CENTER FOR GLOBAL DEVELOPMENT

What Could the UK's Future Development Structure Look Like?

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Abstract

How can the UK (re)organise its development work to optimally address the challenges of a vastly changed development and geopolitical landscape? Noting that the (de facto) objectives of development policy ultimately determine how and why alternative arrangements are adopted, we assess the strengths and weaknesses of four main organisational models and examine their trade-offs in the UK context. We discuss how the choice of objectives informs the choice of institutional form, and how the UK's own arrangements have evolved with its objectives; and consider how policy coherence, expertise, the experience of partner countries and accountability vary with different models. Since there is no inherently superior option, the choice of institutional structure depends on specific trade-offs that are most palatable to UK policymakers. We conclude by outlining five key design features for any new arrangements: the clarity of its objectives; the predictability and stability of its funding; the strategic coherence it achieves across government; its ability to retain and develop a wide range of capabilities (both in personnel and modes of action) and its administrative and legal basis.

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Introduction

A general election looms in the UK. Roughly one year away, this suggests that now is the time that serious consideration of final policy positions will begin, though they will be finalised only when the respective party Manifestos are published. The ten months remaining for serious policy development is rather short. The Conservatives fired the starting gun on this with the recent publication of a White Paper on International Development,[1] one which the opposition have responded to positively (at least in terms of its contents).[2]

But the White Paper is silent on one of the key considerations the next Government will need to decide on: whether the existing, merged, arrangements for foreign policy and international development are fit for purpose. Though the ship has begun to steady somewhat, it remains battered and in serious danger of capsize after three years of near constant storms and attacks from all sides. Covid forced both cuts (due to economic contraction and hence a decline in the level of aid that constituted 0.7 per cent of GNI) and reorganisation of the then-DFID portfolio. A merger with the FCO announced by Boris Johnson was rapidly conceived and poorly executed.[3] Any opportunity to fix matters while at sea was lost when the Government imposed deep and rapid cuts on the department,[4] forcing it to trim around one-third of its spending. Just as these cuts worked their way through the system, the Home Office and Treasury stripped a further third or so of the budget away to pay for the costs of refugee and asylum seekers in the UK.[5]

Even a steady, well-functioning organisation would have struggled to navigate these storms. It is striking, then, that senior decision-makers from all the major parties have explicitly acknowledged that the UK's development structures are failing and not fit for purpose, to a greater or lesser extent:

> "I regard the decision to dismantle DFID as a quite extraordinary mistake. First, it will destroy one of the most effective and respected engines of international development in the world... it is completely unnecessary... Both the Foreign Office and DFID work ceaselessly in Britain's national interest, but foreign affairs and development, while totally complementary, are not the same thing."

—Andrew Mitchell, now Conservative minister of state for international development[6]

1 Foreign Commonwealth and Development Office, *International Development in a Contested World: Ending Extreme Poverty and Tackling Climate Change, A White Paper on International Development* (London: FCDO, 2023).

2 See this record in Hansard, of Lisa Nandy (the current Shadow Cabinet Minister for International Development), https://hansard.parliament.uk/commons/2023-11-21/debates/17FFF91C-74DB-43CE-8944-63A2C996C5AC/InternationalDevelopmentWhitePaper#contribution-ADDA47C1-71E1-410E-B1B4-FB2B94C9AFB6.

3 See, for example Ranil Dissanayake (@scepticalranil), "Extraordinary", Twitter, Nov 8. 2023, https://twitter.com/scepticalranil/status/1722295471417274716.

4 CGD's analysis of this is collected here: https://www.cgdev.org/impacts-and-influence/shaping-uk-aid-cuts-debate.

5 Sam Hughes and Ian Mitchell, "Projections of UK-Hosted Refugees, and the Implications for the UK's Aid Budget and Spend," CGD Note, (London: CGD, 2022), https://www.cgdev.org/publication/projections-uk-hosted-refugees-and-implications-uks-aid-budget-and-spend.

6 Mitchell has, since this time (he was speaking when the merger was first announced), entered Government with responsibility for the development portfolio in the merged department, and has begun restructuring it to better implement its development responsibilities.

> "The… mismanaged merger of the FCO and DFID is causing chaos. We can't afford this incompetence at a moment of acute international crisis."

—David Lammy on X (formerly Twitter), Feb 20 2022

> "We've watched with interest what Andrew Mitchell has been doing to repair some of the damage that was done… It remains to be seen whether the structural changes that he's made are sufficient to really deliver."

—Lisa Nandy, quoted in Devex 9 Oct 2022

> "[We would establish] an independent development department—not simply a recreation of DFID in its previous form, but an independent department with a secretary of state and fully functioning… with an absolute laser focus on the transition towards zero poverty and zero carbon."

—Lord Purvis, Liberal Democrat spokesperson on Foreign and Commonwealth Affairs in the House of Lords at a CGD event

The common thread across these interventions (and many more like them) is that they all suggest that the UK's optimal structure to address development challenges is not what was put in place by the merger as originally conceived and implemented in 2020. Yet none of them offer a wholly concrete vision of what should replace it (Lord Purvis comes closest, but even he leaves the question of how the new department would be different to DFID unresolved).

In large part, this reflects the fact that there is no clear consensus on either what the UK should achieve with its development policy, nor, consequently, the structure that is best positioned to support these aims. All parties agree that the world is rather different to how it looked in 1997, when DFID was first established: extreme poverty is no longer as widespread as it once was, though even in places where it has been all-but-eradicated, acute material deprivation is still common; the places in which it remains endemic are often conflict-affected or captured by toxic political bargains; development itself is less compartmentalised and there is a growing realisation that domestic policy in rich countries affects the development path of the poorer ones, especially through illicit financial flows, migration, climate policy and the like; and in more and more places, aid has become a smaller and less important tool in the fight for better living conditions.

How can the UK organise its development work and policy to optimally address the world of 2024? Throughout this note we take development policy to mean not just the use of foreign aid, but the full set of spending and policy decisions that have a direct impact on economic and social welfare outcomes in developing countries. In this note, we assess the international context in which the choice is being made, contrast it to previous 'eras' of development cooperation, and consider how the UK's own institutional forms for development have evolved. We then set out four broad options for the UK's future development architecture, noting that compromises between them are also possible, and look at the experience of other countries in implementing each. We go on to assess the strengths and weaknesses of alternative options in the UK context on the following grounds of policy relevance to any forthcoming Government:

- Fit with the current development and geopolitical context
- Policy setting and coherence on development
- Capacity to attract and retain development expertise
- Experience of partner governments and effect on partnerships
- Accountability for resources and impact

We make four primary conclusions: firstly, that the model adopted by the UK must be driven by the UK's policy objectives and state capacity, rather than the experience of other countries: each model can function well or poorly, depending on its fit with domestic politics, policies, and capabilities. Second, in the UK context, decisions should be taken to maximise their long-term impact; as such, we make recommendations for how to implement different models if chosen, to maximise fit and function. Thirdly, different models have different strengths and weaknesses: the choice of which capabilities and functions the UK wishes to maximise should drive the choice of institutional form. Finally, it is not simply within the development function that reform is required to improve the effectiveness and impact of UK development policy, but across Whitehall. Though more difficult, we nevertheless outline some of the key changes that may help.

