Christian Aid Submission

International Development Select Committee

Inquiry into DFID's Economic Development Strategy

Written evidence submitted by Christian Aid

8 May 2018

Introduction

Christian Aid is a Christian organisation that insists the world can and must be swiftly changed to one where everyone can live a full life, free from poverty. We work globally in around 40 countries for profound change that eradicates the causes of poverty, striving to achieve equality, dignity and freedom for all, regardless of faith or nationality. We provide urgent, practical and effective assistance where need is great, tackling the effects of poverty as well as its root causes.

Christian Aid welcomes this opportunity to respond to the inquiry into DFID's Economic Development Strategy. The inquiry is wide-ranging, and the word limit is fairly tight, so we have tried to provide overviews of our positions below. We would be happy to provide more information on any issue mentioned below. We have also tried to focus on response on areas where we feel we have expertise. Please contact Simon Kirkland, UK Parliamentary and Political Adviser, skirkland@christian-aid.org, 020 7523 2164, for more information.

1.0 Summary

1.1 We welcome the principle of DFID creating its first Economic Development Strategy (EDS), as we believe it is crucial for DFID to prioritise economic development, and other 'beyond aid' issues.

1.2 However, we believe the EDS currently places too much emphasis on creating growth and jobs without sufficient focus on the quality of jobs that are created and the ways in which growth might lead to transformation.

1.3 DFID should provide a clear definition of what it would regard as 'decent work'.

1.4 The EDS does not currently place enough emphasis on meeting the SDGs or the Paris Agreement. This should be rectified.

1.5 We believe that the EDS places too much focus on bigger businesses. The differentiated roles of different business models should be better explored. For example, more emphasis should be put on SMEs.

1.6 Economic inequality is not mentioned in the EDS, despite reducing inequality being a key SDG. It will be impossible to deliver the ambitions of the EDS without a rebalancing of both global and national economies; therefore, more mention should be made of it.

1.7 DFID currently has a desire to make the City of London the 'development finance hub of choice'. We are concerned that an emerging debt crisis in developing countries might increase. Debt should be addressed in future versions of the EDS.

1.8 The EDS rightly recognises that agricultural transformation is a vital first step in transforming the structure of developing economies. There has been a commendable increase in DFID funding for smallholder producers, but the EDS will still only benefit a small percentage of food producers in sub-Saharan Africa. The EDS should look further at how informal traders can be supported.

1.9 DFID's recent focus on domestic resource mobilisation is very encouraging. However, to achieve real success the broader UK Government should do all it can to help developing countries to claim the taxes they are owed. For example, it could introduce public country-by-country reporting and ensure that all its Overseas Territories and Crown Dependencies adopt public registers of beneficial ownership.

1.10 CDC should better demonstrate how it is helping to meet the SDGs and Paris Agreement. On transparency and offshore investments, it should investigate making its policies more progressive.

1.11 The EDS made a promising commitment to placing 'the economic empowerment of girls and women at the heart of [its] approach'. This should be a key area where the Select Committee considers the EDS.

2.0 Is DFID now striking the right balance between its economic growth programming and other areas of its development work?

2.1 We share DFID's belief that the key to development is to think and act 'beyond aid' and support developing countries to better mobilise their own resources. To create genuinely sustainable economies, and to secure human rights, developing countries need to be able to invest effectively in transforming their own economies, and rely on a global financial system that supports rather than undermines them. On the basis that transformation is undoubtedly needed, we welcome the principle of DFID creating its first EDS. We agree that the balance of development thinking needs to be shifted towards economic development, in addition to other areas of development.

2.2 However, we believe that the EDS places too much emphasis on creating growth and jobs without sufficient focus on the quality of jobs that are created and the ways in which growth might lead to transformation. **DFID should provide a clear definition of what it would regard as 'decent work', which must, as a minimum, meet the International Labour Organisation's (ILO) definition[1], and should refer to the extensive literature and frameworks already in place, including the framework developed by Christian Aid and CAFOD[2].**

2.3 We would define economic transformation as a fundamental change in the structure of the economy – including a reallocation of resources from less productive to more productive sectors and activities[3]. We seek a just transition in developing countries. This should be consistent with the SDGs, for example securing human rights, reducing inequality and increasing environmental sustainability. Growth alone without transformation will not deliver the SDGs. These principles imply a shift towards a more inclusive process regarding the way that the global economy functions, and means supporting the emerging agenda set by developing countries themselves. We do not believe that the EDS as it stands either reflects the agenda of the developing countries themselves[4], or has enough focus on global agreements such as the Paris Agreement or the SDGs. **The EDS should be updated so that it places more explicit emphasis on the SDGs.**

2.4 In terms of the narrative of the EDS, we are concerned about framing job creation as a way to avoid the 'threat' of migration. We do not believe this is an accurate[5], helpful or inclusive framing of the issues.

