look forward to the publication of DFID's agricultural strategy and recommend that our successor Committee inquire into this new agricultural strategy in the next Parliament.***

7 Marginalised groups

104. The fifth pillar of DFID's Economic Development Strategic Framework is:

v) Ensuring growth is inclusive, and benefits girls and women.[172]

DFID's Economic Development Strategic Framework (EDSF) states:

> Marginalised groups face specific structural barriers and are often over-represented among the extreme poor. They can include girls and women, ethnic and religious minorities, young and elderly people, conflict-affected populations, people with disabilities and geographically disadvantaged groups. Policies are needed that share the benefits of growth and directly target extreme poverty and discrimination, to ensure that these specific groups are not left behind. We will focus on the following specific actions, and also ensure that this approach is integrated across the other four pillars….[173]

DFID examples of its work on pillar 5 of the EDSF

- The Business Innovation Facility (BIF) supports companies as they develop and implement inclusive businesses. For example BIF supported the CARE Bangladesh initiative, Jita that created a rural sales-force comprising of destitute women. It employed 4,700 women in 2013, and has helped participants grow their income from less than $12 per month to an average of $20 per month.
- The Rural and Agricultural Markets Development Programme for Northern Nigeria (PropCom Mai-Karifi) has improved access to inputs and services (e.g. seeds, fertiliser, agricultural advice services and low-cost soaps) for over 400,000 poor farmers and rural entrepreneurs, reaching at least 76,000 women to date.
- Gaining access to decent employment and gainful income for youths could potentially mitigate the risk of them becoming potential source of unrest, especially in post-conflict contexts. The Northern Uganda Youth Entrepreneurship Project aims to improve the livelihoods of 5,000 young people and their households through entrepreneurship in conflict-prone regions.
- DFID Nepal's Employment Fund Programme has provided vocational and business skills training to 55,000 youths of which 80% belonged to the disadvantaged community and over 50% were women. The programme also helps place people in domestic employment, with more than 75% of trainees earning at least the minimum wage six months after the training.
- The West Africa Food Markets Pilot Programme aims to contribute to better functioning regional agricultural markets through increase in food traded and an increase in people benefiting from cross border trade. The key achievement of the programme will be over 130,000 farmers directly benefitting from support for agricultural production or marketing, supporting over 700,000 rural poor in targeted regions.

Source: Department for International Development Supplementary Submission

Women and girls

105. DFID said that globally 72% of men are likely to be in paid employment compared to only 47% of women and that women who do work are paid less (on average 10–30% less) and are often in vulnerable or dangerous work.[174] Only 16% of women in developing countries are employed by an employer, compared with 30% of men, and they are more

172 DFID's Economic Development Strategic Framework

173 DFID's Economic Development Strategic Framework

174 Department for International Development

than twice as likely to be out of the workforce (49% versus 21% for men).[175] ILO analysis of 83 countries shows that women in paid work earn on average 10 to 30 percent less than men.[176] For example in Bangladesh, women's earned income is estimated to be around 52% of that of men.[177]

106. Christian Aid outlined the main obstacles for women's economic empowerment:

a) Despite the huge amount of work contributed by women to agriculture, they on average own less than 20% of smallholder plots;

b) Women and girls carry a greater burden of unpaid domestic and care work compared with men, limiting educational and employment opportunities; and

c) Poor energy access also has a disproportionate impact on women's time and contributes to perpetuating gender inequalities.[178]

107. BOND said:

> 79% of economically-active women in developing countries cite agriculture as their main source of income. Therefore supporting smallholder agricultural systems and ensuring female farmers are prioritised in interventions can ensure the redistributive impact of investment.[179]

WIEGO agreed:

> It is crucial to target women farmers and support them in overcoming discrimination on property, labour and access to credit and services.[180]

BRAC's experience has shown that targeting women as the focus for investments in smallholder agriculture gets the best return on investment and development results for both the family and community.[181]

108. Deepta Chopra of IDS said that over the past 30 years, there had been a significant increase in women's participation in the informal economy, leading to what has been called the 'feminisation of informal labour'.[182] Of the informal labour women were concentrated in much of it was home-based (for example working with livestock or handicrafts production). WIEGO said that those who worked from home were less likely than those who worked outside the home to know their rights or to have access to markets, opportunities for skills training, or collective bargaining mechanisms. WIEGO said this meant that compared to men, women were less likely to be organized, or have a voice in

175 World Bank. 2014. Gender at Work: A Companion to the World Development Report on Jobs

176 ILO. 2008. Global Wage Report 2008–09: Minimum Wages and Collective Bargaining, Towards Policy Coherence. Geneva: ILO

177 World Economic Forum. 2014. The Global Gender Gap Index 2014

178 Christian Aid

179 BOND Private Sector Working Group

180 WIEGO's Approach to Economic Empowerment

181 BRAC

182 Deepta Chopra, *Balancing Paid work and Unpaid Care Work*

policy-making or rule-setting institutions. IDS have found a number of reasons for the over representation of women in the informal home-based sector:

- many formal sector jobs are found in large cities or places that are usually away from residences, thereby creating a barrier to women's participation in the labour market because of high costs and time for transport that is usually inadequate and unreliable;
- with no help from the men in their families, or from the state in terms of public provision of services, women faced the prospect of increasing levels of time poverty, making it difficult for them to consider looking for better paid jobs;
- low wages and high costs of childcare, which can leave women with no other choice than to stay at home;
- when their children no longer require childcare, women then have obligations to care for elderly or sick relatives at home; and
- women usually depend on their informal information networks to find employment.

IDS also said that research had found that working at home while performing household chores including care work negatively affects productivity. Women working at home were able to do less work than women working in formal paid jobs (as export garment workers, teachers, NGO staff, nurses and health workers) or informal paid jobs outside of home (domestic work, agricultural and non-agricultural work, petty trade and services). In addition, women working at home were even less likely to get assistance for their unpaid care work from other members of their family, as they were perceived to be at home.[183]

109. ActionAid defines women's unpaid care work as cooking, cleaning, caring for children and elders and collecting fuel and water. It said that the burden of unpaid care acts as a constraint on women and girls' time and a barrier to their equal participation in education and the labour market. It highlighted a study in Latin America and the Caribbean which showed that over half of women aged 20–24 did not seek work outside the home due to their unpaid care burdens;[184] and recent Indian census data showed that 45% of women of working age did not work outside the home for the same reason.[185] Deepta Chopra said:

> It is critical to arrest the push into informal, unsafe and unregulated work, and eradicating gender wage gaps and gender based discrimination in the type of work that women and men are engaged in. A balance between paid work and unpaid care work would enable women to have the time, opportunity and choice to participate equally in society and the economy, thereby leading to empowerment.[186]

183 Deepta Chopra, *Balancing Paid work and Unpaid Care Work*

184 ECLAC, *Women's contribution to equality in Latin America and Caribbean*, 2007

185 Times of India: Jobless women form India's 'Great Invisible Force'

186 Deepta Chopra, *Balancing Paid work and Unpaid Care Work*

110. The Secretary of State in her speech to the London Stock Exchange in January 2014 said:

> we are determined to remove these barriers because no country can develop fully if it leaves half of its population behind.[187]

We asked the Secretary of State about the gender balance of DFID's programmes on economic development and she said that about half of programming already, either directly or indirectly, supported women and girls[188] and that DFID was building up the evidence base of what worked:

> What we do know is that work investing in improving women's access to capital, and improving their employment and their education, can all lead to improved overall prospects. [189]

111. The Secretary of State recognised that trying to break down social barriers and cultural norms which prevented women from working was far harder:

> It is limited in the short term. In the longer term, we can have a steady impact on social norms, but it is a complex area and it sits alongside a much broader challenge on social norms that we run up against in programmes, for example, on FGM or on tackling child marriage.[190]