Ultimately, some reform is necessary to restore the effectiveness of the UK's development function. How reforms are implemented will determine their success.

The changing international context

In 1997, when the UK created DFID, which would go on to become a highly respected development agency, the world faced what Masood Ahmed described as "the unipolar moment when the West was feeling confident and generous after the collapse of the Soviet Union and there was a peace dividend to be deployed. Development provided the new global project and the technicians of development asserted that they had the technology to deliver results. That attracted the support of the leaders of government."[7]

This was an exceptionally conducive period for international development. Conflicts (both within developing countries and between competing global powers) were in decline or dormant; economic conditions were largely benign for much of the 2000s, with growth reasonably fast and widespread.

Conditions could not be more different now: a multipolar world characterised by direct and overt competition by global powers, including through diplomacy and foreign aid. Growth has slowed

7 Quoted here: https://www.cgdev.org/publication/setting-compass-eliminating-world-poverty-department-international-development-1997.

in much of the world and economic conditions worsened more broadly. The challenges have also become more globalised, with global public goods and bads occupying an increasing amount of policy space both domestically inside donor countries and in international fora. Consideration of the optimal model to adopt must account for the changing international context—and indeed, the objectives of international development action.

The (evolving?) objectives of international development cooperation and policy

It is not just the international context that evolves over time; so too do the objectives of development cooperation, though often in response to domestic considerations. Broadly, we can think of three categories of objective, which are not mutually exclusive.

The first is the wellbeing and welfare of developing countries. This may take the form of poverty reduction, improvements in social development or economic development, and need not be pursued solely for (or even primarily) altruistic motivations. In the UK, this was often the stated (and de facto) aim of development policy in the 1997–2015 period (see below).

The second is the achievement of domestic political and economic objectives, be they geostrategic, diplomatic, or economic (including mercantilist). These, equally, need not be anti-developmental or even solely selfish: such aims may also benefit developing countries (by boosting trade or stability).

The third is the achievement of specifically global objectives, typically the provision of what are commonly termed 'global public goods', though the term is usually used to refer to activities or projects which have global benefits, even though they are undertaken in a specific locality. Increasingly, GPG provision and development action have been funded from the same pots and incorporated into the same strategies. This objective is typically justified as being between developing country wellbeing and provider domestic interest, as the global positive spillover envisioned through GPG provision can support both aims simultaneously, though there are almost certainly substantial trade-offs between the objectives in the presence of a binding resource constraint.[8]

No development actor is completely innocent of any of these three objectives. Even the most mercantilist undertake projects with local benefits to partner countries, and even the most altruistic undertake projects with domestic benefits for provider governments. The question that matters most

8 For a fuller description of the spectrum of provider motivations for cooperation, see Nilima Gulrajani and Rachael Calleja, "Understanding Donor Motivations: Developing the Principled Aid Index" (London: ODI, 2019); for a discussion of trade-offs, see Ranil Dissanayake. 2023. "GPGs and Where to Fund Them: The Startling Implications of Financing Global Public Good Provision for the Multilateral Development Banks." CGD Policy Paper 303. Washington, DC: Center for Global Development. https://www.cgdev.org/publication/ gpgs-and-where-fund-them-startling-implications-financing-global-public-good-provision.

for determining optimal institutional arrangements is what the balance of objectives is, which in turn determines which capabilities are most required and which trade-offs are most palatable.

A typology of models for managing development cooperation

Historically, bilateral members of the Organisation for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC) have used four organizational models,[9] which can loosely be conceived as points along a spectrum of institutional autonomy, from least autonomous to most autonomous (see Figure 1). This typology, which was developed by the OECD, differentiates structural models based on the location of development policy and implementation functions.[10] As a result, while these models provide a broad overview of primary development structures, they do not provide insight into broad accountability or cross-government structures that necessarily inform how—and how well—these structures function in each country context. Despite such limitations, we adhere to their definitions for consistency, though recognising that, like all typologies, they imperfectly capture the complexity of real-world arrangements.

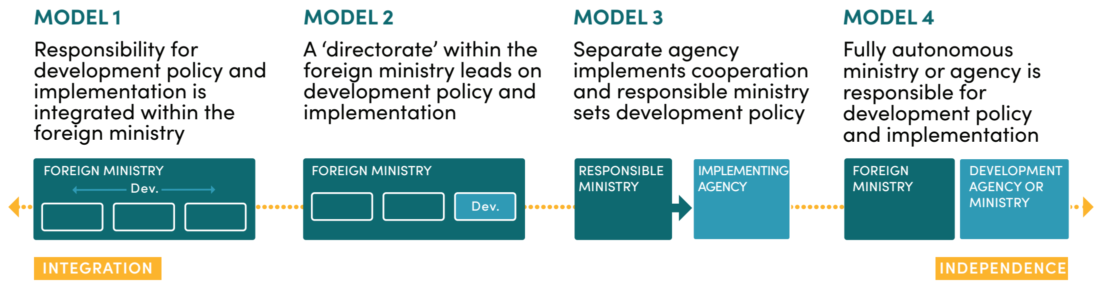
The four main models identified by the OECD-DAC, and used by its members, are:

- **Model 1: An integrated Ministry of Foreign Affairs**—fully integrates the development function within a foreign ministry, which is responsible for both development policy and implementation. In this model, development is integrated alongside other foreign policy priorities at most levels, providing the least autonomy for the development function.
- **Model 2: Development co-operation directorate or division within Ministry of Foreign Affairs**—in this model, responsibility for development policy and implementation is located in a dedicated directorate within a foreign ministry. This provides some autonomy for development, though the function remains integrated within the foreign ministry.
- **Model 3: A policy ministry with separate implementing agency**—this model separates the policy and implementation functions, where development policy is set by a responsible ministry (often a foreign or development ministry), while one or more separate agencies are responsible for implementation.
- **Model 4: Autonomous development agency or ministry**—is a fully independent government ministry responsible for international development policy and implementation. This was the model used by the UK between 1997 and 2020, when the Department for International Development was in operation. At present, no DAC members currently use this model.

9 As defined in OECD, "Managing Aid—Practices of DAC Member Countries" (Paris: OECD, 2009); OECD, "A Comparison of Management Systems for Development Co-operation in OECD/DAC Members" (Paris: OECD, 1999).

10 See OECD, "Managing Aid—Practices of DAC Member Countries."

FIGURE 1. Typology of institutional forms for development



Source: Adapted from OECD, "Managing Aid—Practices of DAC Member Countries" (Paris: OECD, 2009).

In addition, many DAC providers used a fifth model during the early stages of their engagement as providers. Termed the "multiple ministry" model, this approach saw responsibility for development cooperation disbursed across a range of line ministries, each of which implemented projects based on their thematic expertise, yet often lacked an institutional center or focal point for setting cross-government development policy.[11] As a result, this model tended to be used at the earliest phases of a donor's institutional "path", when governments seek to engage in cooperative action, yet are often unclear about the value of investing in a dedicated structure for managing development action.

