Written evidence from Dr. Erik Lundsgaarde, Senior Researcher, German Development Institute

Personal Information

The German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE) is a think tank based in Bonn that focuses on research, policy advice and training. My own work has included the comparative analysis of aid systems and research on the link between the engagement of sector-specific ministries as aid providers and the evolution of the development policy field. This evidence submission is based on analytical work on organizational challenges facing aid systems outside of the United Kingdom, in particular Germany and the United States. Given my research background, this submission will offer reflections on the final three points listed in the terms of reference to complement other contributions received by your committee.

Executive Summary

- DFID’s status as an independent government department combining policy guidance and implementation responsibilities makes it a rarity within the OECD-DAC community. Factors other than DFID’s organizational independence contribute to the United Kingdom’s positive international reputation in global development.
- Many OECD donors face challenges in determining how to best combine the assets from diverse governmental actors to support development objectives. In Germany and the United States, there are limitations both in the ability of development agencies and cross-governmental forums associated with the office of the executive to play a strong coordinating role in managing funding flowing through diverse governmental channels.
- Given the global representational mandate of foreign affairs ministries, analyzing the functional competencies and administrative capabilities of these organizations is essential in considering how to organize cooperation systems to meet future challenges.
- Reform discussions about the future organization of international cooperation in the United Kingdom should not only involve a review of the capabilities and competencies of government departments inside the UK but also the assessment of the value of multilateral organizations and European institutions in addressing governmental priorities.

1. Introduction

1.1 It is commonplace within the development policy field to highlight adaptation pressures resulting from changes in the country contexts for implementation and the issue complexes that require resources and expertise from governmental actors beyond the foreign affairs and development agencies at the centre of most donor systems. Reflection on how bilateral donors can best organize cooperation with developing countries is therefore useful.

1.2 There is nevertheless limited evidence on the value of different ways of organizing cooperation systems, and a dearth of comparative research on the performance of these systems – mainly as they are considered context-specific. In considering broader organizational reforms, policymakers should be encouraged not to lose sight of other means of increasing development effectiveness related to the business practices of individual governmental organizations, for example concerning the selection of instruments, transparency, reporting requirements for implementing partners, evaluation, and procurement procedures.

1.3 This contribution highlights findings from analytical work on the role of diverse governmental actors as aid providers and the organization of international cooperation outside of the UK. Special

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1 Niels Keijzer provided helpful comments on a draft of this submission which are gratefully acknowledged.
attention will be given to lessons from the German and US development cooperation systems, discussed more extensively in Lundsgaarde (2014).

2. Organizational Models in International Comparison

2.1 The OECD has outlined four generalized models of aid management. In the first model, development cooperation activities are fully integrated into the foreign affairs ministry. In the second model, a specialized directorate within the foreign affairs ministry assumes policy guidance and implementation responsibilities. In the third model, responsibility for development cooperation is divided between a ministry providing policy guidance and a development agency responsible for implementation. In a fourth model, an independent ministry separate from the ministry of foreign affairs designs and implements development cooperation programmes (OECD 2009).

2.2 The UK is currently a rare case among members of the OECD’s Development Assistance Committee (DAC) as an example of the fourth management model where policy guidance and implementation responsibilities are unified within an independent government department. The United Kingdom’s positive international reputation as an effective aid provider is attributed to the legal commitment to poverty reduction as an overarching policy objective, a political commitment to leadership in the field of global development, the significant delegation of decision-making authority to country offices, and the quality of staff and management procedures within DFID (OECD 2010), and not only DFID’s independent, cabinet-level status.

2.3 The models of aid management featuring a specialized development directorate within the foreign affairs ministry or the division of responsibility between a ministry providing guidance and an implementation agency are the most common models among DAC member states.

2.4 In many DAC donor countries, finance ministries also have significant responsibilities in overseeing Official Development Assistance (ODA) resources, in particular concerning contributions to multilateral development banks (e.g. United States), involvement in decision-making on debt relief (e.g. Germany), or the provision of macroeconomic support (e.g. France). Nevertheless, in discussions on organizational reforms, the role of finance ministries in cooperation with developing countries has generally not received the same level of attention as the role of foreign affairs ministries or specialized development agencies.

2.5 Assessments of the performance of different organizational models or varied agencies in supporting global development goals are limited. An exception is the Quality of Official Development Assistance (QUODA) analysis conducted by the Center for Global Development. The QUODA assessment analyzes bilateral and multilateral agencies along four dimensions of aid quality: 1) maximizing efficiency; 2) fostering institutions; 3) reducing the burden on recipients; and 4) transparency and learning. The assessment has found that finance ministries on balance outperform foreign affairs ministries across all dimensions of aid quality (Birdsall / Kharas 2010; Birdsall / Kharas 2014). It also notes that specialized development agencies generally perform better than line ministries as aid providers. In the most recent assessment, however, development agencies did not outperform line ministries in terms of maximizing efficiency (Birdsall / Kharas 2014). The assessment does not address to what extent arrangements are better in promoting coherent and joined-up responses across government departments, this being one of the main motivations behind the creation of DFID in 1997.

