ODI

Resilience in an age of risk

Future development agencies conference, 11-12 May 2017

Development Strategy & Finance programme

Executive summary

The Overseas Development Institute's (ODI) flagship conference on Future Development Agencies this year continued the theme of building resilient development agencies, with a focus on strategies for addressing risks, opportunities and trade-offs in a more competitive, less secure and more volatile world.

Risks include an escalation of conflict, insecurity and terrorism and the ever-growing catastrophic effects of climate change. Analysts are increasingly concerned not only by these risks individually but by their potential to interact in unprecedented and dangerous ways. Increased uncertainty accompanies this mounting global risk. That uncertainty makes it harder for global actors to be resilient, prepared and responsive – making strategic foresight even more valuable and necessary.

Three big development questions of our time continue to challenge development agencies as they prepare for the future: (1) what 'aid in the national interest' means for agency strategies; (2) how to reform the multilateral development system when the world is becoming less multilateral; and (3) how to engage effectively in fragile states.

National interest

The discussion at the conference tended towards rejecting the notion of a fundamental tension between altruism and the national interest. If there is a tension, it is between short and long time horizons that manifests itself in how to maintain development ambition and vision in a tense domestic political climate. Agencies were encouraged not to be overly preoccupied by national interest motivations, with Norway cited as an example of altruism that has proven to be a source of influence and national gain. Disagreement arose over the most appropriate organisational structure for development agencies given growing aid nationalism. Delegates wondered whether it is possible to differentiate between 'bad' national interest and 'good' national interest.

Multilateral reform

There was a general consensus that the multilateral system is not living up to its potential at the time where multilateral solutions are needed more than ever. Several problems were cited (lack of collaboration; rising institutional costs; too much 'fire-fighting' and not enough crisis prevention) – however, identifying causes was less straightforward. A fundamental point of contention was the extent to which the problems are caused by the agencies themselves, or by the countries that constitute their memberships. A popular solution proposed was establishing an independent multilateral review system. Another proposed merging the procurement and human resource systems of different agencies to tackle 'tribalism'.

Fragile states

Discussion focused on the challenge to match resilience to natural disasters with resilience to manmade crises, and to 'get ahead' of crises rather than merely reacting to them. Despite impressive strategy papers, knowledge is still lacking about what works on the ground. Better understanding is needed of prolonged/chronic crises and the complex set of drivers of instability and the need to manage risk more effectively. The global aid architecture is at breaking point and cannot bear many more major crises – with justice and security cited by many as the big gaps in international development. There was also 'push back' about the idea that good progress has been made.

Strategic foresight

No facts or evidence can help agencies predict the future. Strategic foresight is a systematic approach to develop plausible alternatives for the future. It helps organisations to make strategic choices under uncertain conditions and prepare for future disruptions. A participatory approach within an organisation, a clear purpose and the integration into the strategic planning process are essential ingredients for a foresight exercise. Conference debated different insights and implications of foresight practices. One insight was that foresight was not what an organisation does, but what it is. The implication was that foresight work inevitably 'disturbs' organisations and their procedures – so being resilient involves facing up to the need to do things differently.
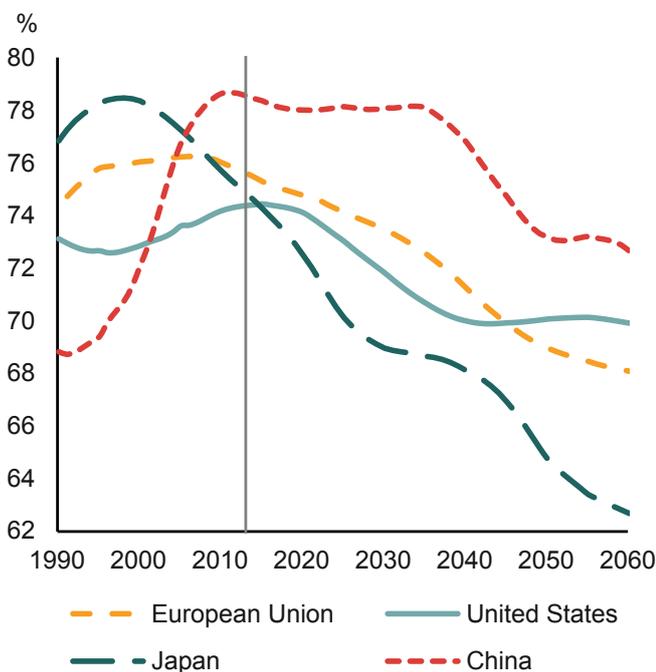
Development agency approaches

