The OECD Development Co-operation Directorate appreciates this opportunity to submit comments to the International Development Committee’s timely inquiry into the future of UK aid. The Development Co-operation Directorate assists the Development Assistance Committee (DAC) in conducting its work. This written evidence draws on more than 50 years’ experience in analysing the management of aid, findings of DAC reviews of member country development cooperation programmes (http://www.oecd.org/dac/peer-reviews/), including the ongoing review of the United Kingdom development co-operation programme. It also draws on a recently conducted a survey of some 40 partner countries on what they will expect from their development partners in the next 5-10 years.

2. The submission looks at the following issues:
   i. Why is the Committee’s inquiry timely? The pace of global change requires us to examine what it means for our national and international policies and to examine which structures can best respond.
   
   ii. What are some of the most significant changes in global structures? Growing inequality within and across countries, increased internationalisation of business and finance means that we need new international norms and standards.
   
   iii. What have been the implications for development co-operation policies? Development is now recognised widely as a tool for and an integral part of foreign policy.
   
   iv. What do the changes mean for policies of other departments and for cross-government policy co-ordination and for operational co-ordination? Whole-of-government objectives and results agendas will help drive a more coherent approach to development.
   
   v. How will the changes influence what organisational structures we need? New structures are required to ensure delivery of coherent policies and strong cross-government responses to global challenges.
1) Why is the Committee’s inquiry timely?

1.1 There is a clear sense across the OECD that we are witnessing a moment of transition in the world. Unprecedented population and demographic changes, shifting wealth patterns, mounting environmental pressures, accelerated globalisation and increasing interconnectedness of countries and people are re-shaping the world we live in. Some of these trends are re-shaping our world for the better, but many pose significant challenges.

1.2 However, the OECD notes that if governments put in place the right policies and invest in and share new technologies, sustainable and equitable development is possible.

2) What are some of the most significant changes in global structures?

2.1 It is well understood that inequality within and across countries is rising, and despite millions being brought out of poverty, there remain large numbers of poor people in middle-income countries. Many DAC members spend significant proportions of their aid in middle income countries in support of poor and marginalised groups. Many also feel they can most effectively address global public goods in middle-income countries as contributions to global public good come increasingly from these countries, and that the global public “bads” are also felt most acutely in the middle-income countries. While others argue that middle-income countries should be able to deal with these issues themselves, respondents from these countries in our recent survey stated that assistance was still required, but more targeted and in the form of policy and substantive advice, a form of technical assistance.

2.2 The globalisation of business and finance has also led to recognition that new international norms and standards are required, and the UK, for example, has led the way on illicit financial flows and new norms on international taxation.

2.3 Rise in insecurity and conflict has meant a re-direction of aid and other resources to fragile and conflict situations. In this, as well as in the other areas, it has become clear that solutions are found in working across policy areas.

3) What has this meant for development policy?

3.1 While aid has always had a certain political motive, this has become more explicit in the last five to six years. Development co-operation is now recognised as a tool for, and an integral part of, foreign policy, driven also by the “enlightened self-interest” of the donor. This means that development co-operation can more consciously be deployed towards a foreign policy objective. It has also meant that there is a greater degree of merging or integration of resources available to development co-operation – the ‘beyond aid’ agenda.

4) What do the changes mean for policies of other departments and for cross-government policy co-ordination and for operational co-ordination?

4.1 Policy coherence

4.1.1 Addressing the world’s future challenges will require action at both the national and international level. Governments will need to get better at working collectively. This entails improving coherence between policies and better co-ordination among institutions, as well as putting in place effective international regulations. Governments will also need to do business
differently. This will mean working across the whole of government to tackle complex problems that transcend conventional policy silos and better analysing and managing risks, as well as undertaking long-term forecasting in order to better prepare for the future (OECD, 2013a).

4.1.2 Experience from our members shows that to promote and effect coherent policies, cross-institutional mechanisms are needed. While some members have created or designated permanent structures, the best results seem to emerge when institutional mechanisms are purpose-built, bringing together the policy communities who own the solution to the incoherence or who are required to design a new coherent policy. These structures can then be dismantled and new ones created as the need arises.

4.1.3 The UK has effectively strengthened coherence for development on some issues, taking a case-by-case approach bringing together different parts of government to work on issues of common interest. This approach has proven effective on anti-corruption, climate change and trade, areas where the Cabinet has engaged strategically and where DFID has successfully promoted deeper joint effort with other departments.

