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Executive Summary

1. This submission is a response to a request by the Select Committee for International Development for a written statement to support their inquiry into future UK approaches to development.

2. As the Terms of Reference (ToR) for the inquiry outline, the new context of international development requires greater cooperation and coherence between aid and non-aid policies. The ToR goes on to ask whether a stand-alone Department for International Development (DfID) has a long-term future given this changed environment.

3. There is limited evidence to suggest that a stand-alone development agency is the most effective model of governance for a bilateral donor in the current operating environment of international development. In fact, structural design choices appear to be driven by a range of factors, including administrative legacies, domestic political factors and the desire to demonstrate compliance with globally accepted norms.

4. A re-design of DfID’s governance structures may not serve an agenda that is looking beyond aid to further development objectives. A more promising avenue may be to empower DfID so that its position, advice and influence at the heart of government is more credible and valued.
1. Options for the structural design of a bilateral donor

1.1. Effective public governance is a necessary condition for sustainable long-lasting poverty reduction. This is as much the case within aid-receiving countries seeking to achieve domestic development goals, as it is when donor ministries and agencies are tasked with international cooperation for poverty reduction across national borders. The ways bilateral donors are governed will shape the possibilities and trajectories of aid and development within recipient countries.

1.2. The structural design of a bilateral donor is intimately related to questions of governance. Bilateral donor governance concerns the formal accountabilities of the main organisational unit tasked with aid and development management to other government actors with overseas mandates and interests. Donor governance services national constituencies’ need for control and oversight over aid and development policy and can ensuring upward accountability to domestic principals.

1.3. While donor governance involves relationships with a range of actors, the relation between the unit managing aid and development and the Ministry of Foreign Affairs (MFA) is at the heart of administrative design choices. MFAs are high-status central government departments although they no longer hold a monopoly over international relations as globalization internationalises the functions and relations of line ministries. This raises at least some uncertainty about where formal responsibility for international aid and development policy should lie within national administrative systems.

1.4. Figure 1 below outlines the OECD’s four models of donor governance and defines the lines of accountability between development and foreign policy agents. Models 1 and 2 are often described as having integrated or merged aid and development into the foreign affairs function, while Models 3 and 4 tend to be classified as having independent aid and development agencies/ministries.

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Table 1. Models of donor governance

| Model 1. The ministry of foreign affairs takes the lead and is responsible for policy and implementation |
| Model 2. A development cooperation directorate within the ministry of foreign affairs leads and is responsible for policy and implementation |
| Model 3. A ministry has overall responsibility for policy and a separate executing agency is responsible for implementation. |
| Model 4. A ministry or agency, other than the ministry of foreign affairs, is responsible for both policy and implementation |

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2. Considering donor governance in situ: examples and evidence

2.1. It is widely assumed that the functional task of managing aid and non-aid policies is better achieved within a single organisational unit. The imperative of intra-governmental cooperation and policy coherence for development has been used by both Canada and Australia to justify the 2013 integration of their development agencies into their MFAs.

2.2. Nevertheless, there are a number of reasons to be skeptical about the narrative of policy coherence requiring and benefitting from a merger of aid and development functions into a ministry of foreign affairs.

2.3. Donor governance systems, like other organisational design phenomena, exhibit significant path dependency due to their foundation in a country’s administrative traditions (Yesilkagit and Christensen 2010). The prevalence of the integrated models of donor governance among Development Assistance Committee (DAC) donors does not necessarily signify its logical appropriateness for the current international environment. Deep cultural and political legacies can explain both the existence of donor governance systems, as well as their performance. This might explain why countries that have integrated development and aid functions exhibit varying levels of effectiveness, whether measured according to the donor aid effectiveness indicators set out in Paris in 2005 or the Centre for Global Development’s Quality of Overseas Development Assistance Index (QuODA).

2.4. MFAs are mandated to represent and vocalize the national domestic interest in international affairs and bring foreign policy issues to bear on domestic concerns. Development ministries, by contrast, are the only government actor with the explicit mandate to represent and act in the collective global interest. While collective global interests and national interests are not always and everywhere zero-sum in nature, where tensions and conflicts do exist there is less space in an MFA for championing policies that contravene domestic ambitions and priorities. The problem may be particularly acute in countries where there is no history of accommodating development concerns within a foreign policy framework and where there are limited gains from and incentives for liberal internationalist policies and positions. Thus, in the case of middle power Norway, globally championing and generously financing the moral cause of global poverty eradication is a valuable source of soft power. This potentially insulates the development agenda from encroachment and dilution from narrower domestic interests.

