

# **Response to the International Development Committee's first sub-inquiry on the philosophy and culture of aid umbrella inquiry, exploring racism in the aid sector**

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## **Summary**

- Palladium welcomes this timely review by the International Development Committee into racism in the aid sector. We believe that the questions laid out by the Committee are pertinent. They will help to shed light on key challenges within the sector and provide pragmatic recommendations on how to strengthen diversity and inclusion (D&I) within the sector at all levels.
- As an organisation, we have been on a journey to address discrimination and bias within the sector. We have (i) increased the avenues for honest and open dialogue about race and racism, (ii) introduced mechanisms to minimise bias and discrimination in recruitment, (iii) proactively sought to recruit candidates from diverse backgrounds, (iv) developed and deployed mechanisms to understand the effects of racial inequality, (v) promoted and valued local leadership in our countries of operation, (vi) introduced systems to improve data on race and ethnicity, and (vii) mandated diversity and inclusion training, among other key actions highlighted below.
- Key steps that we believe donors, and in particular the FCDO, can take to help end discrimination and bias include leveraging the Social Value Act to ensure that international aid organisations are mandated to promote and report on diversity and inclusion within their organisations, and ending overly narrow requirements that restrict who implementing organisations hire.

## **1. About Palladium**

- 1.1 Palladium is an international development and investment advisory firm working with donor organisations, national governments, investors and the private sector to support poverty reduction, development and the achievement of positive social, environmental and economic impact. We implement aid programmes, facilitate the flow of capital into impact investment opportunities, and help businesses integrate social impact thinking directly into their core strategies.
- 1.2 We are one of the major suppliers to the FCDO and help the UK Government play its part in delivering overseas aid to promote sustainable development and eliminate poverty.

## 2. What steps should the UK Government take to address racism in the aid sector?

### **Embed more analysis of the effects of racial and ethnic inequality within programme design and development in countries with high levels of racial and ethnic inequality**

- 2.1 As the UK Government wants to tackle inequality, discrimination and poverty, it is vital that a robust analysis of barriers and opportunities for groups at risk of discrimination informs programme design and development. Individuals and communities have complex, layered identities, and thus nuanced approaches are needed to understand how race intersects with other factors that put people at risk of discrimination (for example, gender, sex, race, social class, ethnicity, nationality, sexual orientation, religion, age, mental disability, physical disability, mental illness, physical illness, etc.).
- 2.2 Most large UK funded Palladium programmes include a gender equality and social inclusion (GESI) adviser and conduct GESI assessments in the inception phase which inform programme design, work planning, KPIs and logframes. Programmes should draw on this experience to deploy a specific racial and / or ethnic analysis to tackle inequities as part of programme design and delivery. This has been done on two recent HMG initiatives implemented by Palladium.
- 2.3 The Brazil Trade Facilitation programme supports Brazil's economic development by reducing the costs of trade and increasing participation of Brazilian MSMEs in global value chains. The programme also seeks to increase trade with international businesses, including those in the UK. The programme has a specific objective to make trade more inclusive by addressing systemic racial and gender discrimination and disadvantage, inequality and poverty by creating jobs and expanding economic opportunities for women and ethnic minorities. In the inception phase, a thorough diagnostic was conducted of constraints at the market, societal and institutional level faced by different entrepreneurs, with the data disaggregated by race, gender, firm size, and geography. Targeted support was provided to Afro-Brazilian entrepreneurs to help them bring their businesses to foreign markets. 75% of the supported businesses reported overcoming critical constraints to online exports, with six in 10 businesses reporting improved online sales. This approach of designing interventions around a systematic analysis of barriers and opportunities for groups at risk of discrimination should be replicated in other contexts as it has already demonstrated significant results.
- 2.4 Though outside the scope of ODA, Palladium was commissioned by the FDCO to undertake a structural analysis of the barriers and biases faced by Black female entrepreneurs in the US and the UK to business launch, growth and survival, with a particular focus on access to finance. The analytical approach deployed to assess the size of the investment gap can be used in other contexts to assess the effects of racial inequity and to design holistic service provision to increase the types of capital available. This research highlights that designing interventions around an understanding of the structural barriers faced by certain groups allows for more effective and holistic strategies to address inequality. In much the same way as gender analysis forms part of most UK ODA programmes today, analysis of race, ethnicity and other elements of identity should form part of programme design.

