DFID’s Economic Development Strategy

DFID has now published its Economic Development Strategy, complementing the overall Aid Strategy published in 2015, and the raft of reviews published at the end of 2016, on research, civil society, bilateral aid and multilateral aid: I reviewed the aid strategy here and the four later reviews here.

The strategy is wide-ranging, focused on poverty reduction, inclusive, environmentally sensitive, and results-oriented. Good. There are questions of emphasis to debate, however, and some choices to make about future work. I identify five issues:

- First, the thrust of the policy recommendations would change if the overall framing were not just about the need for growth and jobs, but more about the need to ‘ride the tiger’ of the changing global economy: especially, disillusion with globalisation, and sweeping structural changes associated with automation and climate action.
- Second, the most significant driver of industrial revolutions is likely to be – certainly should be – the greening of economies, again with big implications for the competitive position of different sectors in different countries, and for policy. The strategy might look very different if the very first sentence, so to speak, rather than referring to the need for ‘job-creating growth’, said that ‘the challenge we face is to create sustainable economies which also provide meaningful lives and livelihoods for all’.
- Third, there are important implications of the above points for the capability of economies. Two issues in particular are related to skills and innovation. For example, it might be argued to follow from the premises of any industrial strategy that economies will need more skilled individuals at different levels, including graduates. Should donors - should the UK - therefore be committing to invest far more in universities and other post-secondary education? This is an area in which the UK has global comparative advantage. Similarly, the UK has a strong science and social science research base. Could it be part of the UK mission to make additional investments in strengthening the research capacity of developing countries?
- Fourth, business must assume responsibilities for the social and environmental dimensions of their activities, may do this spontaneously if they take the SDGs seriously and see profit therein, but will surely also require policy and legal frameworks. It would have been useful to see an unambiguous commitment to legislative underpinning of: ‘decent work’, as defined by the ILO; the right to freedom of association and the right to collective bargaining, as in the principles of the UN Global Compact; and, perhaps also, the commitment to universal social protection by 2030, enshrined in the SDGs.
- Finally, all the above imply what Theresa May, in her Foreword to the UK Industrial Strategy, calls ‘active Government’. What are the points of entry in different kinds of country, and the long-term commitment needed to achieve institutional change? No doubt, DFID advisers have a tool-box with options. Is it in the public domain? And how does DFID propose to manage the complex politics of policy reform?

There is a final point about DFID’s own capacity. The Department has 800 professional advisers. How will the level and balance of staffing need to change?

What does the Strategy say?

The Economic Development Strategy has a Foreword from Priti Patel and five chapters describing the challenge and setting out the approach. Helpfully, the latter is summarised in
a page and a half at the beginning, as in Figure 1. There are paragraphs on investment, trade, the business environment, technology, finance, skills, and inclusion: all the themes one might expect. In addition, there are multiple references to engagement by and benefits for the UK, including the City of London: this badges DFID’s work on economic development as a component of (post-Brexit) Global Britain. There are points in the substantive chapters which did not make the cut for the summary, for example on corporate social responsibility and workers’ rights. There will be a great deal of other analysis in individual country diagnostics prepared as background to the strategy: these are referred to but not published.

Is it new?

A focus on economic development, or, as we used to call it, growth, should be no surprise, and is very far from new. To illustrate the point, I tracked back to the White Papers of 1997, 2006 and 2009, pulling out some key references – see Figure 2. These all post-date the heyday of UK commitment to big infrastructure and UK business engagement, for example through the Aid For Trade Provision. Nevertheless, not only is growth not a new theme in the modern era, but nor is the emphasis on inclusion, or an active state, or environmental sustainability. That means that if we are looking for something new, then we have to look elsewhere. Two possibilities suggest themselves: either the level and composition of spending; or, more interestingly, the overall narrative of growth and economic development.