However Deepta Chopra of IDS said that:

> Whatever DFID does, wherever it creates its investment opportunities, if it does not take into account unpaid care work of women, women will not have the time to participate. They will not have the choice to participate in the sector they want to participate in, in the location they want to participate in. They will be constrained.[191]

The Secretary of State said that one way DFID could address this was:

> through some of the education programmes we are doing and, changing the parameters of how women are fundamentally valued, so that they have a value that gives them options that go beyond purely being a person who just stays at home providing care.[192]

112. We have come across many impressive programmes on our visits that help women with training and employment but often they are too small to access DFID funding. One such example we visited in Tanzania, a sewing workshop for local women in the Mufindi area–providing them with training and employment.[193] This is exactly the type of project

187 Rt Hon Justine Greening MP at the London Stock Exchange January 2014 "Smart aid: Why it's all about jobs."

188 Q213

189 Q216

190 Q216

191 Q119

192 Q217

193 Foxes Community and Wildlife Trust

we would like to see DFID involved in but we have heard that it is increasingly difficult to get funding for useful and effective small programmes. ***We recommend that DFID think more creatively how it can support small organisations and charities doing exceptional work especially with marginalised groups such as women and girls in Lower Income Countries.***

Micro-finance

113. Micro-finance is often put forward as a way to help women in developing countries to improve their livelihoods. Some micro-finance programmes are particularly targeted at women. As part of this inquiry we heard about crowd funded peer-to peer lending through Lendwithcare, CARE International UK's online network. Approximately 70% of the loans go to women, who are frequently bringing up their families on less than $2 a day. The initiative provides a solution to the challenges faced by MSMEs in accessing credit to grow their businesses by supporting micro-finance institutions to expand their lending. It currently has 19,000 lenders who have on average loaned £35 each. It has raised almost £6 million in the last four and a half years.[194]

114. However as part of our Beyond Aid inquiry, Owen Barder said:

> I am uncomfortable about the way that not just the UK but donors generally have invested heavily in the micro-credit industry. Micro-credit for very poor people I think is of questionable value. The empirical evidence of impact evaluations suggests it has not been a great success, but we are now in a situation where we have a number of incumbent organisations in receipt of development funds that are politically well connected and have powerful and credible voices. It is becoming difficult then for policymakers to say, "On reflection, having seen the evidence, we think that we should largely get out of the business of supporting micro-credit for very poor people."[195]

115. BRAC told us about its programme targeting the 'Ultra Poor'. It said that after many years implementing micro-finance and business development work it became acutely aware that the very poorest 10% were generally not able to benefit from access to micro-finance because of lack of skills, assets, land due to their extreme vulnerability. It therefore developed a programme in 2002 focused on attempting to lift destitute women in Bangladesh out of extreme poverty. The Targeting the Ultra Poor approach combined the provision of productive assets (usually livestock), a weekly stipend, a soft loan and a two year process of guidance and training from BRAC. The programme was found to result in an average 38% increase in incomes and this was sustained and enhanced after the intervention had finished meaning the women graduated from 'ultra poverty'.[196] We visited a BRAC programme in Babati, Tanzania which successfully combined micro-credit with livelihoods programmes–it focused on small scale poultry farmers, providing them

194 CARE International Lendwithcare

195 International Development Committee Tenth Report of Session 2014–14 The Future of UK Development Co-operation: Phase 2: Beyond Aid HC 663

196 BRAC

with basic training on vaccination, chicken housing, feeding and disease management as well as providing micro-finance agricultural loans and linking the farmers to hatcheries, vet service providers and traders. BRAC's micro-finance bank is the largest micro-finance institution in Tanzania.

116. We asked the Secretary of State about how successful she saw micro-credit in light of Owen Barder's evidence. She told us:

> As ever, the devil is in the detail. In our experience, micro-finance has provided huge opportunities to millions of people, including women around the world, to be able to set up their own businesses and improve their own livelihoods. At the same time, it is not a panacea.[197]

Family planning

117. According to the Population Reference Bureau, in developing countries about half of sexually active women of reproductive age, or 818 million women, want to avoid pregnancy, meaning that they do not want to become pregnant for at least two years or want to stop childbearing altogether. Because of limited reproductive health choices, about 17% of those women, or 140 million, are not using any method of family planning, while 9% or 75 million, are using less-effective traditional methods. Together, these 215 million women are said to have an unmet need for modern contraception. The UN concluded in 2014 that

> while the world has made significant gains in health and longevity, large and persistent gaps remain between the most advantaged and least advantaged populations, especially regarding access to sexual and reproductive health services.[198]

118. In 2012 the UN revised its population estimates upwards, stating

> Compared with the results from the previous revision, the projected global population total in this revision is higher, particularly after 2075, for several reasons. First, fertility levels have been adjusted upward in a number of countries on the basis of recently available information. In the new revision, the estimated total fertility rate (TFR) for 2005–2010 has increased in several countries, including by more than 5% in 15 high-fertility countries from sub Saharan Africa. In some cases, the actual level of fertility appears to have risen in recent years; in other cases, the previous estimate was too low.[199]

119. The Secretary of State told us she was:

> proud of the ambition that we have set ourselves as a country, in terms of increasing our investment in family planning, enabling more women to have

197 Q220

198 United Nations General Assembly Report from the Secretary-General: Recurrent themes and key elements identified during the sessions of the Commission on Population and Development, July 2014

199 Economic and Social Affairs, World Population Prospects: The 2012 Revision Key Findings and Advance Tables

> access. Stefan can correct me if I am wrong, but the evidence is that, when women have more choice and when they have a greater confidence that their children will get the vaccinations that they need to be able to survive those early years, they tend to have smaller families. In many respects, these sorts of programmes that we are doing and the work that we are doing will mean that countries have a much better control over population and that families end up being smaller, and resources within families can therefore be more focused and hopefully go further, in terms of bringing children up.[200]

120. However Marie Stopes in evidence to our Departmental Annual Report inquiry said it was concerned by the reduction in spending on population/reproductive health, which decreased from £ 424.5 million in 2012 to £373 million in 2013. It argued:

> This is particularly concerning given the lack of global progress towards meeting MDG 5 (To improve maternal health). Both indicators under this goal are off track (Achieving universal access to reproductive health and reducing maternal mortality by three quarters).[201]

It highlighted that under the Strategic Vision for Girls and Women and its Results Framework, DFID had committed to 'help to save the lives of at least 50,000 women during pregnancy and childbirth, enable 10 million more women to access family planning (of which 1 million will be girls aged 15–19) and support 2 million births with skilled attendants.'[202] And concluded that "there is a considerable way to go in reaching the goal of 10,000,000 more women accessing family planning by 2015, with 4,966,000 reached to date." Marie Stopes was also concerned that the trend appears to be continuing, with early indications of health sector spend decreasing from 2013/14 to 2014/15 and the amount spent on population/ reproductive health also continuing to fall. It encouraged DFID to meet its commitments through further investing in sexual and reproductive health and rights programmes.[203]

Disabled persons

121. People with disabilities face much greater barriers in employment than others. In Burma studies showed that 85% of people with disabilities were unemployed, compared with the national average of 3.5%. In Uganda only 0.2% of disabled people were employed in the government, private sector, or even NGOs.[204] The World Bank has estimated that excluding people with disabilities from the economy translates into a loss of 5–7% of GDP, whilst an International Labour Organisation study found that ten low and middle-income

200 Q219

201 Marie Stopes submission for Department for International Development Annual Report and Accounts 2013-14 Inquiry Session 2014-15 HC 750