There was consensus that the process around foresight exercises is as, if not more, important than the results. All the speakers highlighted the collaborative nature of the exercise and the need to include actors with different outlooks to think beyond their comfort zones. Examples of foresight as practised in France, Germany, the Netherlands, and within Irish Aid and USAID were discussed. Risks of foresight exercises were debated, including: focusing too much on a theoretical framework and constantly questioning priorities; a disconnect between the long-term interest and the short-term political cycle; and a risk of being accused of wasting taxpayers' money by allocating resources to such exercises.

1.Framing the challenges

In a world characterised by rapid change and likely upheaval, attempting to look ahead is as difficult as it is necessary. We know that the global population is increasing (estimated to reach 8.5 billion by 2050), growing older (sub-Saharan Africa's older-aged population is projected to more than triple by 2050), and rapidly urbanising (by 2050, two-thirds of the world's population will be living in cities). There is a growing middle-class, but inequalities are widening. Growing inequality (and the absence of an alternative economic model) is a fundamental driver of other social and political risks. Disposable incomes have been growing much faster in the top 10% of the population than among the rest. In the labour market, there has been a decline of collective bargaining; there is a growing skills bias that tends to benefit the top of the distribution.
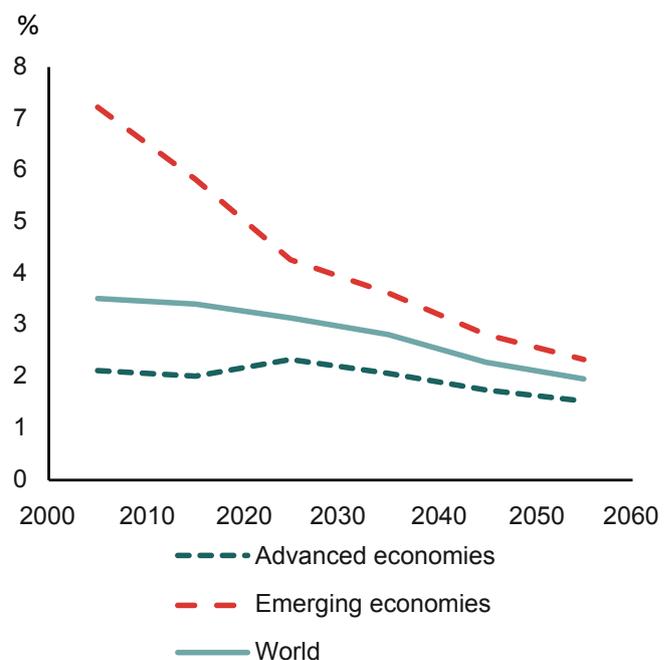
We know that the global economy is becoming more vulnerable as a result of economic convergence, falling labour income, declining trade and digitisation. Scenarios indicate that global growth is expected to slow significantly by 2050 (from around 3.5% to 2% annually). In developing countries, this slowdown is likely to come somewhat later, as countries benefit from 'catch-up' – closing the gap in productivity and technological capabilities with rich countries. Nevertheless, growth is still expected to dampen in developing countries by the middle of the century. We cannot rely on growth as the miracle that will achieve sustainable development: even at current growth rates, it would take Ethiopia until the year 2200 to converge with rich-world per capita incomes. It is not only the pace of growth under threat but also its distribution. The pace of digitisation has increased massively: 40% of the world's population now has internet access. Yet the impacts of technological change are dependent on its pace and qualities. Automation will likely bring enormous disruption to the labour market, but it could also revolutionise productivity.