It’s a bigger job than I have time for to look in detail at the level and composition of spending. It’s the kind of analysis DFID could quite easily provide, and it is a pity they didn’t. Whatever, DAC statistics tell part of the story and I have had a look at the database. Figure 3 shows total UK oda and spending on economic infrastructure and production sectors (two high-level sector classifications in the DAC database), in 2014 constant US dollars, for the period 1997-2015. Figure 4 shows the percentage. The first figure shows that spending has been on an upward trajectory since 1997, rising over the period from about $US 500m p.a. to about $2bn p.a.. The second figure shows that the share of these sectors peaked in 1999, at 26%, then fell steadily until 2006, when it began to recover. Since 2007, the two sectors have accounted for 15-20% of the aid programme.

I don’t know how complete or accurate these statistics are, but the overall picture looks plausible. The question is what is likely to change (and what there will be less of if spending on growth sectors increases). The re-engineering and growth of CDC, returning it to the role it used to play, will affect the numbers, as will the Treasury’s enthusiasm for capital rather than recurrent spending. The spending of the Prosperity Fund may further influence the overall oda spend. Astonishingly, the Prosperity Fund is not even mentioned in the strategy paper – presumably because it is owned by the Foreign Office and not DFID.

The other factor relevant to this discussion is the role of multilateral aid. The World Bank Group (including the IFC) and the EU (including the EIB) invest heavily in economic development, with UK money. The World Bank receives a few mentions (including no fewer than 16 in the list of references, one third of the total sources cited), but the IFC does not, nor does the EIB. The IFC was, however, scored in the multilateral aid review, and received a rating of ‘good’. It would have been useful to know more about what these agencies are thought to contribute to HMG objectives on economic development, and about future plans.

So, that is the spending. What about the overall narrative? The focus on inclusive growth is familiar, as noted, as is a wariness to prescribe universal models: that is consistent with the
Advancing economic development in the poorest countries is a hallmark of building Global Britain. It is an essential part of how Britain is helping make globalisation work for all and furthering our national interests by playing a leading role on the international stage.

Life-changing progress comes from growth that transforms economies; that creates productive jobs and private sector investment; and that spreads benefits and opportunities right across society. This is essential to eradicate extreme poverty, deliver the Global Goals that the world adopted in 2015 and end reliance on aid.

DFID’s Economic Development Strategy will help deliver these ambitions by:

1. **Focusing on trade as an engine for poverty reduction.** We will build the potential for developing countries to trade more with the UK and the rest of the world and integrate into global value chains. Using our voice in the World Trade Organization, we will argue for better and fairer trading rules for developing countries and strengthen our approach to ‘aid for trade’.

2. **Stimulating investment to spur economic growth in developing countries.** Investment is vital to create jobs and develop infrastructure but private investors such as pension funds typically hold back from the long-term investment needed. Patient capital investments can demonstrate what is possible in developing countries and pave the way for private investment, ensuring billions of aid translates into trillions of investment. CDC, the UK’s development finance institution, will be at the heart of our approach.

3. **Supporting countries to mobilise their own domestic resources, improve their enabling environment for business and reduce reliance on aid.** We will strengthen our approach to tackling corruption; help countries to increase their own domestic revenues; and build open, transparent institutions as the foundation of more prosperous economies. We will focus on tax systems and the wider enabling environment to make it easier and more transparent for companies to do business and invest to reduce poverty.

4. **Focusing our efforts on sectors that can unlock growth.** Our programme portfolio will move strongly to develop sectors that can propel growth - including energy, infrastructure, urban planning, manufacturing, commercial agriculture and financial services.

5. **Making it easier for companies - including from the UK - to enter and invest in markets of the future.** We will work collaboratively with businesses to understand the barriers to accessing these markets and work to make it easier for them to do business that reduces poverty.

6. **Supporting our partner countries to harness new technologies for growth and look to emerging and innovative economic sectors, such as e-commerce and peer-to-peer business and finance.**

7. **Working with, and challenging, the City of London to become the ‘development finance hub of choice’.** We will help create stronger capital markets and financial services in our partner countries and we will be a global leader in helping developing countries insure themselves against natural disasters.