More recently however, an adapted form of this structure, which includes an institutional focal point for strategic management of cooperation that is implemented by cross-government actors, has been adopted by several non-DAC providers. In China, for instance, the Chinese International Development Cooperation Agency (CIDCA) functions as a policy setter and coordination agency, with responsibility for "coordinating and selecting foreign aid projects" as well as drafting strategic policies, plans and guidance, and evaluating China's cooperation engagements. In this system, implementation remains the responsibility of the Ministry of Commerce (primarily), as well as several other line ministries and subordinate agencies,[12] while China's foreign ministry serves as the point of contact in partner countries (via embassies)[13] and is responsible for ensuring development objectives are aligned with other foreign policy areas.[14] Similar coordinating responsibilities are also found in Türkiye, with the Turkish International Cooperation and Coordination Agency (TIKA)

11 Hyun-Sik Chang, Arthur M. Fell, and Michael Laird, "A Comparison of Management Systems for Development Co-operation in OECD/DAC Members" *International Area Studies Review* 3, no. 1 (2000).

12 OECD. "Other Official Providers not Reporting to the OECD—China (People's Republic of)," in *Development Cooperation Profiles* 2023 (Paris: OECD, 2023), available at: https://www.oecd-ilibrary.org/sites/18b00a44-en/index.html?itemId=/content/component/18b00a44-en.

13 While this function was previously conducted by MOFCOM's Economic and Commercial Councilors Office (ECCO) staff located in embassies, Marina Rudyak notes that "supervision by embassies is mentioned in the MFA paragraph and not in the MOFCOM paragraph" of China's *Measures for the Administration of Foreign Aid*, suggesting that the function has either shifted to the MFA or that ECCOs "are becoming more integrated into the embassy structure". See Marina Rudyak, "New Measures for the Administration of Foreign Aid by CIDCI, MFA, and MOFCOM," (2021). http://china-aid-blog.com/2021/09/01/407/.

14 Marina Rudyak, "New Measures for the Administration of Foreign Aid by CIDCI, MFA, and MOFCOM," (2021). http://china-aid-blog.com/2021/09/01/407/.

responsible for both implementing technical cooperation and coordinating cooperation,[15] while in Colombia and Mexico—which both receive and provide cooperation—agencies located under the Presidency or foreign ministry (respectively) act as coordinators of both inward and outward cooperation flows that are administered by other parts of the government system.[16] While this can hardly be considered a "non-DAC model", with the 54 non-DAC countries[17] with institutions for development cooperation adopting a range of forms including resembling the models noted above—United Arab Emirates (Model 1), India (Model 2), and Brazil and Indonesia (Model 3)[18]—the use of coordinating structures allow actors to leverage cross-government expertise for development without necessitating a large scale investment in development-focused capacity.

Over time, the organisational models used by providers are prone to change, either through substantive shifts including mergers or separations, which are designed to create or eliminate an agency, or through more incremental changes to the roles or responsibilities of various actors in the development system.

Key strengths and weaknesses of four models for managing development co-operation

Each of the organisational models used for managing development cooperation come with their own unique strengths and weaknesses based on the broad division of labour between the foreign ministry and development actors, particularly in terms of how and where policy formation and implementation functions are located. While the experience of countries adopting the same model may differ based on domestic political and bureaucratic environments, constraints, and cultures, many actors utilising the same model experience similar challenges or perceive similar benefits from their organisational choices.

Three points should be made at the outset. First, the four models defined above should be considered illustrative, with most countries adopting hybrid structures that can resemble specific models to greater or lesser degrees. In most countries, there are some development-related functions that are held outside of either the foreign affairs or development ministry. For example in the UK and US, the Treasury at least shares the responsibility for managing relationships with the World Bank and IMF, both clearly of central development importance. In many countries, the health ministries maintain control over policy on health-related global goods. As we return to below, how such 'add-ons' to the central development institutions are managed, and how accountability is

15 OECD, "Development Cooperation Profile: Türkiye" in *Development Cooperation Profiles* 2023 (Paris: OECD, 2023).

16 OECD, "Development Cooperation Profile: Colombia" in *Development Cooperation Profiles* 2023 (Paris: OECD, 2023); OECD, "Development Cooperation Profile: Mexico" in *Development Cooperation Profiles* 2023 (Paris: OECD, 2023).

17 Rachael Calleja, Beata Cichocka and Sara Casadevall Bellés, "How Do Non-DAC Actors Cooperate on Development?," CGD Policy Paper 294 (London: Center for Global Development, 2023).

18 See Nilima Gulrajani, "Post-merger development governance in the UK: a preliminary cross-national investigation of Development Assistance Committee (DAC) donors" (London: ODI, 2020).

organised that matters greatly. Secondly, the choice of model often reflects the objectives chosen, and some countries switch between models (or, as often, change the emphasis of hybrid models) as their objectives change. And thirdly, the effectiveness of these institutions also depends on the effectiveness of other central institutions; an effective development institution can be fatally undermined by a weak or unhelpful centre, including a Treasury that is unwilling or unable to protect or stabilise its resourcing. We return to each of these points below.

Model 1: An integrated Ministry of Foreign Affairs

Historically, this model has been used almost exclusively by small Scandinavian providers—notably Denmark and Norway[19]—which typically enjoy a strong domestic consensus around the importance of development. Indeed, strong public and political support for development is clearly demonstrated in the continued and long-standing provision of ODA valued at more than 0.7% of GNI. This domestic consensus has been important for ensuring that development is not subsumed to other foreign policy objectives, given the full integration of development within the work of foreign ministries, where development often sits alongside diplomatic and trade portfolios in geographic units.

Strengths

The primary strength of integrated models for development management is the ability to ensure coherence across foreign policy action. In theory, the closeness of desks for diplomacy, trade (when included in the merged department), and development—particularly when organised by geographic region—should facilitate better cross-policy dialogue and the ability to utilise multiple policy tools to support development outcomes. However, the merged structure does not make coordination beyond foreign affairs arms easier: that must be handled by other arrangements (see the section on design features for more discussion of this).

Weaknesses

Aside from the risk that changing political tides could undermine strong consensus for development within foreign ministries, which runs the risk of weakening developmental priorities relative to other foreign policies, a key challenge for integrated models pertains to expertise. In integrated foreign ministry structures, where staff are typically generalists that are often encouraged to rotate, it could be more difficult to develop and retain development expertise than in models with dedicated development structures. While there is a role for generalists in development policy, the risk is that such systems could have lower overall levels of development experts to inform and drive policy and implementation.