Population of working age forecasted to decrease (population aged 15-74 as a share of the total)

Source: Organisation for Economic Co-operation and Development[1]

Global growth forecasted to decline (% average GDP growth)

Source: Organisation for Economic Co-operation and Development[2]

1. Tamaki, R. (2014) 'OECD 50-year global scenario: Policy Challenges for the Next 50 Years', Presentation on 2 July 2014, Tokyo. Available at: http://www.oecd.org/eco/lookingto2060.htm

2. Ibid.

The interdependence of countries, now a fact of global life, has not been accompanied by a corresponding strengthening of global governance. The world order is multipolar, more fragile and unpredictable, and global insecurity is increasingly caused by non-state violence. The dominant, liberal, Western-centric system will most likely diminish over the next 15 years. The rise of China and India will likely accelerate. While we may be seeing a retreat from the established (West-dominated) multilateral system, we may see a rise in new forms of regional multilateralism among emerging economies.

Finally, problems stemming from climate change and scarcity of resources are becoming increasingly linked as global competition for access to natural resources continues to intensify. The demand for energy and water is expected to grow by 40% and for food by 50% by 2030 compared to present levels. Climate change is consistently a top global risk identified by the World Economic Forum each year. While COP21 (the 2015 Paris Climate Conference) marked a success for international climate policy, even the commitments forged there will only achieve a quarter of the CO_2 reductions needed to keep global temperature rise to the agreed target of 1.5 degrees.

However, the risk landscape is denser now than ever before. Increasingly, analysts are concerned not only with individual risks – geopolitical crisis, terrorism, climate change and resource scarcity – but also how these might interact in unprecedented and dangerous ways. We cannot discount the real possibility of a 'perfect storm' in the next decade.

Predictions rarely prove wholly accurate and unforeseeable events can, and often do, intrude dramatically to alter the course of history. But recently, the number of uncertainties and 'black swans' have increased, which intensifies global risks. Global actors are finding it harder to be resilient, prepared and responsive. That makes strategic foresight even more valuable and necessary.

With regard to international development, three prominent themes express themselves across the framework of projections, uncertainties and black swans:

1. the explicit rise of national self-interest, reflected in governments' strategies, policies and approaches
2. the urgency of global challenges versus a possible decline in multilateral action
3. the continuing spread and entrenchment of fragility, conflict and violence.

What we know: These are drivers of change or trend projections based on current realities, which can be robust, such as demographic trends, or are largely determined by what already exists, such as the development of new technologies.

What we know we don't know: These are uncertainties, the trends and challenges we know about, even if we do not know exactly how they will develop. This is the case with geopolitical or societal changes, for example, or the response to climate change.

'Wild cards' or 'black swans': These are primarily speculation and/or warnings of improbable – but deeply disruptive – developments or sudden events. Preparing for an unlikely event will contribute to resilience when a true black swan materialises.

Under any scenario for global development over the next 15 years, these will be the three challenges that agencies need to face. Even though we are conscious of their significance, our analysis and responses remain insufficient. These are current issues, and there are some reliable future trends and projections, but there are also some critical uncertainties and the possibility of black swans. Even for the known elements, as a system of development cooperation agencies, we are under-equipped to respond.

2. Aid in the national interest: the altruism and self-interest dilemma

Framing the debate

Increasingly, governments seek to advance national security, foreign policy and commercial interests through their international development cooperation engagements. The national interest is thus gaining legitimacy as a dominant starting position for international cooperation.

New research by the Overseas Development Institute (ODI) shows that the changing motivations behind international cooperation highlight two choices that all agencies face:

1. the nature of their motivation, on the spectrum between pure national interest and global solidarity
2. the level of their engagement – global/regional and country/sub-national.

More agencies appear to be moving towards a greater emphasis on national interest. It is crucial to determine how to prevent national interest objectives from compromising other objectives.

Discussion

The role of national interest in aid has long since been observed, but care should be taken not to treat it as a hegemonic concept as it is made up of multiple attitudes, values and interests. There is no fundamental tension between altruism and the national interest. If there is a tension, it is between short and long time horizons that manifests itself in how to maintain development

ambition and vision in a tense domestic political climate. Moreover, different actors will always have a different mix of motivations and one cannot assume that there is a universal tension.