4.1.4 However, the UK lacks a systematic way of ensuring its development efforts are not undermined by other government policies. Choosing to focus efforts on a limited number of policy areas where there are win-win opportunities can be a good starting point, but can also mean that there is little attention on mitigating risks of other policies impacting negatively on development. In the UK, for example, there has been concerted effort and noticeable progress on promoting coherence on climate change, while little has been done to address coherence issues related to migration. It is also selective within a specific sector: supporting a strong cross-government approach to security and development in places like Afghanistan and Libya, but (as the IDC has itself documented) not adequately addressing incoherence between the promotion of arms exports and the UK’s agenda on global development and human rights. A more systematic approach to identifying issues on policy incoherence would help ensure poverty reduction stays front and centre on the agenda and that potential conflicts of interest are addressed.

4.1.5 There are also areas where the UK could do more to tap potential positive links with other policy levers, as it has started to do on economic growth with the Secretary of State’s new High Level Prosperity Partnerships bringing together UKTI, DFID and the FCO to strengthen economic co-operation and trade ties between the UK and African countries. DFID should carefully monitor and evaluate these new initiatives to ensure that they are effective and relevant ways of supporting poverty reduction.

4.1.6 The UK does not appear to invest in building a knowledge base of evidence to support the domestic debate on the potential positive or negative impacts of UK domestic policies on developing countries and enable meaningful decisions. The UK could do more to increase awareness of the need for greater coherence, based on a dialogue with developing country partners and an understanding of the role of other UK policies in addressing key barriers to development.

4.2. Cross government co-ordination

4.2.1 DAC members’ development agencies are increasingly looking at leveraging policy expertise from other parts of their government. Food security, climate change, security, domestic resource mobilisation and taxation are areas where inter-ministerial task forces are set up, with ministries and agencies sharing their expertise to promote development solutions. Some DAC countries develop one strategic plan for each developing country, which covers all parts of the donor government.

4.2.2 However, while there is an increasing drive to work more across government to tackle complex policy problems, many OECD members are struggling to achieve greater co-ordination in
practice. The strategic lessons emerging from comprehensive OECD governance reviews reveals that the issue of policy fragmentation and the effects of silos in the public sector represent one of the greatest hurdles to effective policy design and implementation in the public sector (OECD, 2013b).

For this kind of co-operation to work, clarity of objectives, co-ordination systems, as well as feedback and learning mechanisms are needed. As an illustration, Australia set uniform cross-government standards for development co-operation to ensure coherence and effective co-ordination of joint initiatives. They developed 11 formal strategic partnership agreements between the former AusAID and 13 Australian government agencies outlining clearly the nature of their partnerships.

4.2.3 In the UK, the Foreign and Commonwealth Office (FCO), Ministry of Defence (MoD), DFID and other government departments seem to work well together to address specific development issues of shared concern and to promote, at the international level, global policies that can benefit development, for example on trade, tax and transparency.

4.2.4 The fact that the Secretary of State for International Development has a seat in Cabinet and in the NSC should help ensure that development is embedded in cross-government approaches, such as in engaging with emerging powers and responding to international crises. Departmental business plans include a number of cross-government objectives (e.g. to develop the Trade White Paper) – an approach that usefully links government priorities in concrete policy areas or events, setting up joint units to achieve common results. These mechanisms support complementarity between departments.

4.2.5 The NSC provides a good example of building institutional linkages to ensure different parts of government work together in support of developing countries in crisis or at risk of instability. It has established substantive “One HMG” strategies for Afghanistan, Pakistan, Iraq, Libya and Syria; and sets the direction for UK engagement in the Sahel. DFID’s role in these co-ordinated approaches enables it to maintain a development focus on the UK policy agenda. For example, in some conflict-affected countries DFID has successfully encouraged a comprehensive approach to conflict - addressing both security and development challenges.

4.2.6 The NSC, however, does not look at other areas where co-ordination is also needed. Other mechanisms are, then, required, such as the cross-government approach on climate change, with DECC, DEFRA and DFID managing jointly the International Climate Fund.

4.2.7 The whole-of-government approach has not yet been fully operationalised to the benefit of developing countries, and separate lines of responsibilities hamper co-ordination in partner countries. Despite intensified efforts to improve co-ordination, institutional barriers remain at country level. Each department develops its own business plan and programmes independently, relating directly to their own headquarters in London. Opportunities for synergies between their policy objectives exist – for example between DFID and the FCO on human rights or with the MoD on conflict and development – but are often referred to only in a very general way, and not well operationalised in country programmes.

5) How will the changes influence what organisational structures we need?

5.1 DAC donors organise themselves in different ways to manage their aid programmes - there is no one-size-fits-all model. Organisational structures respond to political needs, administrative tradition and legal requirements. Common to them all are that certain capabilities, capacities and skills are required to manage the programme efficiently and effectively: the capacity to formulate policy in line with internationally accepted and agreed norms and standards; a thorough understanding of partner country needs; the ability to negotiate and advocate while respecting partner country views; the capacity to manage resources in complicated situations; a thorough
technical knowledge in the areas where resources are provided; the ability to plan for, monitor and measure results; the capacity to evaluate and to learn from experiences.