8. **Using our country presence, knowledge and expertise to bring economic opportunity to some of the world’s most fragile states, supporting livelihoods even in the hardest and most complex environments.**

9. **Building a sharper focus on nutrition, human development and skills for work into our economic development programmes and helping to build a healthy, educated and productive workforce for the future.**

10. **Focusing on the poorest and most marginalised people, the majority of whom work in the informal sector.** We will place the economic empowerment of girls and women at the heart of our approach and help marginalised groups, including people with disabilities, to access productive employment.

11. **Establishing new links both in the UK and internationally with civil society organisations and other innovative partners** to help deliver the ambition in this Strategy.
1.15 There have been two flaws in models of development over the past half century. The first was characterised by a belief that the State should extend its control over production and trading activities, and over the allocation of resources and prices, in a way which created distortions and led to inefficiency and corruption. The second was a belief in a minimalist State and unregulated market forces which failed to secure economic growth and led to increases in inequality across the world.

1.16 There is now an opportunity to create a new synthesis which builds on the role of the State in facilitating economic growth and benefiting the poor. Both States and markets make good servants and bad masters. We have learned that the virtuous State has a key role to play in supporting economic arrangements which encourage human development, stimulate enterprise and saving and create the environment necessary to mobilise domestic resources and to attract foreign investment.

1.17 Sustainable development to eliminate poverty rests above all on the achievement of economic growth that is not only stable and vigorous, but which embraces poor people and allows them to share in the fruits of development. Such growth must outstrip population growth for a sustained period of time to have any real effect, and recognise that environmental protection is an integral part of the development process. In order to benefit and promote the participation of the poor, economic growth must incorporate a sound and open macroeconomic framework in which resources are used productively and which facilitates the development of income- and employment-generating activities that specifically include poor people, particularly the women who comprise the bulk of the poor.

Economic growth is the single most powerful way of pulling people out of poverty. Tackling inequality helps poor people participate in economic growth and trade. Reducing poverty sustainably means ensuring that today’s development successes do not become tomorrow’s environmental failures. Growth is the best way to reduce poverty.

5.1 Poverty is about lack of opportunity, not just a lack of income. The lesson from the last 50 years is that economic growth is the most powerful way of pulling people out of poverty. Economic growth creates higher incomes, which help people save, invest and protect themselves when times are hard. Higher family incomes mean children can go to school rather than have to work. And as economies grow, governments can raise the money they need for public services.

5.4 We believe there are five big challenges for the future. First, helping poor countries to grow faster, especially those lagging behind or who have the biggest numbers of poor people. Second, enabling poor men and women to benefit from growth, by providing better access to economic opportunities. Third, ensuring that growth is based on the sustainable use of natural resources, given rising worldwide consumption and the threat of climate change. Fourth, successfully negotiating for a fairer international trade system from which developing countries can benefit. Fifth, managing migration to promote growth.

2.1 It is easy to see why growth matters. It creates the livelihoods that support growing populations. Higher incomes lead to a reduction in infant deaths, increased school enrolment, and give us greater freedom to make our own decisions about our lives. Economic growth provides the tax revenue for states so they can fund public services, build accountable government and reduce reliance on external support. Growth provides countries and individuals with a ladder out of poverty.

2.2 The evidence is all around us. Today, the countries of East Asia and China sit at the heart of the global economy. This was not always the case. Fifty years ago East Asia’s incomes were about the same as Africa’s. Now they are five times higher and the poverty rate is one-third that of Africa. Children in East Asia are less likely to die as infants and more likely to go to school. There are still many poor people in Asia but a generation of growth has transformed the life chances of the great majority.

2.3 More recently growth has helped raise living standards in Africa too. Over the last five years, half of all sub-Saharan African countries have grown by more than 5% a year, compared to just one-fifth of countries during the decade before. As a result the proportion of people living in extreme poverty has fallen, from 58% to 51%, even though the total population has grown by a quarter.