Agencies should not be overly preoccupied by national interest motivations. In Norway, altruism has proven to be a source of influence and national gain. Agency objectives should push in the right direction without getting into an ideological debate. This can be done by drawing attention to concrete evidence that is non-confrontational, building alliances with a range of organisations, and offering the foreign policy community assistance where requested so politicians can get their 'quick wins'.

There was some disagreement about the most appropriate organisational structure for development agencies given growing aid nationalism, with the Australian case suggesting that a merger between foreign policy and development creates coherence and elevates development concerns. The Italian case, however, suggests that integration risks diluting development objectives.

At the same time, there is a proven negative correlation between the national interest and development impact. Is it possible to differentiate between 'bad' national interest and 'good' national interest? This highlights the importance of a strong narrative, where there is space to convert the pursuit of strategic interests into good programming. However, there is also a concern about the integration of development agencies into foreign ministries, which would come at the cost of their voice, independence and ability to guarantee quality.

3. A race against time: multilateral reform to save the system

Framing the debate

There is a popular perception that the multilateral system is in decline just as the challenges of development are becoming more 'global' and in need of even greater collective action.

But this perception is contradicted by the evidence, which shows that funding to the system is increasing. Contributions by OECD Development Assistance Committee (DAC) countries to multilateral organisations rose by nearly 10% in real terms in 2016. It is unclear whether this signifies a revitalisation of the system, or simply a lag in the numbers.

Nevertheless, under a Trump Presidency, calls for less multilateralism are likely to intensify. The US is already distancing itself from the climate change agreements, cutting United Nations (UN) budgets and those of other 'unfriendly' international agencies, and slashing humanitarian and development aid.

The UK's Multilateral Development Review 2016 found that the multilateral system as a whole is falling short of its considerable potential because agencies are not working together. If the multilateral system is broken, bilateral agencies are lacking the determination to work together to fix the problem.

Discussion

There was a general consensus that the multilateral system is not living up to its potential in an age where multilateral solutions are needed more than ever. The system was described as 'under siege', with inefficiencies and wasteful spending. Several problem areas were highlighted: a lack of collaboration between multilateral agencies; rising institutional costs; an emphasis on 'putting out fires' through humanitarian assistance, as opposed to crisis prevention; and gaps in the multilateral system (or 'ungoverned spaces') in emerging areas such as new technology, pandemics and terrorism. It was also noted that the 2030 Agenda for Sustainable Development might not be as universally recognised as it appears from a European point of view.

While there was agreement that shortcomings in the multilateral system were widespread, identifying the causes was less straightforward.

One fundamental point of contention – reflecting the principle-agent problem of international institutions – is the extent to which the problems are caused by the agencies themselves, or by the countries that constitute their memberships. A multilateral body such as the UN inevitably sacrifices efficiency for representativeness; with such a wide membership, decision-making will unavoidably be a sluggish process, leading to a lowest common denominator solution. Furthermore, a lack of progress and reform is natural, as member states have different objectives. There are diverse objectives even within individual countries, and member countries do not always have a coherent approach to the various multilateral agencies. Furthermore, the system is increasingly complicated and convoluted, making it hard for member countries to oversee the activities of multilateral institutions, leading to low accountability towards member countries.

Other problems include the lack of core funding, weak on-the-ground implementation, unrealistic expectations of what can be achieved, the use of special purpose funds, and low levels of collaboration – even to the extent of rivalry – between different agencies (possibly caused by the diversity of member country objectives). On the other hand, it was noted that looking at the multilateral system as a whole is not nuanced enough, as different agencies face different issues.

The solutions proposed to a large extent reflected the identified causes. A popular idea was the establishment of an independent multilateral review system; an improved version of MOPAN (the Multilateral Organisation Performance Assessment Network). One proposal to improve the UN system was to merge the procurement and human resource systems of different agencies in order

to eliminate tribalism and interagency rivalry. Another proposal was to attach conditions to core financing, but using conditions that are already embedded in the agency's strategy to avoid the agency having separate conditions for each member country. Finally, in order to succeed it was proposed that we need to involve a larger base of stakeholders.