202 Department for International Development, A New Strategic Vision for Girls and Women 2011

203 Marie Stopes submission for Department for International Development Annual Report and Accounts 2013-14 Inquiry Session 2014-15 HC 750

204 Q110

countries were losing between 3–7% of GDP by excluding people with disabilities from the labour market.[205] Mosharaff Hossain of ADD International told us:

> We need to change the perception of the stigma in society and create opportunities so that disabled people can gain equal opportunities like other people. Then… their livelihood can increase.[206]

Sightsavers highlighted the prevalence of discrimination:

> People with disabilities are often not able to access training programmes as they are not considered eligible. […] Even where candidates with disabilities have the appropriate qualifications and experience, or out-perform others, they may be rejected or not considered for roles because of discriminatory attitudes.[207]

Mosharraf explained that he had been turned down for a job as an economist in the Bangladesh Civil Service because he was a wheelchair user:

> A wheelchair is not a barrier to be an economist. To be an economist, intelligence is the main issue. I do have problems in my legs, but my hands work and my brain is working.[208]

In a similar way due to stigma a deaf boy who was rearing cows was getting less payment than other herders. He said "They think that a disabled person cannot work like others, so he was paid less."[209]

122. In 2014 we undertook an inquiry on disability and in our report we made clear recommendations to government.[210] As a result DFID published a Disability Framework. The Framework said:

> Economic growth is a key priority for DFID. We will explore how to strengthen our work on inclusive economic growth, jobs and livelihoods for people with disabilities. This is key for bringing people out of poverty, and also helping to reduce stigma.[211]

123. We wanted to know if disabled people were benefiting from DFID's general jobs and livelihoods work. Mosharaff Hossain told us that "many disabled people, or disabled girls or women, can work in the mainstream programmes."[212] However he also said:

205 Sightsavers

206 Q111

207 Sightsavers

208 Q111

209 Q111

210 International Development Committee Eleventh Report of Session 2013-14 Disability and development HC 947

211 Department for International Development, Disability Framework: Leaving No One Behind, December 2014

212 Q113

> Nearly 15% of disabled women or men have severe disabilities. For them, some sort of targeted programme is required to supplement or complement those sorts of limitations.[213]

Sightsavers said that the physical inaccessibility of work places was a significant barrier for people with disabilities, as well as accessible transportation and communication materials. It said that the high levels of inaccessibility often resulted from a lack of awareness of disability issues or an unwillingness to make reasonable accommodations.[214] Mosharraf Hossain recommended that DFID needed to explore "an inclusive work environment" and that factories should follow universal design, so that everybody, especially the disabled people, could work in them.[215] He said:

> it is very important to change the attitudes so that it will enable disabled people to have formal employment[216]

124. We also asked about micro-credit programmes for disabled people to be self-employed. Mosharraf Hossain told us that many micro-credit programmes were not suitable for very poor disabled people because of the high interest rates as well as the short repayment time. However the Bangladesh Ministry of Social Welfare was operating a much more flexible programme suitable for disabled people with a six month repayment period and a 5% interest rate. A programme he was working on called *From Margin to Mainstream* was for extremely poor disabled people without access to micro-credit. Firstly it brought them under social protection programmes; then within three years when they had graduated from extreme poverty, and they needed money to extend their business, they could approach micro-credit organisations such BRAC[217]. He believed that for extremely poor and disabled people, social protection was the most appropriate programme:

> For the people who earn below $1, micro-credit is not effective. However, for those who earn more than $2, the people who need more money, micro-credit is suitable.[218]

Older people

125. Agriculture is the main economic activity for older people in developing countries. In Asia 75% of people over 60 reported agriculture as their main income-generating activity. In sub Saharan Africa 73% reported it as a source of income. Ken Bluestone of Age International told us:

> There is no system in place of social security or social protection of benefits that allows these people to take a step back and have security of income later

213 Q113

214 Sightsavers

215 Q130

216 Q116

217 BRAC is a development NGO based in Bangladesh

218 Q131

> in life. They are relying on agriculture to supplement themselves and, in many cases, to actually provide basic nutrition.[219]

126. The proportion of older people as agricultural holders, the people that make the major decisions such as resource management, is increasing in many countries. For example, in Nepal the number of agricultural holders aged above 55 has increased by more than 3% between 1992 and 2002, making up nearly 35% of the country's total. Age International are concerned that although the average age of farmers is increasing development agencies are not taking this into consideration "this is just not being recognised by development actors, stakeholders such as DFID and other programmes."[220] It said:

> To exclude older people from policies and programmes designed to boost jobs and maintain livelihoods is to deny demographic realities and to miss a crucial opportunity to harness older people's valuable knowledge, experience and skills.[221]

127. Only 25% of older people in low and middle income countries currently receive a pension. Age International said that pensions helped people to protect and invest in their livelihoods, diversify their income-generating activities, save money and make them more resilient to shocks. Ken Bluestone said there was a need for older people in developing countries to receive non-contributory social pensions, financed by tax, with the example of Mauritius where he said pensions had been very successful at reducing poverty and giving more economic security.[222] In Bolivia social pensions have been shown to reduce child labour and improve school enrolment in households receiving the pension.[223]

128. **DFID needs specific interventions for marginalised groups if these groups are to benefit from wider economic growth. We welcome DFID's positive response to our report on disability.** ***We recommend that DFID should help raise awareness of disability issues and the rights of people with disabilities within work as well as broader society. It should also work with national partners to share learning and expertise on creating inclusive work environments; accessible training and working facilities.***

129. ***Older people are increasingly the agricultural workers and decision makers in smallholder farming. DFID must ensure that its agricultural livelihoods programmes properly engage with all age groups and does not exclude older farmers.***

130. ***Women and girls carry a greater burden of unpaid domestic and care work than men, limiting their education and employment opportunities. We recommend that DFID take further steps to help lift this barrier. We recommend that DFID stress the importance of supporting women in business and giving them the same access to land and business rights as men. Women are very reliable with money and returning money they have***

219 Q171

220 Q171

221 Age International and HelpAge

222 Q180

223 Age International and HelpAge

borrowed through micro-finance. We believe the key to micro-credit is to provide it alongside livelihood programmes as BRAC does.

131. ***Fertility rates remain high in many parts of Africa, exacerbating the problem on un- and under-employment. We are, therefore, surprised that DFID has reduced its spending on reproductive health. We recommend that work and expenditure in this area be significantly increased and that DFID assess whether the main problem is access to or attitudes towards contraception.***

8 Youth unemployment

Background–the figures

132. World Bank and ILO statistics tell us that 75 million young people are registered unemployed, 620 million are not in training or seeking work and 600 million will enter the job market in the next decade with only 200 million jobs awaiting them.[224] The Zambian Minister of Finance Alexander Chikwanda called youth unemployment "a ticking time bomb for all of us."[225] The UN has stated that 'large numbers of unemployed youths are a potential source of insecurity given their vulnerability to recruitment into criminal and violent activities.'[226] World Bank official Justin Lin points out in his paper on the topic that

> the youth bulge will be an important demographic phenomenon, especially in sub Saharan African countries, in the coming decades. It is essential to facilitate dynamic structural change to create jobs for youth. By doing so, the youth bulge can be transformed into a demographic dividend, and the demographic bomb can be defused.