2.4 Growth rates need to be sustained and raised in almost all low income countries if the MDGs are to be reached. But this will also require growth to deliver more long term benefits for the poor. Too often growth has been damaging to the local and global environment including the climate, and has privileged the rich over the poor. Often it has failed to generate enough jobs.

We will: make growth and trade a central part of our support to developing countries and provide at least £1 billion per year over the next three years; press for a quick conclusion to the Doha trade talks; help countries establish sound taxation systems; make it easier for developing countries to benefit from the new co-operative tax environment; triple investments in efforts to track, freeze and recover assets stolen from developing countries; support partner countries to implement the UN Convention against Corruption and the Financial Action Task Force’s anti-money laundering standards; promote a better environment for the private sector including for co-operatives, investment and fair competition; support stronger financial sectors, with access to financial services for individuals and micro, small and medium-sized businesses; help lower the cost of sending home remittances; support agriculture and food security, through the new Global Partnership for Agriculture Food Security and Nutrition, doubling our support to agricultural research, delivering £1 billion of commitments, and more funding for partnerships with business.
emphasis on context, familiar, for example, from the Commission for Africa in 2005, or the report of the Growth Commission in 2008. Beyond that, the report concentrates on key sectors, with specific pointers for each: infrastructure, energy and urban development; agriculture; manufacturing and services; and extractive industries. There is a section on leaving no-one behind; and a chapter on governance, which includes a commitment to roll out the new strategy also in fragile and conflict-affected states where ‘the environment for economic development is acutely challenging’ (Pg 23).
The need to work globally is emphasised, for example in the WTO. Above all, perhaps, there is a sense of urgency about creating new jobs, especially for the growing numbers of young people entering the labour market in Africa. A striking graph shows how fast Africa’s population is growing (Figure 5). I checked the UN figures: Africa accounts for 16% of global population today, and that is projected rise to nearly 40% by 2100. Africa’s population will have quadrupled in less than a century.

Figure 5


Source:

Is the narrative right?

This is all convincing, as far as it goes. The strategy is wide-ranging, focused on poverty reduction, inclusive, environmentally sensitive, and results-oriented. It reflects current opportunities, for example with respect to technology.

However, I have to say I think the strategy is a starting point for a wider discussion. In an alternative framing, DFID might have started with: the current crisis of globalisation, and the realisation that has been growing inequality and that there have been many losers as well as winners; the reflection of that reality in the Brexit referendum, the election of Donald Trump, and the rising tide of populism in Europe; further threats to jobs associated with automation; associated concerns about premature deindustrialisation; and, last but not least, the wide and deep industrial revolution that will be needed to manage climate change, delivering a massive dose of creative destruction to all the world’s economies. Some have argued that all this means re-thinking completely the regulation of markets and the role of states: see, for example, the book edited by Michael Jacobs and Mariana Mazzucato, ‘Rethinking Capitalism’. I’ve used that work and much else as I have thought about some of these issues. See my paper on the private sector and climate change, and another paper on the implications of Brexit for global governance. At the end of the first of those two papers, I concluded as follows:
‘Green growth and climate change action are difficult, we can agree. However, there is no alternative to urgent and radical measures which reduce emissions – in high-emitting countries, but also in those with smaller footprints. . . . In the long run, there is nowhere for any country or any private sector actor to hide from the responsibility of tackling climate change.

Achieving this level of mitigation will require . . . a new industrial revolution. Like previous revolutions, associated with steam, canals, railways, the internal combustion engine or information technology, the move to a green economy will be characterised by disruption on a global scale, in technology, to be sure, but also in financial markets, in institutions, and in the relative prosperity of countries and regions. The ‘creative disruption’ associated with action on climate change will run alongside that associated with other current and forthcoming revolutions, including the spread of automation and artificial intelligence with its impact on jobs, and medical advances which reduce disease and increase longevity.