2.6 Evidence from individual donor countries also highlights variations in agency performance. In the United States, an evaluation of the commitment of government agencies to aid effectiveness principles, including responsiveness to partner country priorities, identified the Millennium Challenge Corporation (MCC) and the US Treasury Department’s Office of Technical Assistance as the agencies
whose working methods were most closely aligned with the principles, while the United States Agency for International Development (USAID) and the US State Department were perceived to have internalized these principles to a lesser extent (Blue / Eriksson / Heindel 2011). The variations in agency performance in the United States, particularly between the MCC and USAID, indicate that legislative mandates influence organizational effectiveness, as differences in responsiveness to country-level development needs and efficiency (concerning procurement practice, for example) are driven by the authorizing framework influencing agency business models.

3. Current organizational challenges in Germany and the United States

3.1 Although the political systems in which cooperation programmes are embedded and foreign policy priorities vary across DAC donor countries, many DAC donors currently face similar challenges in terms of developing more coherent governmental responses to multidimensional global development challenges. This section outlines key issues facing Germany and the United States in funding global development. Challenges within the German system may be especially instructive for the United Kingdom given similarities in parliamentary government, the scale of cooperation with developing countries, and the presence of independent development ministries. In Germany, however, the organization of development cooperation is marked by a heavy reliance on parastatal implementing organizations for technical and financial assistance and thus a division between policy guidance and implementation.

3.2 In Germany, a consolidation of funding responsibility around the Federal Ministry for Economic Cooperation and Development (BMZ) and the Federal Foreign Office has accompanied the expansion of ODA flows over the last decade. The BMZ directly oversaw around 65 percent of the ODA budget in 2011, while the Foreign Office oversaw 7.1 percent. Although the funding that it oversees remains relatively small in scale, the Foreign Office’s financial and political role in the management of international cooperation has grown in importance, in part due to the consolidation of humanitarian assistance instruments under its remit.

3.3 Beyond these core ministries, a variety of other governmental actors in Germany currently manage the remaining share of funding classified as ODA. The interdependence of domestic and international policy fields provides a core justification for expanding international engagement for sector-specific ministries. This funding includes contributions to multilateral organizations and bilateral cooperation projects in diverse country contexts. The German Federal Ministry for the Environment (BMUB) has noticeably expanded its funding role in recent years. Cooperation between the BMUB and the BMZ is generally considered a positive example of inter-ministerial collaboration; however the ministries do not apply the same criteria for allocating funding or identical standards in assessing effectiveness.

3.4 Under the leadership of a development minister, the BMZ maintains a leadership role within the German system in managing ODA reporting to the OECD, and in promoting increased transparency around resource flows to developing countries and common standards for implementation. Its cross-governmental coordination role related to funding issues has however been limited by various factors, including the principle of departmental independence whereby ministers have a large degree of autonomy in managing their portfolios. This principle discourages BMZ interference in the affairs of other ministries. The limited personnel capacities within the Federal Chancellery restrict the possibilities for cross-governmental coordination on global development issues at the highest level of government. In spite of the leading position of the BMZ as a funding source, it has largely been confined to an awareness raising role in promoting broader consistency on policies relevant for engagement with developing countries. The existence of an independent development ministry by itself is therefore not a guarantee for the effective promotion of coherent government policies to promote international development.
3.5 A further challenge for the BMZ’s leadership role stems from the overlapping mandates of the BMZ and the Foreign Office, especially at the country level. Although the BMZ has responsibility for negotiating cooperation agreements with partner countries and has primacy in providing funding, the Foreign Office has a cross-governmental coordination mandate given its responsibility for reviewing and approving funding originating from varied governmental sources. Although German ministries have a non-hierarchical relationship to one another, the Foreign Office has de facto primacy in managing foreign affairs in all country contexts. It therefore likely enjoys greater legitimacy vis-à-vis other ministries in promoting common approaches and fostering coordination. This coordination potential has not yet been fully exploited with regard to promoting the government’s development policy. Particularly in the context of cooperation with middle income countries where a transition away from traditional development assistance is foreseen, the Foreign Office can be expected to assume a larger role in the orchestration of cooperation programmes and the promotion of coherent cross-governmental action.