### **Recommendations for addressing racism in the aid sector**

- 2.5 When ODA is deployed in countries with high levels of racial and ethnic inequality, there is a need to understand how these dynamics affect programme delivery and achievement of results. This assessment should form part of business cases and tenders, as well as the design of interventions. In addition, systematically disaggregating programme data by gender and ethnicity for programmes focused on tackling inequality would enable better intervention monitoring.
- 2.6 Through the FCDO Prosperity Fund's GESI working groups, we have been able to share our intersectional analytical frameworks that have influenced the design and delivery of the Brazil Trade

Facilitation programme referenced above. The FCDO should establish more dedicated learning and sharing spaces where there is room to discuss initiatives to reduce racial and ethnic inequality within their programmes to ensure diversity and inclusion is prioritised.

### 3. How diverse is staffing within international aid organisations? Does this change at different levels of seniority?

#### a) There is a lack of data on diversity within international aid organisations

- 3.1 A [2018 report](#) indicates that Black, Asian and ethnic minorities are underrepresented within the UK charity sector, and particularly at senior levels. The disparity is even greater in the top three most senior positions of Chair, CEO and CFO, with only 6.2% of these roles held by individuals from an ethnic minority background. We do not have this data available for international aid organisations, but anecdotal evidence suggests that this dynamic is likely to be replicated across the aid sector. And according to a [report](#) by the Humanitarian Advisory Group, international staff are 1.5 times more likely to fill the most senior humanitarian leadership roles than local staff.
- 3.2 A significant challenge around accurately understanding diversity and occupational segregation within the international aid sector is the limited research and limited data available. Whilst many organisations will automatically capture data on gender and nationality, capturing data that explores diversity beyond this (such as race, ethnicity, tribe and disability) is less common.

#### b) A lack of diversity is compounded by high barriers to entry

- 3.3 Employers and donors often favour candidates with postgraduate qualifications, even when a high level of technical expertise is not necessary for a role. The 2018 Humanitarian Advisory Group report also highlighted that 75% of humanitarian workers have a master's degree or higher, and it was acknowledged that candidates from Red Brick or Ivy League institutions are often favoured over other candidates.
- 3.4 Whilst qualification setting might appear to be an equitable differentiator, we need to consider that ethnic minorities and those from lower socio-economic backgrounds may be less likely to achieve these qualifications, not due to lack of ability but through lack of opportunity, financial constraints, more limited access to quality or prestigious education opportunities, and bias inherent in the selection criteria that undermines opportunity.
- 3.5 Additionally, the number of years somebody spends in a particular role is not an indicator of their skills or performance. Recruiting based on years of experience has the potential to impact on diversity from a range of perspectives including for those who have been excluded from acquiring experience within the sector due to racial or other types of discrimination or exclusion; those who have not been able to afford to take an internship position; younger candidates who may have quality experience but not quantity; those returning to the job market after taking time off for caring responsibilities; or those whose length of service has been interrupted due to a health condition (Norrie et al, 2020).
- 3.6 The importance placed on the internship as a preferred entry route into the sector also acts as a barrier to those who can't afford to work for free or for a salary below a level that enables them to sustain themselves and any dependents. Those from Black, Asian and ethnic minorities and less advantaged socio-economic backgrounds may be locked out of such opportunities, not because of talent, but because of finances and lack of access to relevant networks (Norrie et al, 2020).
- 3.7 Jobs that do not provide entry-level staff with a living wage can also be a barrier, limiting candidate pools to those who have additional streams of financial support (for instance, financial support from parents and family members). Being able to offer entry-level candidates competitive salaries in the sector is crucial in attracting candidates from less advantaged economic groups, which will include

some ethnic minority groups. For example, in the UK, we know that people from Asian and Black groups make up a higher share of the 'never worked and long term unemployed' group. Additionally, using a candidate's previous salary as a benchmark, which may already be disproportionately low due to gender or ethnicity pay gaps in the past, is a common requirement for some donors. This approach makes it increasingly hard for those in the unequal pay gap trap to ever get out.

## 4. What actions have international aid organisations taken to promote diversity and inclusion and what impact have these had?

### a) Strengthening internal diversity data and monitoring

4.1 Palladium has launched a global diversity monitoring platform to capture diversity data on our candidate pools and workforce across a range of characteristics including ethnicity, disability, religion, and socio-economic background. Questions are being modified to fit each specific country context. The data captured from this process will inform our diversity and inclusion strategies as well as enable us to accurately monitor progress, including by reporting internally on ethnicity against pay, promotion, and turnover.