The historical record is clear that technological revolutions have the potential to increase living standards in the long run, but only if the right policies are in place to ensure that the transition is smooth and the benefits shared . . . In the UK, protests by the Luddites against mechanisation in the textile industry were suppressed; but in the long term labour unions were formed, the suffrage was widened, working conditions were improved, education became free, and social welfare was put in place. Living standards improved. Thus, the public and private sectors must work together: to identify new growth drivers, foster innovation, increase competitiveness, and ensure that change is managed for the benefit of all.

In the environmental field, a key insight is that climate-related decisions taken in one part of the world have impacts which resound elsewhere. For example, efforts to improve energy efficiency in Europe will, in principle, reduce costs and improve the competitive position of plants which invest in new measures. They will obtain innovators’ rent, providing the profits and resources to innovate further and strengthen competitive advantage.

Countries and businesses can adopt an ostrich strategy and wait with their heads in the sand, hoping for the best, as change begins to happen. They can retreat behind protective barriers, relying on tariffs to sustain industry which is increasingly uncompetitive, imposing costs on consumers in the process.

Alternatively, countries and their private sector can work together to produce long-term policy frameworks and practical measures both to tackle climate change and to boost competitiveness. Economic transformation can become a national project.’

Of course, many others have made similar points. For example, in a speech in September 2016 on the topic of ‘Making globalisation work for all’, the Managing Director of the IMF, Christine Lagarde, said that

‘There is no doubt that the transformation of our economies has also brought dislocation and hardship. Structural change caused by globalization and technological change has deeply affected some sectors and industries—while benefitting society as a whole. Concerns over wages, jobs, and future prospects are real and pressing for those who are not well-equipped to thrive in this new world.’

**New thinking on economic development**

So, let me pursue those ideas. There are many research groups working on the topic, for example the International Growth Centre, run by LSE and the University of Oxford, and an important programme at ODI, Supporting Economic Transformation. The latter, for example, has done work on manufacturing in Africa, including the value of setting up Special Economic Zones. I don’t think either of these research groups is referenced in the bibliography. The
World Economic Forum Competitiveness Index provides a useful check-list of themes to cover, including, for example, the quality of higher education and training, and support for innovation (see Figure 6).

Figure 6

The Global Competitiveness Index Framework


In addition to the above, there are several recent sources.

First, the World Economic Forum published in January its Inclusive Growth and Development Report. The report identifies ‘a set of difficult and increasingly urgent questions’:

‘With fiscal space limited, interest rates near zero, and demographic trends unfavorable in many countries, does the world economy face a protracted period of relatively low growth? Will macroeconomics and demography determine the world economy’s destiny for the foreseeable future?

Can rising in-country inequality be satisfactorily redressed within the prevailing liberal international economic order? Can those who argue that modern capitalist economies face inherent limitations in this regard – that their internal “income distribution system” is broken and likely beyond repair – be proven wrong?

As technological disruption accelerates in the Fourth Industrial Revolution, how can societies organize themselves better to respond to the potential employment and other distributional effects? Are expanded transfer payments the only or primary solution, or can market mechanisms be developed to widen social participation in new forms of economic value-creation?

These questions beg the more fundamental one of whether a secular correction is required in the existing economic growth model in order to counteract secular stagnation and dispersion (chronic low growth and rising inequality). Does the mental map of how policymakers conceptualize and enable national economic performance need to be redrawn? Is there a structural way, beyond the temporary monetary and fiscal measures of recent years, to cut the Gordian knot of slow growth and rising inequality, to turn the current vicious cycle of stagnation and dispersion into a virtuous one in which greater social inclusion and stronger and more sustainable growth reinforce each other?’

To measure progress, the report proposes an ‘Inclusive Growth and Development Framework’ (Figure 7) and a set of Key performance Indicators (Figure 8). Note especially the
inclusion of the Gini coefficient as a key performance indicator, and also, another, the carbon intensity of GDP.