3.6 The perceived limitations of the BMZ in coordinating the activities of other governmental actors have informed academic proposals on organizational reform. Reform proposals include expanding the mandate of an independent development ministry, either by endowing the organization with more substantial coordination powers or by broadening its remit to consolidate areas of cooperation overseen by other ministries (Brombacher 2009; Faust / Messner 2012). An expanded mandate would not resolve the overlapping geographic competencies of the Foreign Office and the BMZ and neglects the contributions that sector-specific ministries might make to cooperation in terms of mobilizing additional resources, expertise, or novel policy networks to advance development goals. An alternative reform proposal to enhance the coherence of external relations is to fold the BMZ into the Foreign Office, potentially while strengthening the international capabilities of sector-specific ministries. The possible integration of the Foreign Office and BMZ raises concerns about the dissipation of development goals and expertise within a larger foreign affairs ministry, and the subordination of development objectives to foreign policy. Measures to ensure the diffusion of development expertise through personnel rotation might be enacted to counter this potential challenge. The prospect of redistributing responsibilities for cooperation with developing countries should therefore invite reflection on the thematic competencies of the foreign affairs ministry in addition to its ability to assume a strengthened cross-sectoral coordination role.

3.7 Although 27 governmental entities are involved in ODA administration in the United States and the system remains fragmented, there has been a trend toward bureaucratic consolidation in managing international cooperation over the last decade, with the US State Department and United States Agency for International Development (USAID) together overseeing approximately 70 percent of ODA resources in 2011. This trend has been driven by organizational reforms to strengthen the State Department’s role in coordinating international cooperation efforts and the diminished role of the Department of Defense as an aid provider. Other bureaucracies with important roles in global development include the Department of the Treasury, the Millennium Challenge Corporation, and the US Department of Health and Human Services (HHS).

3.8 The expanded role of HHS as an aid provider is justified as a means of addressing domestic public policy goals, its ability to mobilize health-related expertise and its potential to assume a brokering role with partners such as health ministry counterparts. As significant health funding flows through other channels, the global health field offers a core example of cross-governmental coordination challenges in the US development policy system. As global health funding increased in the US, a series of offices within the State Department were created to provide cross-governmental oversight. Criticism directed at these offices reveals general challenges in assigning foreign affairs ministries sectoral responsibilities. Two core concerns are first whether the State Department has adequate organizational and administrative resources to oversee diverse agencies and promote greater consistency and second whether the State Department has the thematic or technical competence to manage policy processes in a specialized field such as global health policy.
3.9 As in Germany, there are limitations in the capacity of cross-governmental structures associated with the office of the executive in the US to effectively coordinate the activities of diverse governmental actors. These constraints result from the restricted personnel capacities of policy committees associated with the National Security Council and a consensus decision-making logic that limits top-down changes in agency practices. The need for improvements in cross-governmental coordination on development issues has been acknowledged inside and outside of the US government. Key suggestions for improving coherence within the system include streamlining the strategic framework for international cooperation, giving attention to human resources strategies within the US State Department to ensure that the organization has the functional and coordinating competence to promote greater consistency, strengthening the role of embassies in inter-agency processes, and consolidating programmes with overlapping functions (Lundsgaarde 2014).

4. Implications for the Future of UK Development Cooperation

4.1 In a context where numerous governmental actors have relevant resources to contribute to the resolution of global development challenges, it is becoming increasingly important to consider whether independent development agencies can adequately assume the role of promoting coherent action across government. As the German and US cases suggest, development agencies face clear limitations in coordinating funding managed by other actors or serving as development advocates within the government. A core dilemma within the UK system relates to whether DFID, as a department with a reputation for managing funding effectively, can assume responsibility for influencing the policy orientations and cooperation programmes promoted by other departments beyond its narrow funding role.

4.2 Cross-governmental coordination through executive offices appears to be limited in Germany and the United States, indicating that reflections on the future organizational set-up for international cooperation should thoroughly investigate the potential of foreign affairs ministries to oversee the full portfolio of cooperation efforts and promote coherent cross-governmental action. Changes within foreign affairs ministries related to functional competencies, coordination structures, and personnel resources will likely be required to respond to the changing global issue agenda reflected in the post-2015 Sustainable Development Goals and additional responsibilities that these organizations might be assigned in this context.

4.3 The demand for cross-governmental coordination may be lowered with a consolidation of existing government programmes pursuing similar aims. A review of existing international programmes across government and an assessment of their effectiveness could form the basis for a consolidation process. This implies that DFID should subject itself to a competence review scrutinizing both its effectiveness in disbursing funding and its role in influencing the approaches of other government departments.

4.4 In considering the distribution of competencies and responsibilities across government bureaucracies, policymakers should equally consider the potential for improved efficiency through strengthened efforts to improve the division of labour with actors outside of the United Kingdom. An assessment of opportunities for addressing global development objectives through support for multilateral organizations should therefore accompany the review of the strengths and limitations of UK government departments. The prospects for delegating increasing implementation responsibilities to multilateral organizations should be explored further in light of concerns that foreign affairs ministries are not adequately equipped to effectively disburse funding for cooperation with developing countries. Such an analysis could be initiated with a consolidation of UK bilateral and multilateral aid reviews in the next assessment cycle.
Lundsgaarde, E. (2014): Bureaucratic Pluralism in Global Development: Challenges for Germany and the United States, Bonn: German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE)