



Designing the development agency of the future

Background Paper – Draft

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1. Introduction: what is the problem?

The purpose of this paper is to set the scene for the discussion on the future of development agencies. It addresses the organisation of external affairs and the management of development cooperation within that. The Organisation for Economic Cooperation and Development (OECD) has worked on this topic and we draw on their findings. However, we also draw more broadly on the literature of whole-of-government approaches and locate the discussion in a wider debate about organisational culture and structure. The focus is on national ‘donor’ governments, though the arguments apply by extension to the international system.

The starting point is that ‘international development’ is not just about ‘aid’. Although the scale of need remains large, the scope of traditional aid is declining. Developing countries are affected by a range of global factors that can be thought of as development issues. These include global food and financial shocks, climate change, security crises and disease pandemics. The new challenge to development policy arises from the fact that:

- a. There is a declining number of low income countries, currently 36 and forecast to fall further (World Bank, 2014).
- b. Many of these are fragile states or conflict-affected, posing specific problems that require multi-dimensional responses beyond aid (World Bank, 2013).
- c. There is a growing list of issues which impact on national development and welfare in developing countries at all levels of income – and indeed in developed countries – but which require a response at the global level.

To put the argument most starkly, aid in very poor countries has been essential in the past, remains important today, but will be of declining relevance in the future. Are development agencies whose sole purpose is to deliver aid becoming redundant? What other functions will these agencies perform? Who will they work with? What modalities of implementation will they have to develop? And what skills will they need?

There have been active debates on the definition of developing countries, the scope of development policy (Kaul, 1999; Severino and Ray, 2009) and the capacity and competence of development agencies (Maxwell, 2005). Kharas and Rogerson (2012) have pioneered a ‘stress-test’ of development agency business models. They conclude that *‘those agencies that are nimble and responsive can be expected to survive and thrive. Others, caught unaware of the changing aid landscape, or too rigid to adapt, are likely to face problems’*.

This does not imply that all agencies need to evolve in precisely the same direction. History and experience (‘path-dependency’) will shape institutional futures differently in different countries. Agencies will fill different niches in the development landscape. Nevertheless, every agency will need to ask itself how better to:

- i. Engage much more effectively across its own government, developing ‘whole-of-government’ approaches;
- ii. Understand and be effective in delivering global deals;
- iii. Demonstrate leadership in managing the international system, including the reform of international agencies;
- iv. Work more intensively in difficult environments, including, in particular, fragile and conflict-affected states;
- v. Increase capacity to provide a development perspective on a range of issues.

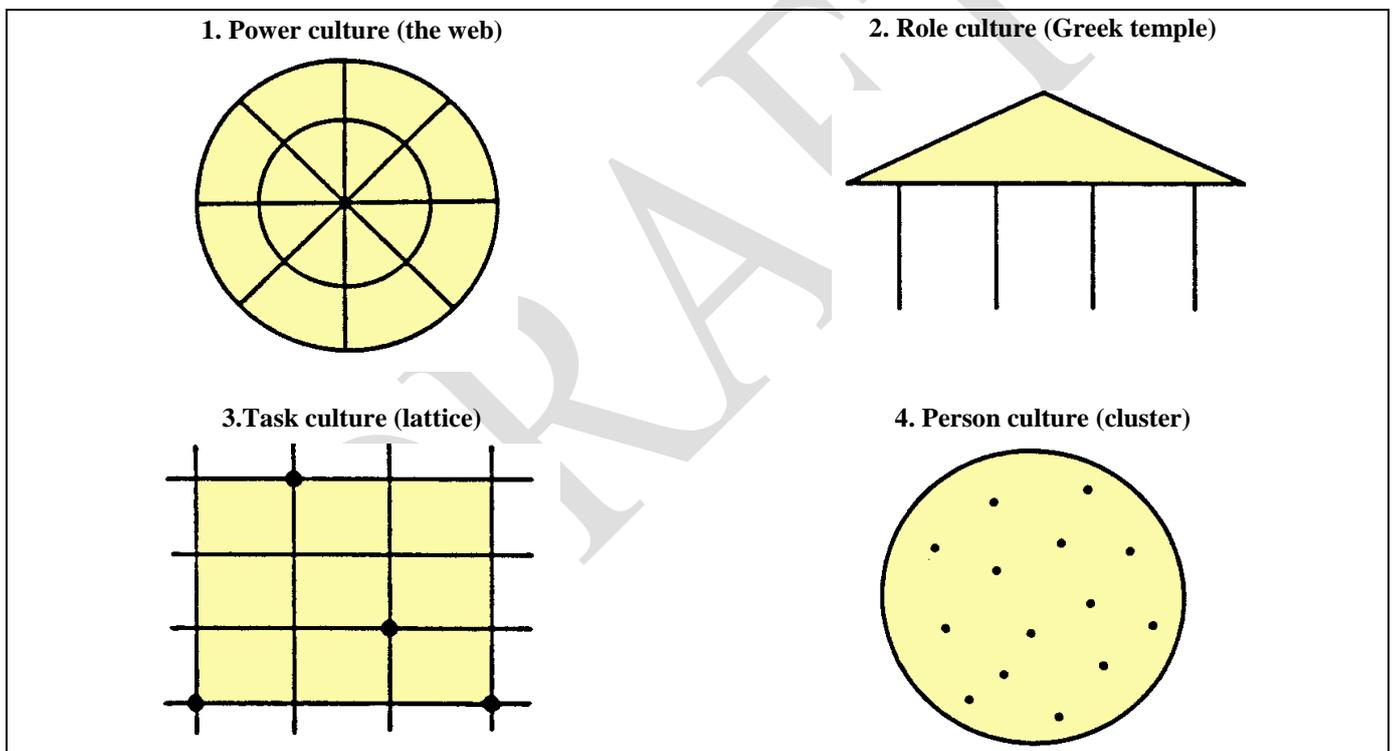
Many have already done so. This provides an opportunity for countries to learn from each other.

2. Organisational culture

In delivering global public goods, the government challenge is that different agencies are likely to be involved: the Ministry of Foreign Affairs and the Ministry of Defence, as well as the Development Department; the Department of Energy or Climate Change; the Ministry of Health; the Ministry of Home Affairs. In a normal government structure, these are all pillars of the bureaucracy in a classic Weberian role culture (Figure 1). The power culture is an organisation where decision-making is concentrated in a few hands and decisions are taken at the centre. In the role culture, the apex of the temple is where decision-making takes place, and the pillars are the functional units that implement the decisions. The task culture is based on information and expertise with close interaction between all parts of the organisation. In the person culture, individuals within the organisation define collectively the path that the organisation should pursue (Handy, 1995).

A task culture might be preferable: flexible and fluid, adjusted to circumstance, nimble, and constantly changing. However, this is not quite how governments work.

Figure 1: Handy's four organisational cultures



Sources: Handy, 1995 ; http://www.lindsay-sherwin.co.uk/guide_managing_change/html_overview/05_culture_handy.htm.

Governments typically establish coordinating arrangements and sometimes vehicles for joined-up action. In 1996, the OECD published a paper examining the changing relations between foreign ministries and other ministries and their relationships with other central agencies. The paper reproduced the 'policy coordination scale' developed by Les Metcalfe (1994) to assess the degree of coordination within a country for effective participation at the international level (Figure 2). Cabinet Committees are charged with resolving disputes between ministries. The Ministry of Foreign Affairs is given coordinating responsibilities on external issues. Joint strategy units are set up. A National Security Council may be created. Special purpose 'war-rooms' may be established. Jointly-owned programmes or funds may be budgeted. These arrangements may work well, but they may also institutionalise tensions between different departments and delay decision-making.