But the Foreign Policy Centre highlighted that:

> Sluggish structural change is failing to take advantage of Africa's youthful labour force and generate higher levels of productivity. [227]

133. Peace Child International said that one of the major problems for youth job creation is the lack of statistics on the issue. The 2007 World Development Report: Youth stated on the first page, "one of the biggest challenges in writing this Report was that the evidence base was uneven. There were very few rigorous evaluations of youth programmes and policies for any of the issues covered in the Report. The Bank's inventory of over 750 youth employment interventions found that less than 3% measured for cost-effectiveness and many had no evaluation at all. Professor Michael Grimm wrote an OECD Evaluation Insight paper "Do We Know how to create Youth Jobs?" and answers: "No. First and foremost, our review underlines how little we actually know about how to create jobs."[228]The World Bank's West Africa Director, Max Andriesen, told a meeting of youth and youth employment experts in 2008: "Your metrics are awful".[229]

134. We questioned representatives from youth organisations why so little was known. Andrew Devenport of Youth Business International said:

224 Youth Job Creation a Policy Primer created by Peace Child International

225 Peace Child International

226 UN Peacebuilding, Joint Response to youth employment in Sierra Leone

227 Foreign Policy Centre

228 Peace Child International

229 Peace Child International

> Youth employment, and the study of youth employment, is a relatively new area, and has really only emerged as a focus since the World Bank World Development Report in 2007.[230]

As a result he believed it had suffered from a "lack of investment in research and monitoring evaluation" and "poor project design". He called for "long-term research to understand the structural constraints in the labour market, and monitoring evaluation and programming at the micro level" and believed that this could be achieved by "better co-ordination between different sectors and better planning".[231] David Woollcombe of Peace Child International (PCI) said it was very hard to create a cost per job that "analyses the quality of the job, the length of the contract and the different sectors" but that PCI had been working on such a metric and was seeking partners to pilot test the framework in field conditions.[232]

135. PCI said there was a need for longitudinal evaluations, because "interventions made at age 16 or 17 may not bear fruit until young people are 25 or 26." And that DFID's research department could apply to youth the longitudinal kind of evaluations that it had taken up with younger children. It recommended that:

> Government and institutional economists representing donors and institutions like the World Bank need hard, rigorously-sourced data of the kind that DFID's research teams are well-placed to provide.[233]

DFID policy

136. The problem of youth unemployment is a major priority for most of the countries in which DFID works. The Secretary of State said:

> Wherever I go, particularly in sub Saharan Africa, when you meet with the leaders of those countries, they are passionate about the need to create jobs for that young generation that is growing up in those countries.[234]

On our visit to Sierra Leone and Liberia in 2014, both President Ernest Bai Koroma and President Ellen Johnson Sirleaf highlighted youth unemployment as a major concern for them as a potential trigger for the return to civil war.[235] We found that even in these countries where DFID was meant to be working in alignment with national priorities that it was not working on the issue—it had been invited by other donors to work on the issue

230 Q80

231 Q80

232 Peace Child International Annex A

233 Peace Child International

234 Q187

235 International Development Committee Sixth Report of Session 2014–15 Recovery and Development in Sierra Leone and Liberia HC 247

of youth unemployment through the Partner Group on Youth Employment but had declined.[236]

137. Peace Child International believed that youth had yet to be a priority in DFID's thinking. It said that

> Of the ESDF Pillars, only Pillar Five, "ensuring growth is inclusive", references the young–and then only as one of nine groups. So, while 60 to 70% of the populations of DFID's target countries are young, they appear as a mere 2.2% of the EDSF focus. Youth unemployment is not mentioned at all.[237]

138. Our predecessor Committee's report on *Private Sector Development* in 2006 recognised the need for targeted interventions for young people:

> DFID's current reliance on investment climate reforms as a means to create jobs is insufficient to reach the groups who are most in need, especially young people. The Department should seek to build partnerships with governments and companies that closely link education with job creation.[238]

139. PCI recommended that DFID needs to create a senior level youth policy expert adviser. It highlighted that the UN now had a Special Representative on Youth and the European Commission at DG DEVCO had an adviser on youth.[239] David Woollcombe said there was not currently "enough passion and energy at DFID driving the youth employment agenda".[240] PCI believed that a youth adviser was needed: to pull the youth initiatives together into a coherent strategy; to offer country officers expert advice on youth job creation; and to advise the Secretary of State on "how better to address the infinitely complex area of delivering effective youth policy interventions."[241] David Woollcombe concluded:

> What DFID should not do is tinker around the edges. It has to have a comprehensive strategy, which is why expertise at a senior level in DFID is really important to this field.[242]

DFID's major youth programme: International Citizen Service

140. DFID's biggest investment in youth employment is the £64m it has invested in the International Citizen Service (ICS), designed to complement the National Citizen Service. This programme is managed by DFID's Education and Partnerships Team and builds on

236 International Development Committee Sixth Report of Session 2014–15 Recovery and Development in Sierra Leone and Liberia HC 247, para 114

237 Peace Child International

238 International Development Committee Fourth Report of Session 2005–06 Private Sector Development HC 921, para 87

239 Q104

240 Q104

241 Peace Child International

242 Q95

DFID's investments in raising awareness for British youth of the value of international development. Led by VSO, ICS aims to:

> develop 14,000 young people as active global citizens: in the UK, there will be 7,000 new advocates for international development; in some of the poorest countries in the world there will be 7,000 young people whose potential as community leaders will be enhanced; combined there will be a dynamic global network of young people who know the potential of work across cultural boundaries to deliver positive change.[243]

141. The ICS programme has faced criticism. PCI said

> there is an in-built tension between the goal of giving the British volunteers a life-changing 'learning journey' and the desire to make concrete development impacts on the ground in Least Developed Countries. Of the seven ICS Quality Principles, only one mentions development impacts.[244]

PCI questioned the £64 million cost:

> £64m divided by 7,000 means that each 3-month ICS volunteer programme costs DFID £9,143. Most 3-month commercial gap year programmes cost around £2.5 to £3,000.[245]

And concluded:

> the ICS budget invested in our BTCA programme would train a million young entrepreneurs and launch 200,000+ youth-led business start-ups.[246]

We have heard other criticisms of the ICS programme including problems with the induction process and the lack of follow up from the organisation after the placements.

David Robilinho said at the Solutions4Work World Bank Conference there was an "over-supply of small initiatives" with a parallel reluctance to go to scale. He pointed out that "the youth unemployment problem is in the millions, but our solutions are in the thousands." PCI from discussions with DFID say that DFID has no intention to scale up the ICS programme so that it could start to make an impact on youth employment due to its expense.[247]

ICS Entrepreneur

142. ICS Entrepreneur is a new additional programme that focuses on the development of small to medium sized enterprises through the placement of volunteers. Between July 2014 and August 2015, 800 ICS Entrepreneur volunteers (half from the UK and half from in-

243 VSO

244 Peace Child International

245 Peace Child International Annex A

246 Peace Child International Annex A

247 Peace Child International Annex A

country) will work through four agencies in nine countries.[248] Raleigh International, one of the implementing partners of the programme said;

> aspiring entrepreneurs receive focused support, delivered in an informal setting through their peers, to develop and implement a business idea.[249]

VSO told us:

> as well as encouraging economic growth in these countries, the programme enables volunteers to build up their own enterprise skills, and obtain hands-on business experience which will boost their employability when they return to the UK.[250]

143. However Youth Business International told us:

> There is a fast growing population of young entrepreneurs in the UK with export opportunities, expertise and the social conviction to connect with counterparts for mutual benefit. There is a case to expand the considerable investment in ICS Entrepreneur to target exchange between young entrepreneurs, rather than generalist young volunteers.[251]

144. ***Given the importance of DFID's International Citizen Service programmes, we believe it is justified for them to be the subject of an inquiry either by ICAI or our successor Committee in the new Parliament so that their full effects can be evaluated.***

Potential policy options

145. Filmer and Fox's research on Youth Employment in sub Saharan Africa said that 83% of new jobs will be created in household enterprises (family or individually-run micro-enterprises), 9% in government and public services and 8% in formal private sector waged employment.[252]

146. However from studying DFID's Development tracker website PCI said that current DFID spending is overly-skewed towards formal, private sector, waged employment and the enabling environment–not family or individually-run household enterprises where youth jobs are to emerge. YBI found:

> the majority focus of the five pillars is on larger-scale, macro interventions that enable rather than deliver job creation directly. Certainly a conducive policy, legal, regulatory and institutional environment is central for markets to work and businesses to grow, but DFID also has an important direct

248 VSO

249 Raleigh International

250 VSO

251 Youth Business International

252 Peace Child International

> programming role to catalyse growth that is not comprehensively addressed in the Framework.[253]

Both organisations had clear policy solutions for DFID to consider which addressed both the existence of youth employment in the informal economy and potential direct programmes–helping young people to create their own employment through entrepreneurism which required direct support as well better education to teach the skills required in the informal economy.