4. The world's hardest development challenge: engaging in fragile states

Framing the debate

More than 1.6 billion people (around 22% of the global population) live in fragile states, the majority of which are in sub-Saharan Africa. Agencies are committing to a scaled-up effort in fragile states, and aid levels are increasing, but we are still grappling with effective delivery. Official development assistance is not always targeted at the drivers of fragility, such as economic growth and environmental vulnerability at household and community level. Furthermore, the types of aid given in fragile contexts typically seek to address the crises and emergencies rather than the causes or long-term structural change.

However, we still have not found practical ways to work across the range of interconnected political, security and development issues, to be effective and accountable, and to manage risk in a way that does not impede operational flexibility.

Fragility trap: projected numbers of extreme poor
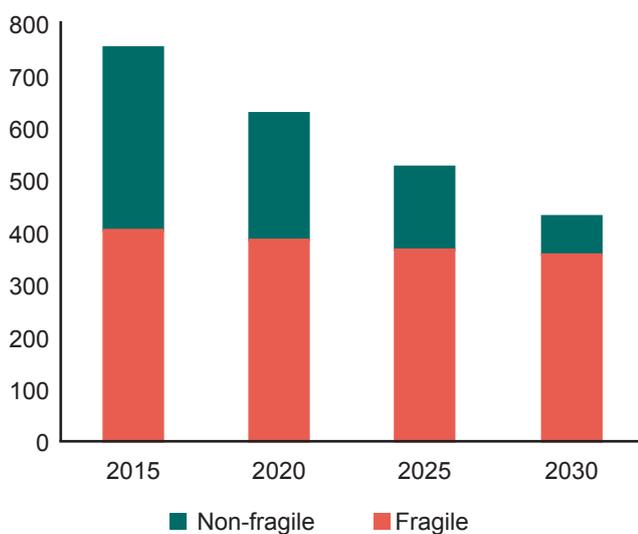
Source: UK Department for International Development (2017) Economic Development Strategy: prosperity, poverty and meeting global challenges

Discussion

We have all become adept at diagnosis and the formulation of impressive strategy papers, but are still early in the learning curve when it comes to what works on the ground.

Common themes were thinking across economic, political and societal interactions ('thinking across the stovepipes', 'replacing a pipework with a networked approach'), and attempting to disrupt the feedback cycle which can create 'crises traps' that perpetuate and spread fragility. It is important to develop better understanding of prolonged/chronic crises and the complex set of drivers of instability and the need to manage risk more effectively.

A lot of progress has been made in a short number of years in terms of how development agencies – but more importantly, countries – think about resilience and the need to tackle the underlying drivers of humanitarian crises. The evidence can be seen in how Ethiopia and Kenya (and to a lesser extent Somalia) have coped with the recent drought, which represents a 180-degree change on past disasters. The challenge now is to match resilience to natural disasters with resilience to manmade crises, and to 'get ahead' of crises rather than merely reacting to them.

Other themes discussed included the idea that providing services is not enough to build state legitimacy, which requires listening to citizens' views; the need to include excluded groups and displaced persons in economic development; applying lessons learned about conflict resolution mechanisms to working at the local level; the importance of justice; and regional cooperation on cross-border criminality. It was suggested that none of these ideas is new as such, but there has been a need for synthesis and to provide donor country offices with something of a checklist.

The conundrum of the interaction of the humanitarian and development wings of the international aid industry was discussed, recognising the need to preserve fundamental principles of humanitarian work, and to find ways of combining two different mandates, and skill sets,

instruments and political rationales, in a complementary way. Recent examples of the World Bank and the United Nations High Commissioner for Refugees' (UNHCR) work together were cited, although these were acknowledged as being too little, too late.