---

[1] International Labour Organisation, 'Toolkit for Mainstreaming Decent Work', 2007. Available online: http://www.ilo.org/wcmsp5/groups/public/---dgreports/---exrel/documents/publication/wcms_172609.pdf
[2] Towards decent green jobs for all, 2017. https://seetafrica.files.wordpress.com/2017/10/towards-decent-green-jobs-for-all.pdf
[3] https://www.christianaid.org.uk/sites/default/files/2017-11/New-pathways-out-of-poverty-Africa-sustainable-inclusive-agriculture-nov2017%C2%A0.pdf
[4] For example – as put forward in successive Africa Progress Panel reports.
[5] For example: https://www.cgdev.org/publication/does-development-reduce-migration-working-paper-359

3.0 Does the Economic Development Strategy strike the right balance between big businesses, SMEs, co-operatives and social enterprises?

3.1 Overall, we feel that the EDS appears to place too much emphasis on bigger businesses, and this carries a risk that the quality of jobs created and the overall impact may be compromised.

3.2 The EDS at present not does adequately address the differentiated impact of different private sector entities in achieving different parts of the Sustainable Development Goals, the Paris Agreement and human rights agreements. **Any update of the EDS should better recognise how different organisations can contribute towards achieving some of these global agreements, such as co-operatives, social enterprises and others.** These are likely to have a differentiated impact in terms of inclusion, employing people from minority groups and improving women's economic empowerment (WEE).

3.3 The impact of different parts of the private sector are likely to differ significantly. For example, big businesses may well be effective at creating jobs, but are they good quality jobs? Christian Aid, working with CAFOD, has developed a framework[6] to define what we mean by 'decent' jobs. **The EDS should be better at differentiating between the impact of different parts of the private sector, and at describing how both the quality and quantity of jobs can be improved.**

3.4 The impact of the SME sector is also likely to be different in comparison to larger international businesses. SMEs tend to have wider supply chains in the country of residence, wider domestic employment and greater use of domestic financing rather than international financing. SMEs also employ around two-thirds of the permanent full-time workforce in developing countries[7] [8]. **The EDS should therefore place a greater emphasis on how it will promote and support SMEs.**

3.5 **Future EDSs should assess how mechanisms such as the World Bank's Doing Business rankings have rewarded low corporate tax regimes in the past.** They may benefit larger enterprises, but small and innovative programs to support SMEs have often suffered.[9]

3.6 **Future EDSs should focus on how SMEs in developing countries could be supported better, given that lending products provided by commercial banks, development finance institutions and multilateral development banks are often not suitable for smaller and more risky enterprises.** There are many models of leveraging finance, especially from social impact funders with patient capital, which are starting to show results. One is a syndicate called ACRE which is supported by Christian Aid.[10]

3.7 **The EDS should have focussed a lot more on tackling economic inequality, particularly as this is a key target in the SDGs.** It will be impossible to deliver the ambitions of the EDS without a rebalancing of both global and national economies, but the EDS makes no mention of this.

---

[6] https://seetafrica.files.wordpress.com/2017/10/towards-decent-green-jobs-for-all.pdf
[7] DFID, Small and Medium Enterprise Initiative: Support through the international finance corporation for scaling up of banks' lending to small and medium enterprises in DFID priority countries in Africa and Asia, Business case, January 2012. http://devtracker.dfid.gov.uk/projects/GB-1-202935/
[8] http://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_218252/lang--en/index.htm
[9] Supporting Small Businesses in Developing Countries: what programmes work and why? Christian Aid(2016), https://www.christianaid.org.uk/resources/about-us/supporting-small-businesses-developing-countries-what-programmes-work-and-why
[10] www.acreimpactinvest.org

3.8 We note that all the proposals in the EDS are voluntary. The only reference to regulation is related to the 'removal of burdensome regulation'. It is unclear how the changes in corporate behaviour that the plan describes will actually happen. Our experience shows that voluntary actions are helpful, but unlikely in themselves to deliver the level of change demanded by the SDGs. **The EDS should have some discussions of what actions will be considered if voluntary actions are not taken.**

3.9 A focus on promoting investment by large businesses also carries risks of exacerbating the emerging debt crisis in developing countries. The IMF recently reported that debt levels are rising in many of the world's poorest countries[11]. **This issue should be properly addressed in updates of the EDS.**

3.10 We are concerned that DFID's desire to make the City of London the 'development finance hub of choice' indicates that the EDS may reflect the desires of large UK businesses rather more than it does the needs of poor people in developing countries. The City of London may have the potential to play a positive role in developing countries, but **if the UK Government is serious about helping developing countries in this way it should also ensure public country-by-country reporting for UK businesses and provide a much clearer indication of how it will monitor the impact of such finance with regard to achieving the SDGs.**

4.0 Does the Economic Development Strategy strike the right balance between agriculture and other industries?

4.1 The EDS rightly recognises that agricultural transformation is a vital first step in the long process of transforming the structure of developing economies from low value to high value activities. There has been a commendable increase in the overall DFID budget that has been allocated to addressing the low productivity trap of smallholder producers, with much of the increased funding going towards building the climate resilience of smallholder agricultural systems.