Encouraging entrepreneurship

147. YBI said:

> Entrepreneurship is part of the youth employment solution–particularly in developing countries where other job options are less viable and the informal sector makes up a substantial share of the economy. Entrepreneurship is widely acknowledged as a driver of sustainable economic growth as entrepreneurs create new businesses that drive and shape productivity and innovation, speed up structural changes in the economy and introduce new competition, and they create new jobs that can drive inclusive growth.[254]

148. David Norman from SAB Miller explained what being an entrepreneur meant in the developing world:

> when we are talking about entrepreneurs here in the UK, people have a very particular image of someone innovating, fast, dynamic, probably young and already rich. They contrast with the entrepreneurs who are small scale retailers who buy from us. [...] They have a little stall. They are perhaps buying from us just a very small number of crates of beer per month. These are what you might call survival entrepreneurs. These are people who do not have another job opportunity, who have chosen to set up a stall and sell our products and other products in a very poor community close to the poverty line, because that is virtually their only choice. [255]

Gerry Boyle of CARE International said:

> many of the young people in developing countries have the strongest possible incentive to be enterprising, insofar as they have no other likely source of income. The issue becomes, then, one of: how does one make them see what is possible and feasible, and allow them to start to formulate plans that will make them an effective entrepreneur?[256]

David Norman asked:

253 Youth Business International

254 Youth Business International

255 Q8

256 Q84

> It is quite helpful to think about what it takes to invest in those people's ability to turn that from a simple stall into a growing and thriving business"[257]

149. PCI and YBI were already working with young people in developing countries to encourage them to be entrepreneurs–PCI through Be the Change Academies and YBI through its global network of independent non-profit initiatives. Andrew Devenport explained that YBI worked by:

- promoting an entrepreneurial culture through celebrating success;
- reducing the risk of starting a business by focussing on supply chain-type businesses and promoting micro-franchising;
- improving young people's confidence by also providing non-financial support such as mentoring, training and helping to build networks; and
- helping young people face the challenges of both failure and success that will come with starting a business.[258]

Be the Change Academies

Peace Child International's Be the Change Academy (BTCA) is a youth-led programme that provides enterprise training, loans and mentorship to aspiring young entrepreneurs in West Africa and India. It takes the call to action–"you have to be the change you want to see in the world"–and uses it to inspire young people to take their futures into their own hands.

Each BTCA runs youth-led free business plan creation trainings which are linked to a Revolving Loan Fund that invests in the best business plans. At the moment, there are three BTCAs running in three African cities: Kenema, Sierra Leone; Paynesville, Liberia; and Conakry, Guinea.

The BTCAs :

- concept was designed by young people
- are staffed and run by young people
- young staff are trained and supported by professionals
- link practical business plan creation training to an internal bank, which offers non-collateralised loans at affordable interest rates to make the best of the plans happen
- offer a unique brand of 'differential mentorship'–24/7 support and nurturing from a variety of mentors to ensure that each Youth-Led Business Start-Up (YLBS-U) is successful

Source Peace Child International Website

150. Gerry Boyle said that government agencies, NGOs and donors could work to reach these potential young entrepreneurs through already established mechanisms such as savings and loan associations. DFID could then help them to work together with peers in groups, to start to develop business ideas then access finance in pools.[259]

151. YBI also said DFID could link up young entrepreneurs in the UK who had the "export opportunities, expertise and the social conviction to connect with counterparts for mutual benefit." He suggested expanding the recent investment in the new ICS Entrepreneur programme as discussed in the previous section.

257 Q8

258 Q84

259 Q84

Education and skills training for the informal economy

152. DFID puts resources into improving access to primary and junior secondary education. The then Minister Lynne Featherstone MP said that "basic education is economic development. Getting a cohort through who are capable of work and better work and go on, ultimately, to tertiary skills". Luqman Ahmad from ASI agreed that education was very important so developing countries were "able to benefit effectively from the demographic dividend of having young, productive people." However he warned that "if the education system […] does not work effectively, you will have potential opportunities to radicalise youth or draw youth into unproductive parts of the economy. [260]

153. It would seem from our and other's experience that there is a failure in the system as Francis Teal of Oxford University said:

> Those most dissatisfied by their job prospects are the newly educated young. There are two possible reasons for this. […] One is that the education is of such low quality that it fails to produce skills of value in the market place. The second is that there is a mismatch between the type of jobs being created and the education supplied. [261]

Luqman Ahmed said the problem was that for those coming out of formal education there was:

> a limited formal job market that they can enter into. They must be competing quite intensively for the formal jobs and, therefore, they have to move into an informal environment and an informal economy, where they need to make a livelihood in informal trade, in some type of agriculture production or in small-scale manufacturing. Those skills are not being taught. […] Yes, there is education to help improve the likelihood of them getting formal jobs, but we also need to recognise that there is still a big role that the informal sector plays. How does one prepare people to succeed in that context?[262]

154. We have been particularly disturbed to hear about the high levels of graduate unemployment in developing countries. Our report on Sierra Leone and Liberia highlighted the 70% graduate unemployment rate in Sierra Leone, for which we never discovered a satisfactory explanation. The DFID Minister told us it was because of the "lack of appropriate skills in terms of getting jobs" amongst graduates. We also heard that there was corruption in the exam process with a culture of buying qualifications and certificates. In addition we were told that the graduates all wanted employment with the government but that these jobs were already all filled with people who were often of poor quality and ineffective but impossible to remove. When we spoke to university students in Dodoma on our Tanzania visit they told us that they did not feel that their university courses were preparing them for life in the working world, they were interested in the idea of sandwich courses where they could spend a year out in industry applying their studies.

260 Q10

261 Francis Teal

262 Q30

155. PCI would like to see skills for self-employment taught in schools. David Woollcombe said:

> education, as it exists in those countries, does not educate for self-employment; it educates for waged employment. When 83% of jobs are not in waged employment, there needs to be much more education for enterprise start-ups, […] self-employment and self-reliance[263].

He went on to say:

> There needs to be much more imagination and innovation pushed into education, especially in sub Saharan Africa, where I am afraid they have inherited a 19th-century form of British education which remains, in many cases, largely unchanged.[264]

Gerry Boyle highlighted the lack of financial literacy of those applying for micro-credit through his organisation lendwithcare which it had to teach before giving loans:

> a lot of our effort is around financial literacy, and very basic financial literacy such as the concepts of saving, of what financial institutions might be out there and what products might be available. Clearly, if that is captured better within schools, and achieved more effectively, then it does give everybody a step up.[265]

156. We were given examples of initiatives which were providing the young with the necessary skills to survive in the economies in which they would be working. Andrew Devenport of YBI said:

> There are significant initiatives such as Junior Achievement, which is working with 200,000 young people in sub Saharan Africa, bringing into the classroom people from the business world and having entrepreneurs share their experiences.[266]

He also gave the example of a type of schooling in Paraguay: Fundación Paraguaya,

> A combination of conventional schooling 50% of the time and 50% of the time focussed on agriculture, but agriculture as a business and agriculture in its different forms, seeing how basic processes can be improved producing young graduates who have ability and excitement about being able to make a viable living out of the land.[267]

157. David Woollcombe referred to 'skills matching' as 'the low hanging fruit of job creation where you educate for the skills that the private, waged sector needs' and recommended that there needed to be much more work on it. He highlighted a

263 Q80

264 Q83

265 Q82

266 Q81

267 Q103

programme called Entra 21 where private sector educators, young people, and the Government sit around a table, discuss what the needs of the private sector are, in terms of skills, and then makes sure that the education provision is delivering that.