5.2 Increasingly, the aid administrators also need to understand how their concerns (bringing about good development results) relate to those of other policy communities, and to be able to enter into substantive dialogue in order to promote coherent policies and sound cross-departmental interventions on the ground.

5.3 Looking across our reviews, it is clear that it is not the institutional organisation so much as the inherent capabilities that make the difference in effective development co-operation. For example, some years ago development co-operation did not have much of a profile inside the New Zealand (NZ) department for Foreign Affairs and Trade. To strengthen its profile, an agency - NZAID - was created. This helped develop the aid programme into a highly functional and effective institution because it now had dedicated leadership and resources, and the ability to attract expertise. Seven years later, the agency was re-integrated into the department. While there were many critical voices at the time, on the whole, the NZ development programme continues to deliver with high quality. This has meant that development staff have had more influence on, for example, regional trade agreements, ensuring a better development component, and humanitarian interventions have been streamlined. The agency also brought more modern management practices to the department.

5.4 The trend for many years, actually, has been for integration. In Denmark, Norway, Finland and the Netherlands the ministries of foreign affairs have long had responsibility for development co-operation for many years, with varying degrees of integration. The Netherlands and Finland have retained development departments, whereas Norway and Denmark have fully mainstreamed development into their ministries. Australia and Canada have recently gone the same way. In integrating development agencies into their foreign ministries, governments look to further align development and foreign policy objectives. In the same vein, trade is also becoming more integrated with foreign affairs and development. With a clear policy framework in place, such integration can help to foster strong connections between development, foreign and trade policy, and may raise the profile of development co-operation within government. It facilitates more coherent methods, with governments able to capitalise on synergies and win-win outcomes in partner countries.

5.5 However, this approach also comes with dangers, in particular, that development objectives will increasingly be subverted to a donor’s national economic, security and political interests. This risks, ultimately, being less effective in addressing development. What we see from peer reviews is that DAC donors need to do more to ensure that a clear process for managing competing interests is in place so that inevitable conflicts of interest are managed in a transparent manner. For example, we have not yet assessed the impact of the Canadian and Australian mergers, but it is clear that national economic and security interests will play a stronger role in defining their policy and programmes. In such circumstances, it is critical that development policy and programmes continue to adhere to internationally agreed standards for development effectiveness, such as untying aid from domestic commercial interests.

5.6 Experience also shows that in merging development co-operation within the foreign ministry there is a risk of losing technical expertise necessary for the effective delivery of the development co-operation programme. There is also a risk of becoming less flexible and less able to adjust to rapidly evolving situations, such as those that characterise fragile or conflict situations. Finally, there are often high costs involved in transitioning to new systems, and such transitions can be damaging to staff morale and very time consuming, and, most importantly, lose momentum in delivering the development programme, resulting in loss of credibility with partners.
5.7 Also, integration within foreign affairs does not guarantee linkages with other policies that also matter when it comes to development, such as environment and climate change, security and the fight against terrorism, or migration (which are generally under separate ministries).

5.8 What seems to have worked well in the UK is that the set up with a dedicated department has been effective in:

i. **Staying focused on reducing poverty:** The Department has done an excellent job protecting the poverty reduction focus of the development co-operation programme, including engaging further in fragile states which are lagging behind in reaching the MDGs. At the same time, DFID has broadened its approach and adapted its toolkit to be able to respond to the evolving development landscape, reaching out to emerging powers and promoting sustainable economic development and global public goods; maintaining this two-fold approach will be an essential feature of a development agency in the future international context.

ii. **Delivering the aid programme effectively and efficiently:** Having development specialists in charge of the programme enables DFID to bring strong expertise and skills needed to deliver a quality aid programme. DFID has put in place systems and procedures fit for the development co-operation work. This requires effective delegation of authority, which is balanced by strong accountability mechanisms. While there has been a lot of attention to accountability at home, it is extremely important in the changing world to recall that there must also be accountability to the partner government and citizens – accountability both to Mrs Brown in Liverpool and Mrs Banda in Lilongwe.

iii. **Launching cross-government work:** A seat in Cabinet with equal weight to other ministers helps bring the development dimension into all government work (this can, of course, also be achieved in an integrated department with a dedicated minister for development). As seen with UK work on climate and trade, DFID’s analytical strengths, years of experience and strong country presence can be used to promote development and ensure coherent approaches.

5.9 Likely to be most effective is cross-government agreed objectives with clearly set out results to be achieved by several departments together. The UK has had some success with such approaches in the Public Service Agreements and the Strategic Reform Priorities. Such measures must be accompanied by institutional arrangements that will really make departments come together across their policy divides. If there are country level whole-of-government strategies, there is an even greater likelihood of success.
Bibliography


OECD (2013a), Development Co-operation Report 2012, Paris