4.2 **The EDS should do more to explore how climate resilient and sustainable agricultural production approaches supported through UK Government climate finance can be amplified through its commercial agricultural support programmes**. This would contribute towards a more environmentally sustainable and climate resilient EDS.

4.3 Better linkages need to be built between agriculture and other industries. **The EDS should seek to increase support for a greater variety of approaches, policies and interventions that develop and nurture linkages between smallholder agricultural producers and other sectors of the economy.** It is through these linkages that light manufacturing sectors such as agro-processing, textiles, seed companies and financial service providers can fuel much-needed economic diversification and the creation of enterprise and decent work opportunities in industries that offer higher and more stable incomes.[12]

4.4 This is especially important in sub-Saharan Africa, where rapid urbanisation is creating unprecedented new market opportunities for smallholder producers, both nationally and regionally. It is commendable that some DFID agricultural programmes are shifting away

---

[11] https://blogs.imf.org/2018/03/22/managing-debt-vulnerabilities-in-low-income-and-developing-countries/

[12] New pathways out of poverty in Africa: the promise of sustainable and inclusive agricultural transformation. Christian Aid (2016). https://www.christianaid.org.uk/sites/default/files/2017-11/New-pathways-out-of-poverty-Africa-sustainable-inclusive-agriculture-nov2017%C2%A0.pdf

from a focus on global value chains, to support more regional and national value chain and market systems development. **This should be reflected in the EDS.**

4.5 DFID's current commercial agriculture strategy will benefit directly those producers that are considered viable, which by some estimates could exclude 90% of food producers in sub-Saharan Africa.[13] These producers, often based on informal trade and exchanges, will continue to play a vital role in providing basic food security to rural populations in sub-Saharan Africa in the foreseeable future. **The EDS should therefore place a far greater emphasis on research to understand how these markets function and can best be supported.**

5.0 How effective are World Bank and IMF programmes in promoting economic development?

5.1 The IMF has published a number of research papers recently that link tackling inequality and women's labour market participation with economic growth. The IMF has also promoted wealth taxation and progressive fiscal policies in terms of their impact on economic growth. However, these research findings have not yet translated in to IMF policy. **The IMF should turn these research areas in to programmatic work quickly.**

5.2 The World's Bank's 'Doing Business' set of indicators and its renewed focus under the new Chief Economist is not helping to address the economic development environment for those who are currently left behind. **World Bank policies should be updated in light of the SDGs and Addis Ababa Action Agenda[14], where public revenue mobilisation and tackling illicit financial flows are key issues.**

5.3 One of the key sections in the EDS is on supporting countries to mobilise their own resources. This is extremely important, as many countries have low tax bases[15]. We are encouraged that the new Secretary of State for DFID has made this issue a priority. However, if the UK Government is serious about helping developing countries to collect all the taxes they are due, there is more that can be done. For example, **the UK Government should introduce public country-by-country reporting in the UK, using the OECD BEPS process as a template. Its should also work harder to ensure that all UK Overseas Territories and Crown Dependencies adopt public registers of beneficial ownership.**

6.0 How effective is CDC, DFID's wholly-owned development finance institution, and how have recent changes contributed to its effectiveness?

6.1 CDC is playing an increasing role in terms of the UK's overall development contribution to developing countries. **CDC should demonstrate better how it is helping to meet the SDGs, Paris Agreement and global human rights agreements.**

6.2 CDC's policy standards are lagging behind what would be expected in light of the Paris Agreement, SDGs, OECD BEPS process and Addis Ababa Action Agenda. For example, CDC invests offshore, and its risk assessment on this issue is inadequate because it only refers to the OECD Global Forum on Information Exchange as a reference point. It does not refer to the OECD BEPS agreement in terms of key risks of

[13] Ibid.
[14] http://www.un.org/esa/ffd/ffd3/wp-content/uploads/sites/2/2015/07/Addis-Ababa-Action-Agenda-Draft-Outcome-Document-7-July-2015.pdf
[15] https://www.christianaid.org.uk/sites/default/files/2017-08/africa-rising-inequalities-essential-role-fair-taxation-february-2014.pdf

treaty shopping or aggressive tax planning, whilst also ignoring the risk presented by IMF's research regarding spillover effects in international taxation. In light of the UK Parliament's recent decision to ensure public registers of beneficial ownership in the UK's Overseas Territories by 2021, **CDC's polices should be updated to better promote the objective of transparency, which is the will of the House of Commons. For example, CDC could commit to only investing in jurisdictions with a public register of beneficial ownership by a certain date.**