19 See OECD, "Managing Aid—Practices of DAC Member Countries" (Paris: OECD, 2009).

EXAMPLE: Norway's development cooperation system

Broadly, responsibility for Norway's development cooperation is split between two main actors—the Ministry of Foreign Affairs (MFA) and the Norwegian Agency for Development Cooperation (Norad), which is a "professional body" located under the MFA. Functionally, the MFA is responsible for setting Norway's development policy, and currently has operational responsibility for roughly half of the ODA budget, covering humanitarian assistance, peace and security, human rights, and engagements in the Middle-East and North Africa, Afghanistan, Ukraine and the Balkans.[20] Norad is responsible for the other half of Norway's ODA, with grant management and implementation responsibilities for key thematic areas including education, health, energy, and climate change and environment.[21] However, the division of labour between Norway's MFA and Norad is expected to change in 2024, with the Norwegian government announcing plans for Norad to take greater responsibility for managing Norway's funding for humanitarian assistance, global security issues and disarmament, human rights, parts of support for UN, and funding for Europe, Central Asia and Afghanistan.[22] Norad acts as the primary implementing body yet it does not have in-country staff, and instead programmes its cooperation via embassies and civil society organisations.

While the Norwegian model had previously been described as a Model 1 structure,[23] recent organisational reforms that have granted additional responsibility to Norad means that Norway now more closely resembles a Model 3 structure.

Model 2: Development co-operation directorate or division within Ministry of Foreign Affairs

Often used by smaller or mid-sized providers, including those from Westminster-style political systems (Australia, Canada, New Zealand) and small European actors (Belgium, Iceland, Ireland, Netherlands)—this model has been the go-to in cases when development agencies are merged with foreign ministries. Indeed, this structure, along with Model 3, is one of the most popular approaches for cooperation management amongst DAC members.

Strengths

Similar to Model 1, the theoretical benefit to models that co-locate development alongside other foreign policies is the ability to deepen policy coherence, where housing development with other foreign policies can foster engagement and policy alignment more readily than when development

20 Elling Tjonneland, "Norwegian Development Aid: A Paradigm Shift in the Making?" *Forum for Development Studies* 49, issue 2 (2022): 373–397.

21 Norad, "Selected Thematic Areas", accessed December 10, 2023, https://www.norad.no/en/front/thematic-areas/.

22 Norad, "Clearer division of responsibilities between the Norwegian Ministry of Foreign Affairs and Norad", last modified October 3, 2023, https://www.norad.no/en/aktuelt/nyheter/2023/clearer-division-of-responsibilities-between-the-norwegian-ministry-of-foreign-affairs-and-norad/#:~:text=In%20general%2C%20the%20aid%20administration,Global%20security%20issues%20and%20disarmament.

23 See OECD, "Managing Aid—Practices of DAC Member Countries" (Paris: OECD, 2009).

is housed separately. Indeed, the shorter lines of communication across policy areas in merged structures should, in theory, foster deeper cooperation and opportunities to bring diplomatic and/or trade policies in support of development outcomes. Again, however, this closeness is only within the functions contained in the merged ministry, often just foreign affairs and development (though trade is also included in some cases). Coordination outside these functions must be handled separately.

Weaknesses

The reality of integration is that it makes development susceptible to subordination alongside foreign and trade policies, particularly in cases where public or political support for development is limited. Similar to Model 1, the co-location of development within foreign ministries means that development can suffer from rotationality within the department, although this challenge is perhaps slightly mitigated by the "directorate" structure, which does, in some cases, allow development specialists to grow within the division.[24]

EXAMPLE: Canada's development cooperation system

Since the 2013 merger of Canada's autonomous development agency—the Canadian International Development Agency (CIDA)—with its foreign ministry, development has been part of a "mega bureaucracy" now called Global Affairs Canada (GAC), which is functionally responsible for managing Canada's diplomatic, development and trade relations. Within GAC, responsibility for development is managed by three "branches" of the agency: the "Strategic Policy" branch is responsible for Canada's development policy and leads on engagement in major international forums; the "Global Issues and Development" branch provides thematic leadership on key development issues including health, social, economic, and environmental concerns; while "Regional" branches coordinate foreign policy objectives and actions—including development—in specific regions. A Minister for International Development—a junior ministerial post—oversees development actions.

Canada's structure perhaps sits in between a Model 1 and 2 structure, where the use of regional branches to coordinate policy action is closely linked to the Model 1 approach, while the "Global Issues and Development" branch provides a space for thematic expertise within the agency.

Model 3: A policy ministry with separate implementing agency

This model is amongst the most popular across DAC members (with Model 2) and is typically used by a diverse range of countries including four of the five largest bilateral DAC ODA providers—France, Germany, Japan, and the USA—as well as smaller European providers (Luxembourg, Sweden) and Asian DAC members (Korea and Japan). Very often, this model consists of a development agency

24 In Canada, for instance, the post of "Chief Development Officer" was created in 2014 to champion the development profession within the newly merged department. For more, see OECD, "Development Co-operation Peer Review: Canada 2018" (Paris: OECD, 2018).

answering to policy functions housed in a merged ministry of foreign affairs, but in some cases—notably Germany—the agency answers to a separate development ministry.[25]

Strengths

There are two key strengths often associated with this model, both of which are linked to the benefits of the autonomy afforded to implementing structures. First, the autonomous implementing agencies found in Model 3 systems are often good at maintaining development expertise by virtue of not requiring staff to rotate across policy areas. Indeed, staff in implementing agencies often consider themselves to be development "experts", versus policy "generalists" working in foreign ministry counterparts. Second, given the work of implementing agencies—to deliver development programming—these agencies tend to have strong and extensive country networks, and are often visible and available on the ground.

The model nominally separates objective setting from delivery, and as such allows for the responsible ministry to set objectives with any of national interest, development or global good prioritised (or any mix thereof). Depending on how it is set up, the implementing agency's explicit mandate or mission may be formally codified in its charter or be set on a rolling basis by the responsible ministry. In either case it may attract staff with different expertise and mission orientation than the responsible ministry. As such, it may have some measure of resilience to changes in the political context. Though objectives can be changed, the more indirect path from responsible ministry to execution means that it can be harder to directly control; depending on the staffing and institutional set up, this may give some insulation from political currents in the responsible ministry (though this is not always the case: the UK's experience pre-1997 attests to this).

Weaknesses

The two-agency system in this Model often creates tensions between the actors, both at headquarters and in partner countries. At headquarters, these can play out around the policy process, where policy-taking experts in implementing agencies can become frustrated by policy decisions made by generalists at the MFA. At their core, these issues often stem from differing organisational incentives, where the independence afforded to implementing agencies allows them to prioritise development impact and objectives, while MFA staff must respond to competing political demands (sometime reflecting short-term expediency, but sometimes reflecting deeper trade-offs or conflicts of values). In partner countries, the issue is one of visibility, where implementing agencies often have a relatively stronger field presence and relationship with partner countries than MFAs, which ultimately control development decision-making.

25 While some may argue that Germany is a hybrid of the Model 3 and 4 structures on the basis that it has a separate "Development" ministry for setting policy, Germany remains classified as a Model 3 structure on the basis that it separates the policy and implementation functions.

EXAMPLE: Germany's development cooperation system

While the Germany development cooperation system is complex, responsibility is primarily split between the Federal Ministry of Economic Cooperation and Development (BMZ), which sets development policy, and two implementing agencies—Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and KfW Development Bank—which are responsible for implementing technical and financial cooperation, respectively.