### b) Removing barriers to entry and having a proactive recruitment strategy geared towards increasing diversity and inclusion

4.2 At Palladium we no longer ask candidates to have a postgraduate degree (unless there is a particular technical capability required or the client specifically requires this). We do not require (or intentionally favour) candidates that have attended Red Brick or Ivy League universities. Our recruitment strategy has involved building relationships with universities that have more diverse student populations, and the launch of an apprenticeship scheme targeting those from socio-economically disadvantaged backgrounds.

4.3 We no longer ask for years of experience (unless specifically required by the client) as a way to differentiate candidates in the recruitment process. We place focus on the actual skills or competencies needed for the role and assess how candidates meet the criteria.

4.4 In efforts to reach more diverse candidates pools, Palladium attends and sponsors events aimed at attracting diverse talent into the sector. This includes sponsoring the 2019 Opening Doors – Diversity and Development Careers fair, which aimed to create a platform to help ethnic minority students and professionals enter the international development sector. We were also speakers at the 2020 Opening Doors Programme, a boot-camp which provided ethnic minority students interested in the development sector with professional advice, CV support and interviewing training.

4.5 To support our commitment to equal pay, we do not ask candidates applying for permanent roles to provide previous pay details. We review our gender equal pay gap on a quarterly basis and have also introduced a mechanism to enable us to monitor pay against ethnicity.

### c) Actively recruiting local leaders to implement donor projects

4.6 Over 90% of our staff who are responsible for the day-to-day implementation of our international development programmes are nationals of the countries they work in. In our experience, it is often advantageous to the programme to employ nationals for leadership roles, for instance, due to their deep contextual insight, strong in-country networks and language skills. A limited amount of international expertise is brought in to address specific issues where international best practice or an external perspective is required. This balance adds real value to the work that we do.

4.7 By way of example, Palladium's Economic Policy Incubator (EPI) programme is supporting the Government of Nepal in easing the constraints of business procedures and regulations through improving investment laws and policies. In the past year, EPI has responded to the challenges of COVID-19, supporting job creation, green recovery and e-commerce initiatives. At the request of the Nepalese Ministry of Industry, Commerce and Supplies and the Ministry of Finance, the project supported the government by carrying out studies that assessed the impacts of COVID-19 in different areas of economy and informed the 2020/21 budget. The programme has been able to build strong linkages with key government officials largely due to our Team Leader, Dr Shankar Prasad Sharma. Dr Sharma is a credible and trusted adviser to the Nepali government, a result of his strong technical expertise and his broad network of contacts in Nepal. He is able to put forward appropriate and actionable recommendations that key government officials are receptive to. He is one of many national Team Leaders that we are proud to employ, and we encourage FCDO and other programme commissioners to reduce barriers to employment of local leaders wherever possible (see 5.5-5.7).

**d) Setting clear standards, raising awareness and encouraging open and honest dialogue amongst the workforce to shift attitudes and behaviours**

4.8 At Palladium we have developed fair recruitment and selection training for all hiring managers, including unconscious bias training. Line managers are also encouraged to complete training to tackle unconscious bias in the performance management process to support equitable pay and decision making on promotions.

4.9 We have also established a Race, Ethnicity & Culture (REC) working group which identifies and proposes clear action plans to drive change on issues relating to race, ethnicity, and cultural difference. This has been championed and chaired by senior leaders in the region. A REC awareness month saw events across the globe that explored the historical and political context and impacts of discrimination and inequality, while celebrating our cultural diversity. We are now planning a REC speaker series to encourage open discussion and raise awareness. We have also signed up for the Business in the Community Race at Work Charter to amplify our commitment to recruiting a diverse workforce and taking action that supports ethnic minority career progression.

4.10 On a systems level, we have embedded requirements on D&I within our project management manual. We now have D&I related organisational KPIs, to which pay for senior leaders is linked, and have quarterly internal reporting on KPIs related to D&I. All of our people receive mandatory D&I training.

## 5. What actions do international aid organisations still need to take to promote diversity and inclusion?

**a) Strengthening internal diversity monitoring**

5.1 The sector should increase efforts to actively monitor the diversity of its workforce, applying locally relevant tools to capture data which will highlight any underrepresentation or inequalities in the workforce as this relates to the local context. Efforts should also be made by the sector to share data captured externally so a global picture of diversity across the aid sector can be developed, tracked, and monitored. Having better data on the aid workforce will enable the sector to take a deep-dive look at diversity and use data to more effectively, strategically, and systematically to tackle underrepresentation of particular groups in different geographical contexts.