Figure 7
Inclusive Growth and Development Framework


Figure 8
Inclusive Growth and Development: Key Performance Indicators


Second, also in January, the UK Government published its own industrial strategy, as a Green Paper. In her Foreword, the Prime Minister, Theresa May, says that

‘Underpinning this strategy is a new approach to government, not just stepping back and leaving business to get on with the job, but stepping up to a new, active role that backs business and ensures more people
in all corners of the country share in the benefits of its success. This active government will build on Britain’s strategic strengths and tackle our underlying weaknesses, like low productivity. This is vital because if we want to increase our overall prosperity, if we want more people to share in that prosperity, if we want higher real wages, and if we want more opportunities for young people to get on – we have to raise our productivity.’

Note especially the reference to ‘active Government’. The strategy is built around 10 pillars (Figure 9). These include investing in research, high level skill development, of course infrastructure development, and, interestingly, active Government procurement. Presumably all these are also relevant to developing countries?

Figure 9
Pillars of the UK Industrial Strategy

The pillars

1. Investing in science, research and innovation – we must become a more innovative economy and do more to comornerialise our world-leading science base to drive growth across the UK.
2. Developing skills – we must help people and businesses to thrive by: ensuring everyone has the basic skills needed in a modern economy; building a new system of technical education to benefit the half of young people who do not go to university; boosting STEM (science, technology, engineering and maths) skills, digital skills and numeracy; and by raising skill levels in lagging areas.
3. Upgrading infrastructure – we must upgrade our standards of performance on digital, energy, transport, water and food defence infrastructure, and better align central government infrastructure investment with local growth priorities.
4. Supporting businesses to start and grow – we must ensure that businesses across the UK can access the finance and management skills they need to grow; and we must create the right conditions for companies to invest for the long term.
5. Improving procurement – we must use strategic government procurement to drive innovation and enable the development of UK supply chains.
6. Encouraging trade and inward investment – government policy can help boost productivity and growth across our economy, including by increasing competition and helping to bring new ways of doing things to the UK.
7. Delivering affordable energy and clean growth – we need to keep costs down for businesses, and secure the economic benefits of the transition to a low-carbon economy.
8. Cultivating world-leading sectors – we must build on our areas of competitive advantage, and help new sectors to flourish, in many cases challenging existing institutions and incumbents.
9. Driving growth across the whole country – we will create a framework to build on the particular strengths of different places and address factors that hold places back – whether it is investing in key infrastructure projects to encourage growth, increasing skill levels, or backing local innovation strengths.
10. Creating the right institutions to bring together sectors and places – we will consider the best structures to support people, industries and places. In some places and sectors there may be missing institutions which we could create, or existing ones we could strengthen, be they local civic or educational institutions, trade associations or financial networks.

Source:

Third, also in January, the Business and Sustainable Development Commission, chaired by Mark Malloch Brown and Paul Polman, published its report, ‘Better Business, Better World’. The description of the challenge will by now be familiar:
‘2016 has unsettled business leaders everywhere. Whatever one’s political views, uncertainty and the return to a much more nationalist politics in many countries have displaced the assumption of steady global integration. Many commentators have declared that globalisation has already peaked, despite its role in the past 30-year run of unprecedented successes worldwide in health, wealth, education and life expectancy.

Certainly the contradictions of that success caught up with us in 2016. In the West, stagnant incomes among broad groups made them angry at elites who were bailed out after the global financial crisis. Frustrated voters have rejected more international integration. Elsewhere, too, those losing out either economically or environmentally, such as the citizens of smog-choked Asian cities, or socially, through the breakdown of traditional rural communities, are asking whether the costs of our global economy are greater than its benefits.

These hard questions matter to business leaders everywhere. As members of the Business and Sustainable Development Commission, we argue that it is incumbent on all of us to make the case for business to be at the heart of an open global economic system. But we cannot defend a lazy return to the old model that has been so widely rejected over the past year.