Notably, GIZ has the legal status of a private entity that is commissioned by BMZ and other government actors to implement development programming. In principle, this means that GIZ's development expertise can leveraged by a range of ministries seeking to implement development programming (for example, the Germany Environment Ministry (BMU), could commission GIZ to support the implementation of climate or environment-related development action). GIZ is highly decentralised—70% of employees are national staff—and work in 120 countries.[26]

By contrast, KfW is responsible for allocating financial cooperation, including grants and concessional loans, and has a similarly diffuse country network, with offices in 70 countries.[27] Germany's DFI—the German Investment Corporation (DEG)—is also located within KfW.

Germany's structure is a clear example of the Model 3 form, with an explicit division of labour across actors.

Model 4: Autonomous development agency or ministry

Historically, this model has only been used by a handful of countries, primarily the Anglo-DAC members—notably, Australia, Canada, the UK, US, and very briefly, by New Zealand. Since the 2020 merger of DFID, this model has fallen out of use, with none of the current DAC members adopting a fully autonomous structure.[28]

Strengths

The key benefits of this model are linked to the institutional autonomy it embodies, which is thought to make it easier for agencies to both develop and retain development expertise, as well as to focus explicitly on development goals and the most effective way to achieve them. Specifically, the uniqueness of this model is that it separates responsibility for development policy from the foreign ministry, which is expected to facilitate strategic priorities that target long-term development

26 GIZ, "GIZ Profile: Sustainable Development for a Liveable Future", accessed December 10, 2023, https://www.giz.de/en/aboutgiz/profile.html.

27 KfW Development Bank, "Our Regional Offices", accessed December 10, 2023, https://www.kfw-entwicklungsbank.de/International-financing/KfW-Development-Bank/Local-presence/Regional-offices.html.

28 Germany, as noted, is technically classified as a Model 3 country by the OECD, though its set up includes an independent development policy function, with some—but not all—of the strengths and weaknesses identified here.

objectives than in cases where development is linked to other foreign policy areas.[29] This was the experience of DFID, which had a strong, effective, independent development policy, with serious financial heft. However, it is not an inevitable outcome of the model choice: neither Canada or Australia, when using this model, achieved the same level of competence and impact.

Weaknesses

The institutional autonomy of this model can cause challenges for broader cross-government policy coherence—though the degree will depend on the specific coordination mechanisms available in any country system—as lines of communication are likely longer between a separate agency and other departments than in merged structures (though as noted, all of these models leave some cross government coordination to be handled separately). Similarly, this model can create tensions between development agencies and foreign ministries, where differing objectives can be perceived as at odds, and large development budgets can become a target for other ministries seeking to access development funds.

Key take-away

The point here is that different organisational models have historically presented different challenges and opportunities, though how and to what degree these appear will differ according to the particulars of the development system in which they reside. This means that there is likely no "ideal" model in any case, and instead, a series of options that could make better or worse structural choices according to the contingencies—or constraints—that exist within the government system, and which change over time alongside shifting priorities and demands.

As the UK re-thinks how its cooperation is structured, the question it must grapple with is not whether to return to the DFID model, but rather, which structure best matches the constraints in the UK system and is best positioned to support the implementation of its future development vision.

The UK's arrangements, now and in the past

At present, the UK's arrangements sit somewhere between Models 1 and 2, reflecting some, but not total, separation of development functions within a foreign affairs ministry. Over time, though, just as the international context has evolved substantially, so too have the UK's arrangements for

29 An exception here is Germany, where strategic policy is set by an independent development ministry, BMZ. Other Model 3 structures, however, tend to co-locate responsibility for development policy formation in foreign ministries.

international development—though sometimes subtly, and not, it must be said, in any clear lockstep with broader global changes.[30]

For more than a decade in the Thatcher years, international development was in the charge of an independent agency known as the Overseas Development Administration fully subsumed within the Foreign Office. This was a clear model 3 structure, reporting to a foreign affairs ministry, which had final say on policy. In these years, international development policy was largely an afterthought in the grand scheme of government business. That did not preclude the Administration doing good development work (as Dissanayake and Lowcock have pointed out, it was staffed with well-regarded technical experts who were mission-driven and did good work), but it did mean that whenever national interest of political expediency clashed at all with quality development work, development lost out.

This changed in 1997 with the establishment of DFID, which put the UK's arrangements into a clear Model 4 structure. It was an independent agency, with (initially) control of most development resources, with a clear, openly articulated mission around development impact. This lasted until around 2015, when two changes accelerated.[31] The first was that an increasing portion of development spending was controlled by departments other than DFID, in effect moving the institutional structure 'dial' from a clear Model 4 towards a model with more widely dispersed responsibilities, as strategic direction on overall policy and implementation both became more widely distributed across government ministries (it is notable that the 2015 aid strategy was co-authored by the Treasury and DFID, with the Treasury's name first). This was largely driven by DFID's protected budget, which made it a target for the Treasury and other government departments. The second change was that non-development objectives took an increasingly central place in international cooperation policy. The aforementioned aid strategy was a clear demonstration of this: it moved UK development policy from having a singular focus on poverty to a four-pronged approach, of which poverty was the fourth of four objectives.

In 2020, this change was formalised with the absorption of DFID into the FCO to form the FCDO, giving the UK a Model 1 structure.[32] In the UK case, this change served to institutionalise policy shifts that had been bringing development objectives in line with domestic interests since 2015, creating a structure that allowed leadership to put national interest objectives above development ones by design; the International Development Strategy launched by Liz Truss effectively making this explicit, with the clear primacy afforded to geopolitical interests in this period.

30 For a more detailed consideration of the history of the UK's international development arrangements, stretching further back, see Ranil Dissanayake and Mark Lowcock, "Why Did Labour Create the Department for International Development?" CGD Policy Paper 297 (Washington, DC: Center for Global Development, 2023). https://www.cgdev.org/publication/why-did-labour-create-department-international-development.

31 Both changes had deeper roots, but really pick up pace after this period.

32 Though formally a merger, in practice it resembled an absorption, with DFID functions initially scattered across the FCDO.

From late 2022, however, with the appointment of Andrew Mitchell as Minister of State for International Development and Africa, the structure began another shift. He reorganised, as far as possible, the development functions within the FCDO and moved towards Model 2 structure, though the full consolidation of development policies and resources within one arm of FCDO has not yet been wholly achieved. His recent White Paper on International Development, superseding the International Development Strategy nominally returns poverty and development objectives to the top of the agenda.

Over the 2015–2023 period, one important characteristic of UK development policy was the absence of any single central 'node' or decision-making body with accountability and responsibility for policy or resources. The increasing spread of development resources across government meant that the quality, content and direction of spending has become harder to control and coordinate.[33] It has also reduced the FCDO to the status of 'residual claimant' of development aid: when unexpected expenditures that can be charged to the fixed pot of development finance available arise, they draw down on FCDO's resources, regardless of which department is doing the spending.[34] As a result, forward planning and effective budgeting is very difficult, and at times impossible. This problem has become progressively worse over this period.