Figure 2: The internal management of external relations: Policy coordination scale

Step 1:	<i>Independent Decision Making by Ministries.</i> Each ministry retains autonomy within its own policy domain.
Step 2:	<i>Communication to other ministries (information exchange).</i> Ministries keep each other up to date about what issues are arising and how they propose to act in their own areas. Reliable and accepted channels of regular communication must exist.
Step 3:	<i>Consultation with other ministries.</i> A two-way process. As well as informing other ministries of what they are doing, individual ministries consult other ministries in the process of formulating their own policies, or position.
Step 4:	<i>Avoiding divergences among ministries.</i> Ensuring that ministries do not take divergent negotiating positions and that government speaks with one voice.
Step 5:	<i>Interministerial search for agreement (seeking consensus).</i> Beyond negative co-ordination to hide differences, ministries work together, through, for example, joint committees and project teams, because they recognise their interdependence and their mutual interest in resolving policy differences.
Step 6:	<i>Arbitration of inter-organisational differences.</i> Where inter-organisational difference of view cannot be resolved by the horizontal co-ordination processes defined in levels 2 to 5, central machinery for arbitration is needed.
Step 7:	<i>Setting parameters for organisations.</i> A central organisation of inter-organisational decision-making body may play a more active role by setting parameters on the discretion of individual organisations. These parameters define what organisations must not do, rather than prescribing what they should do.
Step 8:	<i>Establishing government priorities.</i> The centre of government may play a more positive role by laying down main lines of policy and establishing priorities.
Step 9:	<i>Overall governmental strategy.</i> This case is added for the sake of completeness, but is unlikely to be attainable in practice.

Sources: OECD, 1996; Metcalfe, 1994.

3. The organisation of external affairs

When it comes to foreign policy, Hocking *et al.* (2012) consider the implications of a whole-of-government approach to foreign policy and suggest two models of Ministries of Foreign Affairs:

- i. A 'core function' model which sees the role of the Ministry of Foreign Affairs in terms of its traditional activities, i.e. running the diplomatic network, providing consular and commercial services and offering a geographical perspective on government policy utilising the resources of the network and home-based desks.
- ii. An 'expanded function' model which not only assigns a much greater policy-focused role to the Ministry of Foreign Affairs but also sees it as assuming a key strategic policy synthesis and coordinating role in managing the global policy agenda.

Kaul and Le Goulven (2003) note that in addition to a changing role for Ministries of Foreign Affairs across government, those departments are also reforming from the inside: *'many foreign affairs ministries are creating units focused on global policy issues to complement units focused on general country, regional, and international relations issues'*. It is the case of Germany,² France,³ or Belgium⁴ for example.

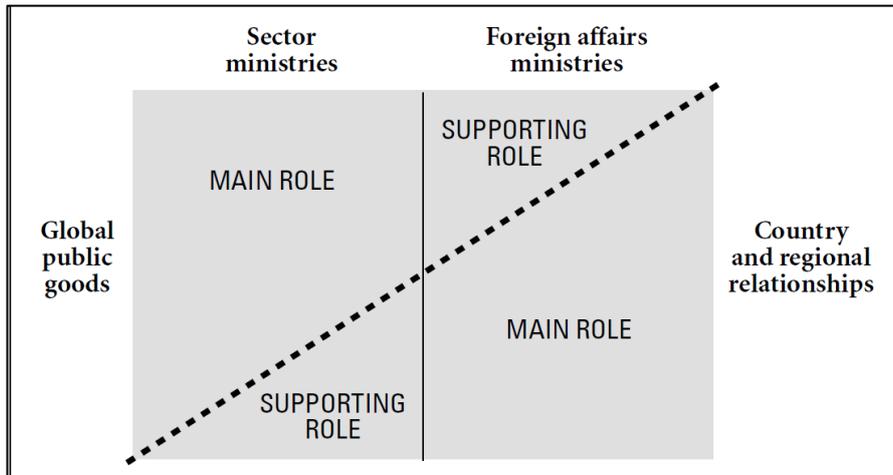
In the mid-1990s, the Netherlands chose a matrix management approach to redistribute responsibilities between ministries and enhance coordination between sector ministries and the Ministry of Foreign Affairs. This new organisational arrangement was supported by changes in the budget: *'All spending on international cooperation is funded by a consolidated "homogeneous" budget coordinated by the Ministry of Foreign Affairs but tapped by all relevant government entities'* (Netherlands Ministry of Foreign Affairs, 1995). This approach is illustrated in the Figure 3.