One aid agency presented a detailed case study of supporting infrastructure investment in Iraq, where the clear majority of projects have either concluded successfully or are on track. The approach stresses the role of 'learning by doing' and is based on a joint monitoring committee with the Iraqi government, involving all executing agencies, to report progress and bottlenecks, and the United Nations Development Programme (UNDP) secretariat. Such a cooperative arrangement is necessary, but it can also become a way of avoiding decisions and evading responsibility, so the agency found it necessary to work behind the scenes with UNDP support to make things happen. It was also emphasised that this process itself constituted capacity-building in the domestic government. Working in Iraq raised many challenges – of course security, although it is possible to avoid the most dangerous regions – but also difficulties such as the widespread perception that anti-corruption measures are a blackmail scam. Training was a crucial element of this programme, and it was found to be more cost-effective to conduct training in neighbouring countries where the associated security costs were lower, so cooperation with regional neighbours proved valuable, even if that meant dealing with some residual regional animosity.

There was some 'push back' about the idea that good progress has been made. There were also caveats raised about the sanctity of humanitarian work, which has sometimes served to protect behaviours that not are very virtuous. It was observed that some non-governmental organisations operate successfully at the intersection of humanitarian and development spaces, and that donors could do more to support them. It was claimed that donors' compliance procedures too often exclude groups that have the real expertise. The value of the g7+ (a voluntary association of fragile and conflict-affected states) was mentioned, and speakers expressed concern that the group's New Deal seems to have lost some traction.

The conversation then moved to justice and security, which many saw as the big gap in the international aid architecture. A few donors are strong on security, but in general work reforming local police has been poor. There is a need for cross-government approaches whereby the diplomatic corps, military and development arms collaborate, and delegates from some countries spoke of increasing mutual appreciation between the military and aid actors. Some argued that development agencies must have cabinet-level agency, otherwise they become the 'little sister' of diplomats and the army. However, others suggested that inter-ministerial cooperation is intrinsically difficult – there are few examples of it anywhere – so it makes sense to limit ambitions and focus cross-government efforts only in areas where it is essential.

The sense of progress on these issues reflects a sense of urgency. The global aid architecture is at breaking point and cannot bear many more major crises.

5. Navigating a new world order: the art and science of foresight

There are different ways in which foresight approaches are being used in practice: to manage political, short-term alternatives facing development agencies; to support country and programme planning; and to identify the strategic focus for organisations.

Technological developments will be one of the main strategy disruptors for development agencies. Not only does technology affect government systems, but also development agencies' mission, given its consequences in exponential terms for labour productivity, poverty, inequality and human development. The pace of technology adoption has accelerated, the cost of getting new technology to market is plummeting and technology has become more 'democratic' and accessible.

No facts or evidence can help agencies predict the future. Strategic planning and horizon-scanning is based on beliefs and the assumption that the future resembles current and past conditions. Agencies can however take advantage of tools, insights and intersections between disciplines (economics, philosophy, engineering, art, etc.) to structure their approach to strategy development.

Strategic foresight is a systematic approach for the development of plausible alternatives for the future. It helps organisations to make strategic choices under uncertain conditions and prepare for future disruptions. A participatory approach within an organisation, a clear purpose and integration into the strategic planning process are essential ingredients for a foresight exercise.

There are different tools for foresight, and the choices depend on the horizon of the planning exercise and the type of institution. One example is wind-tunnelling, which helps organisations to prepare for alternative scenarios by assessing the risks associated with potential policy responses. The exercise requires developing narratives of evolving dynamics in the future, and discussing the impact of different scenarios. Scenarios are based on the intersections of two major exogenous and uncertain drivers of change.

Insights and implications from the conference

Insight	Implications
Ultimately, foresight is not something your organisation does, it's how your organisation is	Ongoing foresight work inevitably 'disturbs' an organisation. Facing up to how it might need to be different to be resilient to different futures requires ongoing senior courage and support. As we heard, the Board must be able to respond to challenges such as: 'Although the world has changed a lot in the last half century we notice our Board governance procedures haven't – how can that be?'
Flexibility for the future leads to flexibility in the present	Developing the flexibility for an organisation to be resilient to different futures also serves to 'limber it up' to be flexible in the present. Delegates heard that organisations practised in foresight are more resilient to current emergencies.
Foresight work continues to take place in both internal and external contexts, not in a vacuum	Expect the implications of foresight work to challenge the status quo. (Why else would you do it?) Internally, expect foresight implications to be impinged upon by current organisational thinking about risk and current systems of incentives. Externally, expect long-term foresight implications to be impinged upon by shorter-term electoral or even media cycles. Unsurprisingly, we did not hear of any silver-bullet solutions, but rather an encouragement to be upfront and transparent about identifying and addressing these impingements. Some delegates thought that the proliferation of strategies (where organisational strategy is translated further and further into local or departmental strategies) led to a greater chance of conflict.
Foresight is a social process as well as a strategic output	The journey is at least as important as the destination. How that journey is made really counts. Delegates noted that wide, authentic engagement not only provides the diversity of data needed for a resilient output but also fosters the ownership and understanding needed to create a resilient organisation.