This discussion suggests two important points. First, the institutional structures in the UK have not afforded great protection from changing political currents. Even with an independent department, a government that doesn't want to prioritise development will not do so. And secondly, systems put in place to protect development spending can and will be undermined and corrupted when the consensus underlying them erodes.

Assessing the UK context

If the choice and fit of structures are linked to domestic political contingencies, then what are the key features of the UK context that will shape and frame both the choice of structure, and how well it performs? We suggest that the following four factors interact with the chosen institutional structure to determine its fit, or lack thereof:

- Political consensus on development
- Ambition and geopolitical strategy
- Broader machinery of government
- Capabilities and international network

33 This is also likely to be a central constraint to the new White Paper's effectiveness in reorienting UK development policy.

34 The pot is fixed by the Treasury's approach of treating the aid budget as a fixed proportion of GNI (legally 0.7 percent but now reduced to 0.5 percent). They do not allow overruns to this target and instead.

It is not just the direct institutional structure for the development function that needs to respond to these factors, but the broader set up into which it fits. We return to this point in the penultimate section of this paper, which sets out the design features of an optimal UK set-up.

The UK's **political consensus on development** was, for more than a decade, embodied by a cross party consensus—set out in the election manifestos of all three major parties—on the need for an independent development ministry; on the appropriate level of resources for development (with the 0.7 per cent of GNI target a useful, externally-identified coordinating point) and on the broad goals to be achieved, (initially helpfully provided by the Millennium Development Goals). However, the existence of a cross party consensus has never meant that there was agreement on these points across the political spectrum. The right wing of the Conservative parties, and those smaller (but sometimes politically influential) parties on the same part of the political spectrum, were always against both the level of resources and the independence afforded to the UK development function, and often backed by the influential right-wing press.[35] In recent years—and with gathering pace from around 2015—the political balance in the UK has shifted rightwards, with the right wing of the Conservative party (and those parties with which it competes for votes) exerting increasing political gravity. The equilibrium position is no longer a broad consensus on the merits of an independent development function, and increasing attacks on the high levels of aid provided, and indeed a move towards more instrumental, national-interest centered uses of aid. Nevertheless, most of the political space favour more independence than is currently afforded to development (as evidenced by the statements we quoted earlier[36]), but the influence of the right-wing politicians make full independence difficult to sustain. This may—and indeed likely will—change after a general election, with the scale of political change polls predict amounting to a wholesale shift in the balance of power. One long-term concern in updating the institutional forms is resilience to changing political currents. Though the UK is trending towards a more pro-development political settlement at the moment, this is neither inevitable nor likely to be indefinite. Different set-ups allow for different parts of the function to be protected, or made more resilient to political shifts.

Notwithstanding the erosion of cross-party consensus on the importance and independence of development arrangements, each of the major parties retain **highly ambitious plans for UK development**. While the language of being a 'development superpower' has fallen out of favour, there is a clear appetite for the UK to retain global influence through three channels: through intellectual leadership and strong partnerships (both with developing countries and with international and other bilateral institutions); through effective use of the resources available (even if there is disagreement over their level), including a commitment to focus on poverty and poorer countries

35 It is notable that while the 0.7 per cent target was passed into law under a Conservative government, it was a Private Member's Bill introduced by an opposition MP. The first time the legislation was introduced it was 'talked out' (that is, essentially filibustered and stymied) by a Conservative on the right of the party, Peter Bone MP.

36 The recent appointment of David Cameron as Foreign Secretary is notable to this end: it means both the foreign secretary and the minister of state for international development have been vocal champions of an independent department, and spoke out against the merger of DFID and the FCO.

in the recently-published White Paper; and by achieving geostrategic aims, including global challenges such as climate change, another focus of the new White Paper. The appetite for the UK to be a major player is clear: whatever arrangements are next adopted will need to be compatible with this.

There has also been a **substantial shift in the broader Whitehall environment**. In its early days, DFID had strong support among its most powerful Whitehall peers: the Treasury saw it as an effective arm of Government with admirable focus on value-for-money and very strong project management and cost control processes. The National Audit Office also praised DFID's approach to value-for-money and financial accountability. The Cabinet Office capability reviews gave DFID its top scores. On this basis, it was allowed to make ten-year spending commitments: far beyond the norm, given 3-year spending review cycles, and a reflection both of the Department's mission and the trust placed in it. After the onset of austerity and the protection of DFID's budget by the 0.7 per cent legislation, its position within Whitehall shifted. The Treasury saw DFID and then FCDO as a source of scarce resources, and as its locus of activities began to overlap more and more with other departments (covering, increasingly, security, climate change, and diplomacy) more and more of the aid resources were routed through other government departments. And when unexpected expenditures arose, if they could be taken from the aid budget they were, and almost always from the 'residual claimant' of the budget, DFID. This situation reached its apotheosis with the use of aid to pay for refugee housing costs in 2022 and 2023, dramatically eating into the resources available for development interventions. Regardless of the institutional arrangements put in place, without addressing the relationship across Whitehall, it will be difficult to achieve the ambitions laid out above.

Finally, though the UK's central capability on development has suffered since the merger with a rapid loss of expertise at senior level, it retains an **extensive and well-regarded international network**. It has presences in many developing countries, and most low and lower-middle income countries with which the UK has ever had an aid relationship with, as well as established diplomatic presences in countries of geostrategic importance and where other major donors are headquartered. The set up of these country presences has changed over time, with the development function now under the oversight of diplomats and development experts more widely dispersed both across and within countries, which limits any agglomeration benefits from expertise. Any new institutional set up should look to restore and protect capabilities both centrally and internationally, though it is not clear that central expertise can quickly be rebuilt.

Assessing the options for future arrangements

This then is the context—a country for which the political equilibrium on development is uncertain and shifting, but which retains an ambition to be a major player; in which cross-Government relationships have undermined rather than reinforced development objectives in recent years, and which suffers from a weakening central capacity (though retaining a vestigial international network to work on development).

Against this background, we do not propose a specific model for the UK. Rather we consider the relative merits of different options on the five criteria set out at the beginning of this note, that is: Fit with the current development and geopolitical context; Policy setting and coherence on development; Capacity to attract and retain development expertise; Experience of partner Governments and effect on partnerships; and Accountability for resources and impact. In the following section, we distil the lessons from our analysis into a set of design features which will determine the effectiveness of whatever system is adopted to govern UK development policy in the future.