6.3 We have welcomed the opportunities recently created by CDC to comment on its investment policies, and **ask CDC to continue to engage with relevant civil society organisations on its strategy and policies.**

6.4 We welcome CDC's commitment to refining its indicators to better measure the development impact of its work. In the future, **CDC should prioritise positive social impact on the poorest people over return on investment.**

6.5 We acknowledge CDC's requirement of investees to adhere to ILO standards concerning forced or child labour, non-discrimination, freedom of association and health and safety, but believe **a more comprehensive set of minimum standards could be developed.** These could help guide investment decisions as well as the work of investees, to help maximise the impact of CDC investments. They could be informed by the four pillars of the ILO decent work agenda: employment creation, promoting social dialogue and tripartism, developing and enhancing measures of social protection, and respecting, promoting and realising the fundamental principles and rights at work. Indicators to measure progress could be developed based on the ILO indicators.

6.6 CDC does not seem to be sufficiently accountable to their partner countries or beneficiaries in developing countries. **Accountability should include accountability to beneficiaries, and DFID should ensure this.**

6.7 **CDC could consider ensuring that investors implement enabling measures and affirmative action appropriate to local contexts, to ensure jobs are created equitably and are accessible to women, youth, those living with disabilities, indigenous people, caste-affected and other marginalised communities.**

6.8 **Investments that have detrimental environmental or other impacts that affect women and the most marginalised groups disproportionately and exacerbate inequalities, such as fossil fuel based energy, should be replaced by investments in transformative sectors that contribute to redistribution.** These could be, for example, regenerative agriculture, decentralised renewable energy and recycling.

6.9 **CDC should seek to invest more in companies that aim to extend social, environmental and ethical principles in their supply chains.** Policies and mechanisms that can help progress this include stakeholder consultations, training and capacity building of local suppliers and contractors, fair procurement policies, and the extension of labour rights and safeguarding standards and mechanisms to disadvantaged, vulnerable and marginalised workers.

6.10 **CDC investees should be required to comply with the highest standards of good practice in staff welfare and benefits in use in the countries where they are investing, even if these are voluntary.** For example, the Indian National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business.

6.11 **Skills development, and particularly apprenticeships for the most marginalised groups and women, should be a focus for investments to address barriers to**

labour market mobility and give people living in poverty more choices. This will help to prevent forced/bonded labour, the exploitation of women and child labour. Tackling occupational segregation is particularly critical in South Asia where discrimination on the basis of work and descent (caste) traps many people in exploitative forms of work.

6.12 **CDC investees should be required to put in place effective and accessible policies, codes of conduct and mechanisms to protect against abuse or discrimination in the workplace, and to appropriately address complaints about discrimination when these arise.**

7.0 Women's Economic Empowerment (WEE)

7.1 The EDS made a commitment to placing 'the economic empowerment of girls and women at the heart of [its] approach'. **This should be a key area where the Select Committee considers the EDS.**

7.2 Christian Aid is encouraged to see that the EDS resonates with DFID's wider work on WEE, as seen in its recently updated Strategic Vision on Women and Girls. In addition, the recent UN High Level Panel on WEE – with strong leadership from the UK Government – has also raised the global profile on some of what it takes to deliver WEE.

7.3 Achieving WEE is complicated, and requires more than individual targeted interventions that address the needs of a select group of women. **To fully achieve WEE, the EDS should meaningfully seek to challenge the structural barriers that continue to hinder full WEE. For example, countries should be supported to address their macroeconomic policies place the burden of care primarily on women, ensure women have greater access to decent work, and encourage the investment of domestic resources in public services.**

7.4 The EDS has prioritised job creation in 'high-growth potential sectors'. However, the industries that the EDS states are unlikely to address the drivers of poverty and environmental degradation[16]. They also risk alienating and leaving women behind largely due to existing gender-based occupational segregation. **DFID should consider adding other sectors to its list of 'high-growth potential sectors'.**

7.5 Many jobs currently occupied by women are poorly paid, dangerous or insecure. DFID's EDS seeks to encourage access to 'productive employment', particularly for women and marginalised groups. **More detail is needed on how this might be achieved and measured.**

[16] CAFOD & Christian Aid, 'Towards decent green jobs for all: a discussion paper', 2017. Available online: https://cafod.org.uk/content/download/43967/513636/version/2/file/Towards%20decent%2C%20green%20jobs%20for%20all.pdf