158. We asked DFID what it was doing on this—Stefan Dercon, DFID's Chief Economist said:

> there is a lot of scope and a lot of interesting studies going on in trying to get much better at forms of skills training. DFID is supporting quite a lot of these kinds of things, but also schemes in practice.[268]

Cross Government working

159. YBI said for there to be progress there needed to be:

> better coordination and leverage across the different sectors–public, private and civil society–identifying targeted, value-add roles for bilaterals and others.[269]

PCI said that:

> DFID could learn a lot from its colleagues in BIS, where the Start-up Loans company and its 75 Delivery Partners (DPs) have launched 20,000+ businesses and lent over £100m with a repayment rate of over 90%. Many of these, like the Prince's Trust, School for Start-ups and Rockstar Mentors, operate internationally and can show DFID proven methods for training, supporting and mentoring young entrepreneurs to succeed with their business start-ups.[270]

160. We asked the Secretary of State about this and it seems the only work DFID has done with a British industry is on the extractives, looking at skill requirements for companies operating in these areas so local staff can be trained up in them.[271]

Conclusions and recommendations

161. **Youth unemployment is a great challenge and is a potential cause of social and political unrest. We recommend that DFID more explicitly target youth unemployment. We have seen examples of effective interventions, but have also received evidence about the need for improvement. Currently, donors, the private sector and developing country governments are not working together on a scale to even approach meeting the challenge. The work needs to be scaled up and a sense of urgency injected into the thinking and planning.**

268 Q224

269 Youth Business International

270 Peace Child International

271 Q226

162. ***The majority of young people entering the labour market in developing countries will be self-employed and in informal employment. They need to be supported in this position as young entrepreneurs. DFID needs to ensure the education in schools is focused on creating the skills young people will need to enter the world of work especially self-employment. In rural areas schools should focus especially on agricultural skills for example animal husbandry. DFID should encourage recipient developing country governments to introduce sandwich courses in higher education institutions. In our Beyond Aid inquiry we stressed the importance of better policy coherence and in particular UK government departments working together. We again highlight the need for DFID to work with BIS on expanding its support to further and higher education in its priority countries.***

163. ***We also recommend a number of small, immediate, practical actions. We recommend that DFID officials meet with BIS officials to discuss which of the BIS youth programmes could be transferred to developing countries. To ensure it gives greater priority to youth unemployment, we recommend DFID creates the position of a senior adviser on youth employment. As the focus on this area becomes more acute there is an urgent need for far more data to be collected and examined to fully understand the problem and solutions so that targeted programs can be developed. We encourage DFID to work with organisations such as Peace Child International and Youth Business International to create and pilot innovative ways of collecting and measuring youth job creation data.***

164. ***Jobs and livelihoods is such an important issue we recommend that our successor Committee takes it up in the next Parliament to assess what progress has been made.***

1 Appendix

DFID's Economic Development Strategic Framework and Nepal

This note sets out a brief account of examples of DFID's work in Nepal on economic development, mapped out against the pillars of DFID's global Economic Development Strategic Framework. It complements the briefing provided in the main briefing pack for members of the IDC. It does not include the work of multilateral institutions, other than PIDG, that are funded by UK capital contributions.

Pillar 1–Improving international rules for shared prosperity

- DFID's multi-country Trade Advocacy Fund supports poorer countries to strengthen their analytical and negotiating capacity. Nepal is a key beneficiary country *(Centrally managed).*
- Joint DFID and FCO engagement with Nepal partners in Kathmandu, given its influential role amongst LDCs, about World Trade Organisation negotiations (*Non-financial*).
- Joint DFID and FCO engagement with Nepal partners in Kathmandu about international climate change negotiations (*Non-financial*).
- Supporting Government of Nepal's National Adaptation Plan of Action *(Bilateral, National Climate Change Support Programme).*

Pillar 2–Supporting the enabling environment for private sector growth

- Supporting a stable macro-economic environment conducive to growth through our work with the Central Bank of Nepal to strengthen its oversight of all major financial institutions in Nepal (*Bilateral, Accelerating Investment and Infrastructure in Nepal or AIIN*).
- Promoting open and inclusive economic institutions e.g. by helping to cut red tape at border posts on the Indian border *(Centrally managed)* and helping the Securities and Exchange Board of Nepal to better regulate its nascent equity market (*Bilateral, Access to Finance programme or A2F*).
- Building better conditions for infrastructure investments by improving the regulatory environment in the power sector and ensuring maintenance of road assets is a policy priority (*Bilateral, AIIN and the third phase of the Rural Access Programme or RAP3).*

Pillar 3–Catalysing capital flows and trade in frontiers markets

- Increasing private investment into poorer countries, including Nepal, through CDC. CDC has been actively scoping opportunities in Nepal, including through regular interactions with DFID Nepal, for the last 12 months *(Centrally managed).*

- Improving the provision of infrastructure that is critical for growth and trade, through PIDG's InfraCo Asia work to support a medium-size hydropower project, Kabeli-A, involving co-financing from IFC and others (*Centrally managed*); the Public Private Infrastructure Advisory Facility support to pre-feasibility work on the Fast Track Highway project between Kathmandu and the Indian border (*Centrally managed*) and DFID Nepal technical assistance to the Investment Board of Nepal on mega-hydropower (*Bilateral, AIIN).*

Pillar 4–Engaging with businesses to help their investments contribute to development

- Encourage businesses to invest more, and responsibly in Nepal through our assistance to getting the first dedicated equity fund (and impact investment fund) for Nepal, The Dolma Impact Fund, launched in September 2014 (*Bilateral, A2F).*

- Supporting businesses to innovate in the vocational skills sector, by developing a results-based approach to financing training of young people. Final tranche of payment is contingent on verifying placement of graduates into minimum wage-earning jobs in the formal and informal sectors (*Bilateral, The Employment Fund).*

- Supporting domestic and international businesses operating in Nepal to share views with and hear from Government about the main priorities affecting business activity in Nepal through the Nepal Business Forum (*Bilateral, AIIN).*

- The global SPRING programme, funded by DFID, USAID and Nike Foundation, to support early-stage businesses develop products and services for poor adolescent girls will roll out to Nepal towards end 2016 (*Centrally managed).*

Pillar 5–Ensuring growth is inclusive, and benefits girls and women

- Improving physical access of poor people to markets. DFID's investments in rural roads in Nepal in the last 14 years has led to 1000km of roads getting built or improved and 14 million person-days of employment being generated for local communities, including women (*Bilateral, Rural Access Programme*).

- Improving access of poor people to agricultural and tourism markets. DFID is working with i) farmers, including from the most socially excluded groups, like Dalit farmers rearing and selling pigs and ii) family-run businesses in remote hilly or mountainous regions to boost their incomes by developing agricultural and tourism markets *(Bilateral, Nepal Market Development Programme).*

- Improving access to finance for both poor women and men, including by supporting savings groups, improving financial literacy and tackling the specific needs of those physically excluded from mainstream credit like poor farmers in the Mid and Far West Regions (*Bilateral, A2F).*

- Increasing employment opportunities and access to jobs for poor women and men, by providing jobs-based skills training through the private sector. In 2013, more than 7000 women were trained and placed in jobs *(Bilateral, The Employment Fund).*

- New work to support improvements to the business environment will generate analysis of and recommendations for tackling the barriers affecting women entrepreneurs and women-led businesses *(Bilateral, AIIN)*.