Fit with the current development and geopolitical climate

As we have already discussed, the international context for development work has changed dramatically over the last three decades. The unipolar moment has been replaced by a multipolar one. Poverty is increasingly bifurcated between large middle-income countries and fragile countries making very little progress. Global challenges are more salient and making a bigger claim on financial resources than ever before, and this in the context of more straitened fiscal circumstances in almost all donor countries, including China. In recent years, meeting these shifting demands—especially related to global challenges—has often involved expanding the use of cross-government expertise, with data showing that in 2018, DAC members used an average of 10 ministries or government entities beyond primary development agencies to implement cooperation, and raising questions about how central agencies can or should function to ensure coherent cross-government action.[37]

These changes require that governments have a clear idea of how the agencies responsible for development policy and implementation fit with newly-important externally-facing priorities such as climate finance. The broadening range of problems, tools, and actions most development agencies and ministries are now grappling with is in tension with the largely unchanged models used to manage development cooperation. There is a real sense that none of the existing models is, on its own, sufficient in a way that they were 25 years ago. In Germany, one commentator argued that the shifting landscape could justify repositioning its development ministry into a "sustainable development ministry" capable of integrating a broader range of actions.[38]

For the UK, questions around the future structure for development management must not only consider the domestic contingencies that constrain Whitehall functioning, but where development fits vis-à-vis other international policy engagements. Is one model better suited to these circumstances than the others? The key consideration here is whether navigating such a world requires skills, political heft, or policy range beyond what would be readily available in any

37 Nilima Gulrajani and Rachael Calleja, "Can We Better Manage Donor Institutions for Tackling Global Challenges?" (ODI and CGD: London, 2021).

38 Adolf Kloke-Lesch, "Change or Crumble! Germany Needs to Reposition its International Cooperation", CGD blog September 8, 2021, https://www.cgdev.org/blog/change-crumble-germany-needs-reposition-its-international-cooperation.

of the four models set out above. The more integrated models (that is Models 1 and 2, and some manifestations of Model 3) do have more policy levers at their disposal (specifically diplomacy and trade policy), and may have a stronger voice in cabinet-style arrangements by virtue of a more senior lead minister. But, as we have noted, the range of function and policy over which the challenges now need to be addressed is well beyond the scope of even merged 'super departments' in the Canadian mold. Ultimately, mechanisms beyond the development ministry are required for any of these models to rise to the challenge. It is unclear to us that any country has yet established a truly effective model. Much of the action must come outside the chosen institutional basis for development.

TABLE 1. Summary of suitability to addressing new challenges, by model

	Model 1	Model 2	Model 3	Model 4
Effectiveness on global challenges	Low	Low	Low	Low

Policy setting and coherence

Neither the political equilibrium nor the development ambitions of the UK supports development policy being set in isolation from the rest of Government. Thus, the UK's institutional set up needs to be consistent with both internal coherence (that is, development policy is set in an intelligent fashion, in a way that corresponds to and contributes to an overarching vision for development, in the UK now given by the White Paper); it must also facilitate the consideration of development impact across the work of Government, including in tax policy, climate change policy (including domestic net zero commitments) and so on, even when these are not handled by the primary development department, as addressed above. But by the same token, development policy must also be consistent with broader UK policy on climate, conflict, and security and so on as defined by domestic politics and interests: failing on these grounds undermines the sustainability of any development policy or action. This need not mean compromising on development policy; much of the consistency is provided by using the appropriate time horizon for assessing policy impact. Regardless of model, strong and credible representation at political level is critical here: in the UK system, this will usually mean Cabinet representation.

Internal coherence can be achieved most easily in Model 4, where a single, dedicated department makes decisions over development policy and spending. But this is not the only model that can achieve this. Models 2 and 3 can also be effective in fostering internal coherence, due to the location of responsibility for development policy with a semi-autonomous directorate (Model 2) or in a responsible ministry (Model 3). Model 1 has the weakest capacity for coherent development policy. Under Model 1, with development functions atomised within a foreign ministry, it becomes difficult to agglomerate development expertise sufficiently to make decisions that are not primarily driven by other foreign policy concerns; this matters less for decisions that have few resourcing implications or trade-offs only within the development sphere, but quickly becomes limiting when these conditions are not met.

Managing non-aid policy, however, is not a strength of Model 4 in the absence of serious political backing. At official level, an independent aid department tends to be a minor voice in domestic policy discussions, and often over-ruled when national interest concerns are in play.[39] With strong political leadership and top-level backing, more can be achieved, but these cannot be guaranteed. Models 1 and 2 have more direct influence on non-aid policy (albeit within a still-insufficient coverage), simply because in each development functions are typically embedded within foreign ministries directly responsible for non-aid decisions. This could also be true for Model 3 in cases where policy is determined by the foreign ministry. To the extent that development is truly prioritised within Government, this gives a more direct line on at least some non-aid policy decisions. In such cases, however, development concerns tend to be a minor consideration in the setting of—for example—tax and financial transparency rules, though these may be of first-order importance for development results. Whichever model is adopted, political backing is required.

While the UK will need to consider how it weighs different types of coherence, it is clear that in a shifting development landscape, the ability to influence non-aid policy must be a primary consideration in choosing an institutional set up—certainly more so than in the past. As development concerns spill across policy boundaries, the importance of a model that can influence domestic policy, for example on illicit financial flows, and coordinate with domestic climate policy, is greater than ever.

TABLE 2. Summary of internal and cross-government coherence capacity, by model

	Model 1	Model 2	Model 3	Model 4
Internal coherence for development	Lower	Medium	Medium	Higher
Cross-government policy coherence for development	Medium	Medium	Medium	Lower

Capability and retention

In a changing world, what constitutes 'development expertise' is also changing. In considering the extent to which different models successfully retain and develop expertise, we do not assume that expertise is fixed and of a constant characteristic. Rather, we are concerned with whether the structure is capable of retaining people who have accumulated experience and technical skills, and to continue learning about how to respond in a changing development environment (which may also involve evolution in the kinds of experience and technical skills that are valued).

In the UK, with rapidly declining central capacity for development, any attempt to achieve the lofty ambitions most parties still hold for the UK's role in global development relies on its ability to stem

39 For a discussion of how this played out in DFID's early years, including the Tanzanian Air Traffic Control episode, and DFID's inability to make inroads on other non-aid policy discussions, see Ranil Dissanayake and Mark Lowcock. 2023. "Setting the Compass for Eliminating World Poverty: The Department for International Development 1997–2003." CGD Policy Paper 310. Washington, DC: Center for Global Development. https://www.cgdev.org/publication/setting-compass-eliminating-world-poverty-department-internationaldevelopment-1997.

and reverse the loss of talent (particularly, senior-level talent) from the central Government, and to maximise the abilities still embedded in the international network (though more atomised). In theory, the best models for achieving this are those that allow for a dedicated development career path since both experience and the capacity to learn as challenges evolve are important, and which foster a sense of 'mission' centered around development objectives—specifically Models 3 and 4. By contrast, the worst are those which make a specialist development career path and sense of mission (even just within a specific directorate) impossible, namely Model 1, while Model 2 often fits somewhere in between (Table 3).

One key distinction to draw in assessing these models is between capability retention and staff turnover: staff churn is not necessarily the sign of a failure to retain expertise. It is quite normal that a department that attracts high-quality development staff will see churn: such staff will be likely to move to other bilateral and multilateral development agencies, as well as to think tanks, NGOs, and project implementers. What is critical is that there is no net outflow of expertise: that when staff leave, they are replaced by other experts; and that the organisation continues to learn. For an ambitious department, it is also important that they can attract high quality senior staff from other organisations, a hallmark of DFID in its early years, when it made direct appointments of senior officials from the World Bank, the IMF and top UK universities.[40] Yet, even before DFID became an independent department, it was noted that the Overseas Development Administration—effectively an agency under the aegis of the Foreign Office—was able to recruit and retain high quality officials with deep development expertise. What is critical, though, is that each move away from independence, and each move that dilutes the mission orientation of the organisation, comes with a loss of capacity and expertise; reversing this will require a sustained period of clarity on mission and a sense of enough operational independence to achieve it. What's more, it is important to achieve a critical mass of development expertise in the same place—the more atomised they are, the less likely they are to foster a sense of community and mission, and the more likely they are to leave.