² Directorate-General for the United Nations and Global Issues: 'One of the tasks of the Directorate-General is to cooperate with the organs and specialized agencies of the United Nations. Moreover, the Directorate-General takes care of important cross-cutting issues in the political field. They include conflict prevention, gender issues, peacekeeping, the fight against poverty, human rights protection, the conservation of natural resources, food security, global governance, disaster prevention mechanisms, combating international terrorism and crime as well as bilateral and multilateral humanitarian aid. In these areas, close coordination with other units of the Federal Foreign Office headquarters in Berlin and with the Federal Ministries is essential.' [Federal Foreign Office](#)

³ Direction générale de la mondialisation, du développement et des partenariats – Organigramme of the Directorate: http://www.diplomatie.gouv.fr/IMG/pdf/Organigramme_DGM_mars_2013_avec_sigles_et_noms_directeurs_Lecture_seule_cle01138b.pdf

⁴ Direction Générale des Affaires Multilatérales et Mondialisation – Organigramme of the DGM : http://diplomatie.belgium.be/fr/binaries/Organigram%20-%20DGM%20-%20Fr_tcm313-98671.pdf

Figure 3: A possible redistribution of ministerial responsibilities for providing global public goods



Sources: Netherlands Ministry of Foreign Affairs, 1995; Kaul and Le Goulven, 2003.

In the United Kingdom (UK), Evans and Steven (2007) called for a reform of the Foreign and Commonwealth Office (FCO). They set out four principles that should underlie any reform:

1. The Cabinet needs to reach collective agreement on its long-term international priorities.
2. The UK needs a real global issues strategy: one that sets out a long-term plan for how to achieve these priorities, what assets will be used, and how resources will be distributed.
3. The strategy needs to be implemented through a limited number of high-profile, well-resourced, multi-agency campaigns.
4. A radical organisational reform will be needed, with the aim of rebuilding mechanisms for delivering foreign policy goals.

A White Paper was published on the future of France's foreign policy in 2008 (Juppé and Schweitzer, 2008). The document made similar recommendations to Evans and Steven in their memorandum to Gordon Brown. It calls for a reform so that the Ministry of Foreign Affairs plays a synthesis and coordination role across government.

In the European Union (EU), the rationale behind the creation of the European External Action Service (EEAS) was to bridge all fields of EU external action, at the global and regional level, in EU architecture and decision-making. The High Representative for Foreign Affairs and Security Policy / Vice President of the European Commission leads the EEAS. The post is mandated by Article 18 of the Lisbon Treaty (European Union, 2007) to 'ensure the consistency of the Union's external action' and is responsible for 'coordinating other aspects of the Union's external action'.

4. Managing development cooperation

4.1 Recognising the problem

Most countries recognise the need for joined-up thinking in development cooperation.

In 2003, the Swedish parliament adopted a Policy for Global Development (PGD) which placed policy coherence for development at the heart of Sweden's approach to development. Although the Department for Development Policy at the Ministry for Foreign Affairs is responsible for the coordination of Sweden's PGD, ministries from all policy areas have a shared responsibility in implementing it (Trocaire, 2013). The latest OECD Development Assistance Committee (DAC) peer review report (OECD/DAC, 2013a) lauded Sweden for its strong legislative and policy basis toward a whole-of-government approach.

In France, the President of the Republic, the Prime Minister, the Minister Delegate for Development, the Minister of Foreign Affairs and the Minister of the Economy and Finance are jointly responsible for framing development policy. In administrative terms, the system is jointly steered by the General Directorate of Global Affairs, Development and Partnerships at the Ministry of Foreign Affairs (DGM/MAE), which takes the lead in defining the strategy, and the Treasury Directorate General (DG Trésor) at the Ministry of the Economy and Finance (MEF). These two institutions have joint aegis over the Agence Française de Développement (AFD), the operator that delivers two-thirds of bilateral Official Development Assistance (ODA). The OECD DAC peer review report found the institutional arrangements to be complex and to generate high transaction costs (OECD/DAC, 2013b).