DFID Nepal

February 2015

Conclusions and recommendations

Background to jobs and livelihoods

1. The shortage of full time jobs and the difficulty in earning a livelihood are one of the greatest global problems. Increasing population, especially in Africa, looks much less likely to stabilise than experts complacently believed until recently. World-wide 600 million young people will enter the job market in the next decade with only 200 million jobs awaiting them. The failure to address the issue will have serious consequences and threatens widespread social and political unrest. The situation is recognised by donors, notably the World Bank and DFID but there seems to be a lack of passion in attempts to address it. (Paragraph 14)

DFID policy

2. DFID recognises that the private sector is the driver of economic growth and will produce 90% of new jobs. Its approach to economic development is centred on its Economic Development Strategic Framework. This consists of a series of wide-ranging interventions, listed under five pillars, including international trade, improving the 'enabling' environment in countries; catalysing capital flows; engaging with businesses to help their investments contribute to development; and ensuring growth is inclusive and benefits marginalised groups such as girls and women. The choice and balance of interventions depends on the particular circumstances of each country. The basic approach was supported by many witnesses. (Paragraph 33)

3. However, there are several concerns. Spending on economic development has increased greatly in recent years. DFID plans to spend £1.8 billion on economic development by 2015–16–more than doubling the amount spent in 2012–13; is DFID geared up to spend the extra money cost-effectively? We have seen examples of successful work on our visits, but *we urge DFID to publish regularly a list of achievements from the money spent on its economic development programmes. A £1.8billion budget needs to demonstrate year on year outcomes and results. We agree with ICAI that DFID should be clearer about the areas in which it has a comparative advantage relative to other stakeholders and where it can actually make a difference.* (Paragraph 34)

4. As the balance of interventions will vary from country to country, it is essential that decisions are made locally. DFID country offices must lead this work; this means they should determine not only their own bilateral country programmes, but also ensure that programmes run from DFID in the UK should be well-integrated with them. Country offices should be properly consulted about centrally managed programmes to be run in their country. (Paragraph 35)

5. *Economic development work can and should be done in fragile and conflict affected states. We recommend that DFID continues the difficult challenge of creating jobs and improving livelihoods in fragile and conflict affected states as it is successfully doing in the DRC.* (Paragraph 36)

Creating space for the Private Sector to invest

6. We support DFID's work to improve the enabling environment, to create the space for the private sector to flourish, and have seen excellent examples of its work in areas such as public financial management. DFID should not do everything and investment in some areas such as infrastructure is best undertaken by its partners which have a comparative advantage in this area. However, as we saw in both Dar es Salam and Kathmandu poor urban planning is a serious obstacle to development and is relatively neglected by donors. *We recommend that DFID reassess the priority it gives to urban planning.* (Paragraph 52)

7. *It is important for DFID to use its influence with recipient governments to encourage them to focus on the investment climate especially to reduce corruption. We recommend that DFID maintain its focus on improving the enabling environment in the areas where it has its competitive advantage.* (Paragraph 53)

8. We are encouraged that CDC has followed our recommendations and has refocused on job creation. (Paragraph 54)

Engaging with business

9. DFID has recognised that if it is to spend large sums on economic development and engage with the private sector, it needs to recruit people who have worked in that sector. We welcome the progress made, *but recommend that DFID recruit people who have set up businesses themselves or have run businesses in developing countries to work in the private sector department.* (Paragraph 80)

10. DFID must ensure it has put sufficient emphasis on economic growth which creates jobs and improves livelihoods. It needs to be open to working in a wide range of economic sectors which have the potential to create large numbers of jobs. This should include tourism and the creative industries. *We recommend that DFID and the FCO make tourism a greater focus of its work, both in programmes which support the industry and in engaging with governments; this might include in Tanzania encouraging the Government to increase efforts to combat poaching.* (Paragraph 81)

11. The creation of decent jobs is important; working conditions can be improved without losing jobs, as the experience of the Bangladesh garment industry shows. *We recommend that DFID insist that any multinational company receiving its funds respect international standards set out in the OECD Guidelines for Multinational Enterprises and that other companies fully respects local standards. We welcome the Secretary of State's commitment to review DFID's relationship with the International Labour Organisation as part of its reconsideration of the Multilateral Aid Review. In light of the much greater involvement of DFID in jobs we recommend that it should reinstate its core funding to the International Labour Organisation.* (Paragraph 82)

12. *We recommend that as part of DFID's growth diagnostic consideration should be given to the presence or potential for forced labour, debt bondage and slavery in its priority countries. An explicit part of DFID's economic development programme in a country should be working to ensure labour contracts are freely entered into and the end of forced or bonded labour, on the understanding that this is a condition for economic* *development in the same way as secure property rights or access to capital.* (Paragraph 83)

13. On our visits we saw several examples of DFID's productive involvement with private companies. However, our concerns from previous reports persist. DFID has to be careful not to distort the market by favouring one company over another. *We welcome the Secretary of State's support for new forms of finance along the lines we recommended in our report on Development Finance. We look forward to seeing greater use of returnable and recyclable capital alongside more traditional grant aid develop further.* (Paragraph 84)

Improving livelihoods

14. *The majority of people working in developing countries are not in formal waged employment but are eking out a living in the informal economy. As one of our witnesses told us 'informal is now normal'. We recommend that DFID make working with those in the informal economy a priority. Social security funding should be extended to those in the informal economy along the lines of the National Social Security Fund in Tanzania.* (Paragraph 102)

15. We support DFID's focus on agriculture as the most likely sector to help raise people out of extreme poverty. It is a job intensive industry and the sector that most poor people currently work in. Agricultural processing and the food industry has the greatest potential for many African countries as the raw materials and market are local. We look forward to the publication of DFID's agricultural strategy and recommend that our successor Committee inquire into this new agricultural strategy in the next Parliament. (Paragraph 103)

Marginalised groups

16. *We recommend that DFID think more creatively how it can support small organisations and charities doing exceptional work especially with marginalised groups such as women and girls in Lower Income Countries.* (Paragraph 112)

17. DFID needs specific interventions for marginalised groups if these groups are to benefit from wider economic growth. We welcome DFID s positive response to our report on disability. *We recommend that DFID should help raise awareness of disability issues and the rights of people with disabilities within work as well as broader society. It should also work with national partners to share learning and expertise on creating inclusive work environments; accessible training and working facilities.* (Paragraph 128)

18. *Older people are increasingly the agricultural workers and decision makers in smallholder farming. DFID must ensure that its agricultural livelihoods programmes properly engage with all age groups and does not exclude older farmers.* (Paragraph 129)

19. *Women and girls carry a greater burden of unpaid domestic and care work than men, limiting their education and employment opportunities. We recommend that DFID take further steps to help lift this barrier. We recommend that DFID stress the* *importance of supporting women in business and giving them the same access to land and business rights as men. Women are very reliable with money and returning money they have borrowed through micro-finance. We believe the key to micro-credit is to provide it alongside livelihood programmes as BRAC does.* (Paragraph 130)

20. *Fertility rates remain high in many parts of Africa, exacerbating the problem on un- and under-employment. We are, therefore, surprised that DFID has reduced its spending on reproductive health. We recommend that expenditure in this area be significantly increased and that DFID assess whether the main problem is access to or attitudes towards contraception.* (Paragraph 131)