We must have the courage to strike out in new directions and embrace an economic model which is not only low-carbon and environmentally sustainable, but also turns poverty, inequality and lack of financial access into new market opportunities for smart, progressive, profit-oriented companies. These complex challenges need the full and combined attention of government, civil society and business. Otherwise, there is no chance of solving them.’

The Report examines many options for linking business development to the SDGs, and concludes with a list of the 60 biggest market opportunities related to delivering the global goals (Figure 10). These, they say, offer $US 12 trillion of market opportunities by 2030 in just four sectors. It is essential to embed SDG thinking and action within company strategies.

Do these reports provide any pointers for future work by DFID? There are, perhaps, five: some new, and some that are present in the strategy but would benefit from greater prominence as programmes are rolled out.

First, the thrust of the policy recommendations might change if the overall framing were not just about the need for growth and jobs, but more about the need to ‘ride the tiger’ of the changing global economy: on the one hand, disillusion with globalisation, and, on the other, the imminent (sometimes current) industrial revolutions that will affect the shape of production possibility frontiers and the price lines faced by developing countries. It might have been helpful to reference Schumpeter on ‘creative destruction’ (hinted at on Pg 25), to talk more earlier on about innovation, disruption and competitive advantage in a fast-changing world, and to analyse more carefully the pattern of winners and losers. It would certainly be a disappointment if structural change led to growing inequality and to the proliferation of ‘forgotten towns’ and ‘forgotten communities’ that have played such a large part in the growth of populist sentiment in developed countries. In the UK, for example, there has been disillusion with models that address these problems with a combination of infrastructure development and inward investment.

Second, the most significant driver of industrial revolutions is likely to be – certainly should be – the greening of economies, again with big implications for the competitive position of different sectors in different countries, and for policy. There is reference to this issue (Pgs 27-8), but it is interesting to speculate about what an economic development strategy would
look like if the very first sentence, so to speak, said that ‘the challenge we face is to create sustainable economies which also provide meaningful lives and livelihoods for all’. Would

Figure 10


there, for example, be a much stronger narrative about green fiscal policy, ranging from carbon taxes to subsidies for investment in renewable energy? Or would targets for issues like energy efficiency feature more prominently? See Figure 11 for a list of measures to consider. Let’s not even consider whether a focus on sustainability would undermine the foundations of a global growth model.

Third, there are important implications of the above points for the capability of economies and for what the WEF call their ‘efficiency enhancers’. Two issues in particular are related to skills and innovation. For example, it might be argued to follow from the premises of any industrial strategy that economies will need more skilled individuals at different levels, including graduates. Should donors therefore be committing to invest far more in universities and other post-secondary education? The DAC statistics indicate that over the past 20 years, no more than 1-2% of UK oda has been spent on post-secondary education. For a country
with such strong global comparative advantage in the field, this seems low. Similarly, the UK has a strong science and social science research base. The DAC data base does not identify

Figure 11
Policies to reduce greenhouse gas emissions

Source: https://uneplive.unep.org/media/docs/theme/13/EGR_2015_301115_lores.pdf

research spend as a sector category, but could it be part of the UK mission to make additional investments in strengthening the research capacity of developing countries?

Fourth, business must assume responsibilities for the social and environmental dimensions of their activities, may do this spontaneously if they take the SDGs seriously and see profit therein, but will surely also require policy and legal frameworks. The DFID strategy recognises the issue in an important paragraph (Pg 13), which, as noted earlier, did not make the summary:
‘We are encouraging businesses to contribute to economic development in ways that are socially responsible, environmentally sound and help defeat modern slavery.’

The strategy then says that

‘We will:

- speak up on corporate governance standards, transparency and corruption;
- use our support for codes of conduct, certificates and standards organisations to encourage businesses to be responsible, transparent and accountable across their value chains;
- encourage businesses to promote good health and nutrition, recognising how disease and malnutrition reduce workforce productivity and create huge costs for families, businesses and public services.’