**b) Decreasing barriers to entry**

5.2 The sector needs to better engage with candidates from a diverse range of educational pathways, including those who have studied part-time or flexibly, and those who have vocational qualifications. Valuing transferable skills, such as people, project and financial management, and introducing

approaches that test capability and potential will open up opportunities to high-potential diverse candidates from non-traditional backgrounds.

- 5.3 Introducing targeted paid and inclusive internship programmes that provide candidates with an income they can live on independently will also help to reduce barriers and attract candidates from less economically advantaged backgrounds. To help level the playing field, the sector should also consider experience achieved by candidates in home countries, in particular experience gained working in socio-economically disadvantaged communities and with disadvantaged and vulnerable people and groups.

## 6. What actions should donors such as the FCDO take to promote diversity and inclusion in the organisations they fund?

### a) Leverage the Social Value Act to promote and enforce diversity monitoring

- 5.4 The Social Value Act requires people who commission public services to think about how they can secure wider social, economic, and environmental benefits through the services they are procuring. Several themes within the Act (including tackling economic inequality and equal opportunity) relate to improving opportunities for people from underrepresented groups. Those commissioning services should set clear requirements for organisations on capturing diversity data so an accurate picture of underrepresentation and what this looks like in a variety of contexts can be identified and understood and appropriate action taken to tackle any challenges. Using the Social Value Act as leverage, those commissioning services should set clear D&I requirements for organisations at the bid stage – that is, have a separately scored section where organisations set out how they have or will promote D&I within their own workforce. Organisations should also be required to set D&I KPIs that last the life of the contract.

### b) End requirements for international personnel and other prescriptive recruitment criteria

- 5.5 Often UK aid procurements specify the need for ‘international’ team members (here, ‘international’ refers to non-nationals of countries where projects will be implemented). This requirement is particularly common for team leaders. The implication is that nationals of recipient countries – who are often racially, ethnically, religiously, and culturally different from many UK aid officials and who bring vital country knowledge of what works and what doesn’t - are not enabled to lead projects in their own countries.
- 5.6 There are also other evaluation criteria for leadership positions that act as barriers to recruiting diverse teams that are set out in tender documents. This includes, for example, years of experience managing similar donor programmes (see 3.5). Due to a historic lack of racial and gender diversity in leadership roles in the international development community, when faced with such criteria, implementers are pushed to select from a narrow pool of candidates who are already well-established. This reinforces racial, national, and gendered stereotypes about who is suitable for leadership positions and who is not. Based on our experience delivering development impact for the UK, US and Australian governments, we see no justifiable reason for precluding nationals from leadership positions in the countries of their origin. In fact, as our case study from Nepal shows, our programme impact is significantly enhanced by our local leadership teams (see 4.7).
- 5.7 Tender documents should not include specific requirements on the nationality, years of experience, postgraduate qualifications (unless linked to a specific technical requirement), or ‘international’ versus ‘national’ status of team members. Instead, programme designers should clearly set out the needs of the roles in terms of knowledge and competencies. This will allow implementers to respond flexibly to the needs specified.

### **c) End the distinction between international and national fee rates**

- 5.8 The rate caps that are imposed on ‘national’ and ‘international’ staff do not correspond to the reality of operating in UK aid countries. Remuneration associated with living outside one’s home country is often covered through budgets allocated to expenses (for example, flights, health insurance, relocation allowances, and accommodation support), as such the justification for the international versus national split is unclear.
- 5.9 The process by which ‘national’ and ‘international’ fee rates are set does not fully account for the range of countries in which FCDO operates. For example, the local rates for consultants in Rwanda, Brazil and Kazakhstan are very similar to ‘international rates’ and contrast markedly to those applicable in countries like Malawi, DRC and Somalia. The homogenous definition of ‘local rates’ doesn’t reflect the diversity of FCDO’s countries of operation and further biases against retention of local advisers. In certain areas of expertise and at certain levels, there is very little difference in cost and quality for experts based on geographic location and nationality - for instance, there is little difference in cost and quality between a senior Kenyan monitoring and evaluation expert based in Nairobi and a senior Dutch monitoring and evaluation expert based in the Hague.
- 5.10 The capped rates on the International Multi-Disciplinary Programme (IMDP) framework have posed a particular challenge. Although, we – and other suppliers – have been interested in bidding on IMDP opportunities, the low rates for national experts have meant that we have been unable to retain appropriate national talent. The structure of rate caps mean that less qualified international staff can command higher rates than more qualified and sometimes more suitable national staff.
- 5.11 Fee rate structures that distinguish between ‘international’ and ‘national’ should no longer be used. Removal of this distinction will allow delivery partners to provide value for money by recruiting the best candidates according to market rates.

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