Source: Catarina Tully, School of International Futures.

Strategic foresight exercises can help organisations to prepare for the future by developing early warning indicators to help identify strategic navigation and contingency plans. They facilitate the implementation of a portfolio risk management approach to programmes and investments, with more emphasis on adaptive programming and project management, including monitoring and evaluation.

6. Foresight in practice: development agency approaches

There was consensus that the process around foresight exercises is as, if not more, important than the results. All the speakers highlighted the collaborative nature of the exercise and the need to include actors with different outlooks to think beyond their comfort zones.

In Germany, the use of strategic foresight has gained prominence and an attempt was made to institutionalise it as a policy tool. For the first time, the latest government policy on international development includes a forward-looking section. The production of the report was a collaborative effort with the participation of international partners, civil society organisations, businesses, parliamentarians and think tanks. The process was led by the development ministry (BMZ), but approved by the whole government, reflecting the breadth of the subject matter.

The German implementing agency (GIZ) also made use of foresight tools to redesign its internal strategy following organisational changes. The objective was to move towards a way of working that does not react to events with a strategy that provides a flexible framework allowing for change in a dynamic environment. The new strategy was drawn up through a collective process involving staff, management and external stakeholders and considered future trends analysis. This participatory approach was considered to be the biggest success. The strategy document is revised annually and future versions will be informed by scenario workshops considering the more distant future.

The French Development Agency (AFD) carried out a foresight exercise to think through the new paradigm of development and consider possible futures and their implications for the agency. The authors tested the AFD against a series of scenarios and concluded that regardless of technological innovation and policy evolution, for the organisation to be resilient, it had to invest in human resources and make sure that its staff is multidisciplinary, more varied and with more diverse backgrounds. The findings of the exercise will inform the ongoing strategy process. This was a staff initiative carried out by employees in addition to their normal duties and with the backing of the management. Consultations were held internally and externally, which led to new partnerships and renewed dialogue with some partners.

At USAID, new procedures around 'managing risk and building operational resilience in non-permissive environments' were developed and are now being incorporated into the programme cycle. In particular, this involves managing programmatic, strategic, reputational and other kinds of risks, but also making sure that opportunities are not missed. Several operational challenges were identified, which include competing goals and objectives across the organisation; balancing threats and opportunities; and combining accountability with learning. A step-by-step management process was designed to try to address these challenges (see box).

Irish Aid went through a similar strategy process to that of Germany. Consultations were held in Ireland and in recipient countries. This came with challenges: the result was a very broad policy, which made it difficult to identify priorities. The result was a policy shift towards more investment in fragile states and climate change and less emphasis on social sectors. At the organisational level, a review of systems and functions were carried out and attempts were made at improving flexibility and adaptability in the programming process. But this remains a challenge. The focus on risk was strengthened at a higher level and in programme cycle management. Irish Aid recently undertook horizon-scanning at the country level for its new five-year programme in Mozambique.

In the Netherlands, scenario-building work was done ahead of the national elections to consider the consequences for the Dutch aid programme. This was particularly useful to help identify established habits that often go unexamined. For instance, was it a deliberate choice not to work more with governments in recipient countries, or an oversight?

However, some of the risks of foresight exercises include: focusing too much on a theoretical framework and constantly questioning priorities; a disconnect between the long-term interest and the short-term political cycle; a risk of being accused of wasting taxpayers' money by allocating resources to such exercises.