2.5. Most instances of structural design change occur against the backdrop of very specific political concerns in a donor country. For example, when Canada

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integrated the 45-year-old Canadian International Development Department (CIDA) into the Department of Foreign Affairs, Trade and Development (DFATD) in 2013, it was viewed as the natural culmination of years of political neglect of the aid and development agenda that left CIDA exposed, weak and a natural candidate for reform. Similarly, closer alignment between the Norwegian Agency for Development Cooperation (NORAD) and the MFA in 2004 has roots in the desire for greater control and oversight over the agency by a Minister of International Development who lacked authority and influence.  

2.6. To date, there is limited econometric or comparative case study evidence supporting a strong correlation between specific models of donor governance and more effective aid on any dimension (efficiency, results, policy coherence, etc). This suggests where integration occurs, it may be motivated by the desire to signal compliance with globally accepted norms that can enhance donor credibility and status. It is unclear whether such defensive adaptive reforms will improve donor effectiveness.

2.7. As mentioned in 1.2, donor governance systems are the main ways bureaucratic agents of development maintain their accountability to their national principals, including other government departments, the executive branch and legislative assemblies. Any governance system based on stringent upward compliance can generate risk-aversion and limit flexibility required to work through the shifting and complex political environments within which development is delivered. In the case of Canada, merging aid and development functions into the DFATD centralized power and resources in such a way that it effectively silenced the pluralistic participation of critical development stakeholders, most notably aid beneficiaries and national civil society organisations. If downward accountability is to be a realistic goal, there has to be some freedom to influence decisions that are not the primary objectives of national donor governments within governance configurations.

2.8. Preoccupations with typologies of donor governance risk bypassing the non-structural sources of donor underperformance. For example, in the case of Canada, a preoccupation with organisational design conveniently deflected attention from the real sources of poor performance at CIDA, including weak political stewardship, lack of strategy policy direction, low staff motivation and burdensome reporting requirements.

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3. Some reflections on future donor governance structures in the UK

3.1. Shifts in donor governance systems are relatively frequent in the UK. The bilateral development function has spent almost as much time embedded to the Foreign and Commonwealth Office (FCO) as it has separated from it.

3.2. The 1997 creation of DfID as a government department distinct from the FCO resulted from strong political champions for an independent governance model. Through a positive confluence of international and domestic factors, DfID was invested with considerable influence to steer development agendas within a whole-of-government framework.\textsuperscript{12}

3.3. Currently, there is a palpable sense that DfID’s advisory and advocacy roles at the heart of government have diminished. This is notwithstanding it having been ring-fenced from fiscal cuts and having achieved the 0.7% ODA/GNI target.\textsuperscript{13} From an external observer’s perspective, some of the contributing factors that have strained its credibility and authority as chief spokesperson for international development have included relatively frequent movements in senior leadership, much more invasive scrutiny of its activities that have raised concerns about its value for money, rapid expenditure growth that has left it with significant fiduciary responsibilities, and internal de-skilling driven by greater reliance on external consultants.

3.4. If the goal is to strengthen DfID’s capacity to assist and influence other Whitehall departments and development organisations, it is unclear that a merger with the FCO can be a quick fix for current sources of weakness. Integration will not obviate the need to work across multiple spheres of ministerial responsibility and thus the requirement to navigate, negotiate, coordinate and collaborate across all the domestic spheres of policy that impinge on international development.

3.5. More worrisome perhaps is the signal that is sent if DfID is asked to re-integrate into the FCO. Similar to Canada’s experience, integration is likely to be interpreted as punishment for failing to meet expectations, which in turn is likely to further weaken the development programme’s morale and legitimacy.

3.6. It is for this reason that it may best to undertake any reform processes to DFID within its existing governance structure. Having benefitted from hard sources of (financial) power for some time, DfID now needs softer sources of power to attract allies and co-opt detractors in all corners of domestic political life to commit to a development agenda that looks beyond aid.


\textsuperscript{13} Gulrajani, N. (October 24, 2010). Ringfencing aid may do more harm than good. The Guardian. London.
3.7. There are no easy recipes for achieving greater soft power for DfID. One non-negotiable, however, will be securing the trust and championship of senior political figures. Political commitment to a multi-policy development agenda that has DfID at its centre is the single most effective step to improve its advisory and advocacy efforts. Just like a badly behaved child who needs to be patiently encouraged rather than repeatedly smacked to improve behavior in the long run, expressions of confidence in DfID can empower it to assume new roles and responsibilities in the wake of the new development agenda and deliver the results we seek from it.
Bibliography