The United States (US) issued a Global Directive on Development Policy in 2010 (White House, 2010). This included such items as:

- Formulate a US Global Development Strategy for approval by the President every four years in a Presidential Policy Directive;
- Conduct a Quadrennial Diplomacy and Development Review by the Department of State and the U.S. Agency for International Development (USAID);
- Establish an Interagency Policy Committee on Global Development, led by the National Security Staff and reporting to the National Security Council Deputies and Principals, to set priorities, facilitate decision-making where agency positions diverge, and coordinate development policy across the executive branch, including the implementation of this Presidential Policy Directive;
- Beyond the issues coordinated by the White House, the Secretary of State will coordinate foreign assistance and the Secretary of the Treasury will coordinate multilateral development bank policy, consistent with existing law. In the field, the Chief of Mission will ensure the coherence and coordination of development cooperation across US agencies.
- Create a US Global Development Council, comprised of leading members of the philanthropic sector, private sector, academia, and civil society, to provide high-level input relevant to the work of US Government agencies.

According to Todd Moss (2010), the United States' whole-of-government approach to development is a failure. Moss criticises the fact that the American administration has promoted development to the same level as diplomacy and defence without providing USAID with the necessary tools to act at such a level: *'USAID doesn't even control its own budget or set its own strategic priorities'*. Moss believes the problem lies in the fact that whole-of-government approach is fundamentally unworkable in the United States:

'Let's charitably assume that whole-of-government may work for the Swedes, Australians, and maybe even the British. [...] But in the United States – with its sprawling federal structure and huge agency staffs and budget – just getting everyone

around one table is perhaps too much to ask. The interagency process in any country is a strain. (Managing those tensions is actually what policymaking is all about.) Yet the process can become convoluted and bogged down when the scale is out of whack. Simply put: when you have too many people at the table, nothing gets done.'

In the UK, the Department for International Development has joint programmes with other ministries. Examples include the Conflict Pool, shared with the FCO and the Ministry of Defence, or the International Climate Fund, shared with the Department of Energy and Climate Change and the FCO. There is coordination across government on climate change, including via a team of specialist diplomats in the FCO.

Key factors conducive to success in cross-government work in the UK appear to include: strong leadership from the centre; goodwill and flexibility; a clear cross-government strategy, managed by the National Security Council; an effective inter-Departmental Board; a dedicated Secretariat; a series of Programme Boards on different topics; and specialised in-country teams.

At the EU level, the 1992 Maastricht Treaty introduced a legal requirement for the EU to make efforts to improve the coherence of European policies aimed at promoting development. In the Lisbon Treaty, that became a responsibility of the EU as a whole, and was expressed as follows (European Union, 2007):

'The Union shall take account of the objectives of development cooperation in the policies that it implements which are likely to affect developing countries' (Article 208).

The importance of promoting coherence also gained political weight by, among other statements, the EU Consensus on Development (The European Consensus, 2005) and the EU Agenda for Change (European Commission, 2011). Policy Coherence for Development was defined as *'ensuring that the EU takes account of the objectives of development cooperation in all policies that it implements which are likely to affect developing countries, and that these policies support development objectives.'*

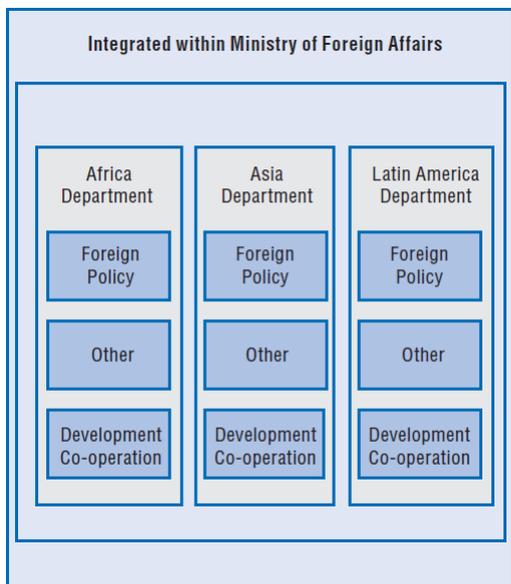
Nevertheless, the 2012 OECD DAC peer review of the EU found *'[h]aving enshrined policy coherence for development (PCD) in the Lisbon Treaty, the EU has taken a lead role in promoting such coherence, but Member States have implemented the commitments they have agreed in the EU unevenly'* (OECD/DAC, 2012).