On Pgs 20-21, there is further text on this topic:

‘We will seek to expand access for the poorest to jobs in high growth-potential sectors with improving working conditions. In many low-income countries, unemployment is low but under-employment is high. Many jobs are highly unsafe and offer no scope for progression. We need to create more opportunities for the poorest and excluded groups to access improved jobs, labour rights and working conditions, which in turn help address discrimination. This requires investment in human capital, nutrition, family planning and infrastructure for a healthy and educated population, and better access to assets such as land and finance.’

It would have been useful to add to these paras an unambiguous commitment to legislative underpinning of: ‘decent work’, as defined by the ILO; the right to freedom of association and the right to collective bargaining, as in the principles of the UN Global Compact; and, perhaps also, the commitment to universal social protection by 2030, enshrined in the SDGs. The word ‘rights’ appears 6 times in the DFID strategy, 4 in connection with property rights, once in relation to the rights of the disabled, and once in the rather odd sentence quoted above, which implies that labour rights can be secured by investment and better access to land and finance.

Finally, all the above imply what Theresa May, in her Foreword to the UK Industrial Strategy, calls ‘active Government’. There is actually strong wording on this in the Strategy (Pgs 25-6):

‘Economic development is shaped by the distribution of power and resources, and by a society’s informal social rules - not just formal laws and policies. It is disruptive, creates new winners and losers and involves difficult trade-offs.

A capable state and committed political leadership can drive economic transformation and manage the tensions it presents. This includes providing predictability and transparency; the right business environment and economic infrastructure; and clear direction over trade and investment policies. The state shapes workforce skills and strongly affects the international competitiveness of firms. More broadly, effective governance and institutions can build the systems of accountability on which sustained progress depends and prevent narrow vested interests capturing economic benefits at the expense of the economy overall. This is vital to ensuring opportunities are spread broadly across society, avoiding economic exclusion and extreme income inequality.

We will:

- pursue a politically smart approach to economic development - basing our work on robust analysis of local politics and conflict risks so that we seize opportunities in difficult environments and stimulate investment that helps countries out of instability;
- better connect our governance and economic development programmes and engage with the private sector to target governance-related barriers to investment.
- continue to help civil society groups question, challenge and collaborate with power-holders on economic development issues that matter to them;
• work with partner governments to improve the management and transparency of public finances;
• take a whole of UK Government approach to tax by working with HM Revenue and Customs (HMRC) . . ; (and)
• harness UK expertise through the ‘GREAT for Partnership’ initiative to boost exchanges between UK institutions and their developing country counterparts including through collaboration with the Bank of England, the Financial Conduct Authority and HMRC.’

Many questions arise here, for example about points of entry in different kinds of country, and the long-term commitment needed to achieve institutional change. The World Bank’s Country Policy and Institutional Assessment is relevant. The KPMG Change Readiness Index, originally developed by ODI, has Government capability as one of its three pillars, alongside enterprise capability and civil society capability. Daniel Kaufmann has interesting recent work on the relationship between governance and competitiveness. More practically, it would be useful for countries to have options from which to choose. Should it be a priority, for example, to create a Green Investment Bank, as has been the case in the UK? No doubt, DFID advisers have a tool-box with options of this kind. Is it in the public domain? And how does DFID propose to manage the complex politics of policy reform?

Conclusion: DFID capacity

This brings me neatly to a final point, which is about DFID capacity to implement an ambitious agenda for economic development. Finance is one issue, with a clear commitment to spend more and more innovatively in this area. People is another issue. It is hard to assess what competences DFID will need at country level or centrally to implement enhanced economic development priorities. In a recent year, 2013, DFID had 800 professional advisers, as per the table below. It would be interesting to have a chart showing how these numbers will evolve as priorities shift. What impact will Brexit have on the demands being made on staff, for example with regard to trade?
Figure 12

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Simon Maxwell – February 2017