Youth unemployment

21. *Given the importance of DFID's International Citizen Service programmes, we believe it is justified for them to be the subject of an inquiry either by ICAI or our successor Committee in the new Parliament so that their full effects can be evaluated.* (Paragraph 144)

22. Youth unemployment is a great challenge and is a potential cause of social and political unrest. We recommend that DFID more explicitly target youth unemployment. We have seen examples of effective interventions, but have also received evidence about the need for improvement. Currently, donors, the private sector and developing country governments are not working together on a scale to even approach meeting the challenge. The work needs to be scaled up and a sense of urgency injected into the thinking and planning. (Paragraph 161)

23. *The majority of young people entering the labour market in developing countries will be self-employed and in informal employment. They need to be supported in this position as young entrepreneurs. DFID needs to ensure the education in schools is focused on creating the skills young people will need to enter the world of work especially self-employment. In rural areas schools should focus especially on agricultural skills for example animal husbandry. DFID should encourage recipient developing country governments to introduce sandwich courses in higher education institutions. In our Beyond Aid inquiry we stressed the importance of better policy coherence and in particular UK government departments working together. We again highlight the need for DFID to work with BIS on expanding its support to further and higher education in its priority countries.* (Paragraph 162)

24. *We also recommend a number of small, immediate, practical actions. We recommend that DFID officials meet with BIS officials to discuss which of the BIS youth programmes could be transferred to developing countries. To ensure it gives greater priority to youth unemployment, we recommend DFID creates the position of a senior adviser on youth employment. As the focus on this area becomes more acute there is an urgent need for far more data to be collected and examined to fully understand the problem and solutions so that targeted programs can be developed. We encourage DFID to work with organisations such as Peace Child International and Youth Business International to create and pilot innovative ways of collecting and measuring youth job creation data.* (Paragraph 163)

25. *Jobs and livelihoods is such an important issue we recommend that our successor Committee takes it up in the next Parliament to assess what progress has been made.* (Paragraph 164)

Formal Minutes

Wednesday 18 March 2015

Members present:

Sir Malcolm Bruce, in the Chair

Sir Hugh Bayley
Sir Peter Luff
Chris White
Jeremy Lefroy
Fiona O Donnell

Draft Report (Jobs and Livelihoods), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 165 read and agreed to.

Annex and Summary agreed to.

A Paper was appended to the Report as Appendix 1.

Resolved, That the Report be the Twelfth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Adjourned till Tuesday 24 March at 4.00 pm

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the Committee's inquiry page at Jobs and Livelihoods.

	Question number
Tuesday 21 October 2014	
Luqman Ahmad, Director of Private Sector Development, Adam Smith International, **David Norman**, Senior Manager, Sustainable Development Policy, SABMiller, **Jim Tanburn**, Donor Committee for Enterprise Development, **Diana Noble**, CEO, CDC, and **Alex MacGillivray**, Director of Development Impact, CDC	Q1–53
Wednesday 19 November 2014	
Hon. Sammy Koech MP, Member of Parliament (Kenya), **Dr Leslie Ramsammy MP**, Minister of Agriculture (Guyana), and **Hon. Nawab Yousuf Talpur**, Opposition Pakistan People's Party, **Professor Wilmot James MP**, Member of Parliament (South Africa), **Hon. Leticia Nyerere**, Member of Parliament (Tanzania), and **Waresat Hussain Belal MP**, Member of Parliament (Bangladesh)	Q54–77
Tuesday 16 December 2014	
David Woollcombe, President, Peace Child International, **Andrew Devenport**, CEO, Youth Business International, and **Gerry Boyle**, Senior Policy Adviser, Private Sector Engagement, CARE International UK, **Farah Kabir**, Country Director, ActionAid Bangladesh, **Mike Bird**, Operations Manager, Women in Informal Employment: Globalizing and Organizing, **Deepta Chopra**, Research Fellow, Institute of Development Studies, and **Mosharraf Hossain**, Director of Policy and Influencing, ADD International	Q78–131
Tuesday 20 January 2015	
Doug Gollin, Professor of Development Economics, University of Oxford, **Sir Gordon Conway**, Professor of International Development, Imperial College London, **Dr Keith Palmer OBE**, Chairman, AgDevCo, **Tim Brosnan**, Small Foundation, **Ken Bluestone**, Political and Policy Adviser, Age International, and **Hilary Parsons**, Global Senior Public Affairs Manager for Supply Chain	Q132–185
Wednesday 28 January 2015	
Rt Hon Justine Greening MP, Secretary of State for International Development, **Alistair Fernie**, Director, International Finance, DFID, and **Stefan Dercon**, Chief Economist, Research and Evidence, DFID	Q186–238

Published written evidence

The following written evidence was received and can be viewed on the Committee's inquiry web page at www.parliament.uk/indcom. JOB numbers are generated by the evidence processing system and so may not be complete.

1 Actionaid (JOB0018)
2 Actionaid Annex A (JOB0043)
3 Adam Smith International (JOB0024)
4 Add International (JOB0016)
5 Agdevco (JOB0039)
6 Age International And Helpage International (JOB0017)
7 Agriculture For Impact and Small Foundation (JOB0028)
8 All-Party Parliamentary Group On Agriculture And Food For Development (JOB0031)
9 Anti-Slavery International (JOB0041)
10 Bond Disability And Development Group (JOB0010)
11 Bond Private Sector Working Group (JOB0013)
12 Brac (JOB0045)
13 Cafod (JOB0015)
14 Care International Uk (JOB0034)
15 Cbm (JOB0014)
16 Children In Crisis (JOB0007)
17 Christian Aid (JOB0003)
18 Christian Aid Annex A (JOB0032)
19 Department For International Development (JOB0006)
20 Department For International Development Annex B (JOB0044)
21 Educate! (JOB0030)
22 Foreign Policy Centre (Fpc) (JOB0029)
23 Francis Teal (JOB0022)
24 Handicap International Uk (JOB0004)
25 International Development Enterprises Uk (JOB0027)
26 Jim Tanburn, Donor Committee For Enterprise Development (Dced) (JOB0023)
27 Leonard Cheshire Disability (JOB0001)
28 Mercy Corps (JOB0025)
29 Motivation Charitable Trust (JOB0002)
30 One Acre Fund (JOB0033)
31 Peace Child International (JOB0005)
32 Peace Child International Annex A (JOB0036)
33 Raleigh International (JOB0038)
34 Secure Livelihoods Research Consortium (JOB0011)
35 Self Help Africa (JOB0040)
36 Sense International (JOB0009)
37 Sightsavers (JOB0020)
38 Simon Maxwell (JOB0026)

39 Stopaids (JOB0008)
40 Tearfund (JOB0037)
41 Tuc (JOB0021)
42 Unilever (JOB0042)
43 Vso (JOB0019)
44 Youth Business International (JOB0035)

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the Committee's website at www.parliament.uk/indcom.

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2014–15

First Report	UK Support for Humanitarian Relief in the Middle East	HC 248 (673)
Second Report	Scrutiny of Government's UK Strategic Export Controls Annual Report 2012, the Government's Quarterly Reports from October 2012 to September 2013, and the Government's policies on arms exports and international arms control issues	HC 186
Third Report	The UK's Development Work in the Occupied Palestinian Territories	HC 565 (756)
Fourth Report	The Independent Commission for Aid Impact's Performance and Annual Report 2013–14	HC 523 (812)
Fifth Report	Strengthening Health Systems in Developing Countries	HC 246 (816)
Sixth Report	Recovery and Development in Sierra Leone & Liberia	HC 247 (863)
Seventh Report	Appointment of the Chief Commissioner of the Independent Commission for Aid Impact	HC 741
Eighth Report	Responses to the Ebola Crisis	HC 876 (1108)
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