4.2 The institutional architecture

The institutional architecture for managing development cooperation varies across countries. The OECD DAC (2009) has identified four types of organisational models in existence across DAC donor countries which are described in Figure 4; a fifth model has been included to reflect the EU's architecture.

Figure 4: Organisational structures for managing aid across DAC donors

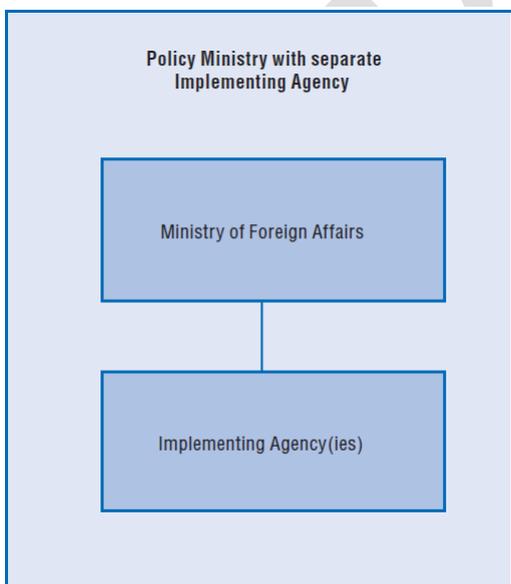
Model 1: The ministry of foreign affairs takes the lead and is responsible for policy and implementation. *E.g. Norway, Denmark*



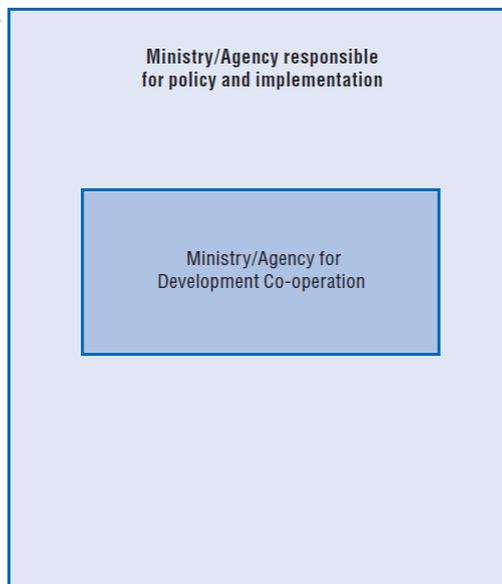
Model 2: A development co-operation directorate or agency within the ministry of foreign affairs leads and is responsible for policy and implementation. *E.g. Australia, Canada, Finland, Greece, Ireland, Italy, Netherlands, New Zealand, Switzerland*

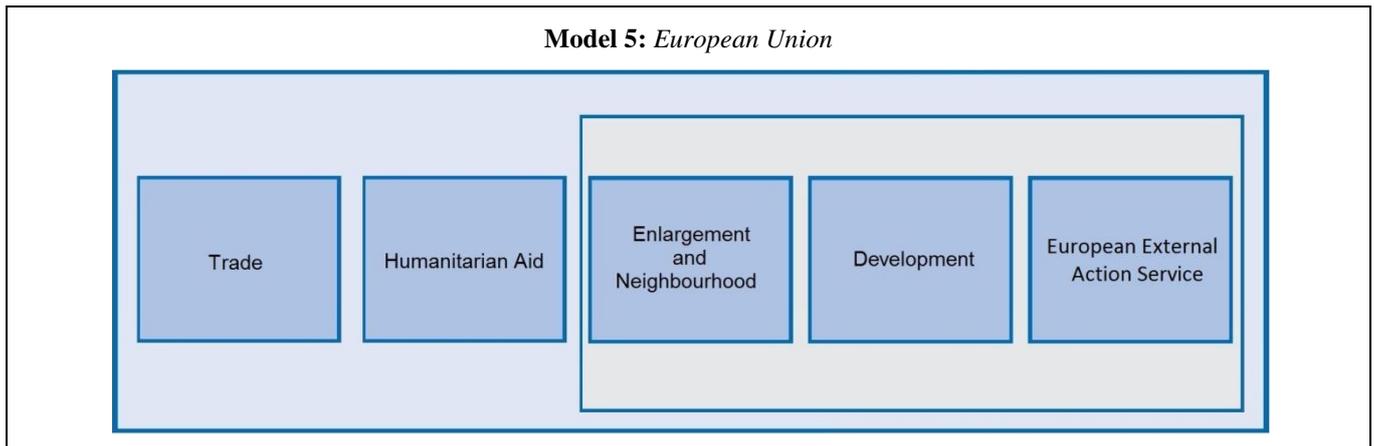


Model 3: A ministry has overall responsibility for policy and a separate executing agency (including development banks) is responsible for implementation. *E.g. Austria, Belgium, France, Germany, Japan, Luxembourg, Portugal, Spain, Sweden, United States*



Model 4: A ministry or agency, other than the ministry of foreign affairs, is responsible for both policy and implementation. *E.g. United Kingdom*





Sources: OECD, 2009; Authors' diagram

This figure suggests that the majority of countries fall in Models 2 and 3 where development cooperation is closely linked with foreign affairs. Whereas the streamlining of development cooperation across policy areas within a Ministry of Foreign Affairs (Model 1) and the existence of a ministry dedicated to development cooperation (Model 2) stand out as exceptions. Only three out of the 23 DAC donors have such structures at present. Since the OECD report was published, Australia and Canada have both undergone similar reforms in 2013; they have moved away from Model 4 to opt for a Model 2 structure. In Australia, the Ministry of Foreign Affairs and Trade integrated the government agency responsible for managing Australia's development aid (Ausaid) in October 2013, when a new government took office. A change of government was also behind Canada's reform in March 2013. There, the Ministry of Foreign Affairs absorbed both the Department for Trade and the Canadian aid agency (CIDA) to become the Department of Foreign Affairs, Trade and Development.

The fifth model is specific to the EU and illustrates the institutional organisation in place since 2011. The EEAS plays a role in shaping strategy and in programming development cooperation for all regions of the world. The EEAS and the Commission are jointly responsible for the programming of the EU's aid instruments. The EEAS leads the first three stages of the programming cycle, i.e. (i) country allocations, (ii) country and regional strategic papers, and (iii) national and regional indicative programmes, which are then submitted by both the High Representative / Vice President of the Commission and the Development Commissioner, to be adopted by the College of Commissioners. Once approved, the Commission becomes solely responsible for the two final stages of the programming cycle: the annual action programmes and the implementation phase. Nevertheless, the Development Commissioner retains overall authority over the entire joint programming process.

5. Conclusion

The test of any government system is whether it can deal efficiently and effectively with the challenges it faces. In this case, the system needs to deliver aid at country level, integrate the instruments of foreign policy in complex political emergencies, and help broker the global deals that are necessary to provide global public goods.

There are many different models of organisation and path dependency is an important determinant of institutional design. Nevertheless, there are core principles at stake.

First, both national interest and development coherence require that a joined-up approach be in place.

Second, these approaches need to be articulated, possibly in the form of national strategies.

Third, different instruments need to be integrated, but without sacrificing the special characteristics of each. In particular, the principles of humanitarian aid, including impartiality, must be protected.

Fourth, there needs to be strong leadership from the centre, to prevent inter-institutional conflict.

Fifth, the necessary skills need to be in place, both at country level and internationally.

Sixth, there needs to be constant assessment of performance, including through monitoring and evaluation.

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