TABLE 3. Summary of capacities and retention, by model

	Model 1	Model 2	Model 3	Model 4
Develop development expertise	Lower	Mixed	Higher	Higher
Retain development expertise	Lower	Mixed	Higher	Higher

Experience of partner countries

The discussion about institutional forms can seem quite insular, with UK politics, UK capabilities and ambitions, and the intricacies of the UK legislative and bureaucratic system all key concerns. It is important, then, to recongise that one of the key criteria by which the UK arrangements will be

40 For a discussion of some of these appointments, see Ranil Dissanayake and Mark Lowcock. 2023. "Progress in Eliminating World Poverty: The Department for International Development 2003–2010." CGD Policy Paper 317. Washington, DC: Center for Global Development. https://www.cgdev.org/publication/progress-eliminating-world-poverty-department-internationaldevelopment-2003–2010.

judged is how easy they are for partner governments to navigate. Effectively, this means clarity at both country and central levels about who manages which parts of the relationship with developing countries and other development institutions (including the MDBs), and the simplicity of working with them.

One point in favour of the independent development ministry model (Model 4) is that developing country partners have a clear counterpart for policy and delivery, which makes it easy for them to engage in policy and programming negotiations and discussions. While it can complicate the broader foreign policy relationship (since the foreign affairs and development ministries are separate, and in many poor places it may be the latter that has more prominence and more regular contact with government counterparts), it offers clarity on the development relationship. To some extent, Models 1 and 2 also offer clarity as there is one institution to deal with, and one set of staff responsible for development work. The UK's current implementation of this structure has also worked to atomise development expertise, making it more difficult for partner countries to access.[41]

Model 3, the implementing agency model, is worth special discussion: while it provides a single agency with development expertise as a counterpart, in practice it tends to be the most complicated for partners to navigate. Usually, policy functions and multilateral engagement is reserved by the central ministry; but the implementing agency has the most obvious developing country presence and the clearest expertise. This can lead to confusion in partner countries and default to engaging with more visible implementing agency, even when they have little-to-no control over the issue at stake.

TABLE 4. Summary of partner country experience, by model

	Model 1	Model 2	Model 3	Model 4
Ease of partner country experience	Higher	Higher	Lower	Higher

Accountability for resources and impact

Unlike most government functions, the primary aim of development policy is the betterment of people who have no direct electoral feedback mechanism to the government. This makes clarity of accountability systems, both for resources and impact, particularly important. They are worth considering in turn.

In the UK system, financial accountability comes through the accounting officer system. Each government department has an accounting officer (almost always the most senior civil servant in the department) who is legally liable for the proper and effective use of the resources allocated to the department, in line with departmental objectives. This system works very well when departments are allocated financing, and spend from their own resources. But when multiple departments spend

41 Reforms implemented under Andrew Mitchell have attempted to remedy this.

from the aid budget managed by one among them, the system can break down: it has recently been a severe strain on the UK's existing operation, since other departments spend aid from the FCDO budget.[42] Given this set up, Models 2, 3 and 4 make most sense for the UK, since they would align financial accountability with policy and delivery responsibility, so long as the Treasury can be persuaded to set a 'true' development budget within the overall aid envelope it eventually reports to the OECD (of which more below)—this condition was not met for much of the post 2015 period in the UK. Model 1 can suffer by comparison because development decisions are taken, at every level, in conjunction with foreign policy (and sometimes trade) decisions; they are harder to separate out and the clean lines of accountability for financial decisions and value-for-money are muddled. However, some implementations of the model may ameliorate this concern.

Accountability for results is different and can come through scrutiny and/or through internal performance management. In Model 4, this is fairly simple: clear organisational objectives can be cascaded down through staff performance management systems; indeed, this is more or less how DFID operated. Such internal scrutiny can be supported by Parliamentary and independent monitoring, as the UK already has.

For other models it becomes more difficult. In merged departments (Models 1 and 2), where non-development objectives are a central part of the organisational remit, the internal accountability systems will necessarily be broader and cover more ground. It becomes correspondingly much harder to create a clear line of accountability from individual to organisational development mission.

The Model 3 structure has a different set of difficulties that is worth dedicated attention. When policy objectives are set by the central ministry, it creates a principal-agent problem with the agency: the central ministry needs to monitor effort towards the objectives and fiscal prudence within the agency. In such a set up, it is very tempting to set measurable targets like the number of children vaccinated, the number of schools built, or new passing grades achieved with support from the agency. This provides a framework to both incentivise attributably and reportable results and to measure the efficiency with which inputs are turned into outputs. Yielding to this temptation would be an error. It would create an implementing agency with the incentive to 'buy results' and focus effort where it is easiest and cleanest to prove that the targets set are met, not one in which the development of a sustainable, high-functioning and effective state is prioritised. It creates a short-term focus rather than the long-term partnership approach that is more prized by partner countries. Lessons from academic organisational theory and public administration research offer alternative approaches. One solution to a principal-agent problem is to align the incentives and preferences of the principal and agent. This means creating an implementing agency with a clearly articulated motivating mission, closely aligned to the long-term objectives of the central ministry. Using broader

42 Ranil Dissanayake and Stefan Dercon, "Steering towards Scylla: Rescuing UK Development Policy from Disaster" (London: Center for Global Development, 2022). The establishment of a 'star chamber' on ODA spending, chaired by the Minister of State for Development and Africa, and the Chief Secretary to the Treasury is nominally an attempt to mitigate the worst excesses of this system, but has yet to bear any obvious fruit.

impact objectives and monitoring that draws on independent process and qualitative analysis alongside rigorous causal research (or at least assessments of the portfolio against such research) can help provide accountability without over specifying results. If this model is pursued, this will be perhaps the most important design feature to get right and will likely need to be revisited more than once.

The flip side of this difficulty with Model 3 should also be recognised. Precisely because the government faces a principal-agent problem with the agency, an agency established with a more developmental mission is more able to preserve that mission when political currents change, since the central government has especially imperfect control over its actions.

TABLE 5. Summary of accountability and impact, by model

	Model 1	Model 2	Model 3	Model 4
Accountability for resources	Lower	Higher	Higher	Higher/Med
Accountability for impact	Lower	Lower	Mixed	Higher

Design principles for new UK arrangements

The foregoing analysis suggests that each of the possible models has advantages and drawbacks, and that each can be executed well or poorly. This suggests that rather than recommending a specific model, there is more to be gained from setting out the design principles which will determine the effectiveness of whatever institutional form is settled upon. We identify five.

Clarity of objectives

Throughout this paper we have argued that the scope of what development policy is or seeks to address is expanding, and that under at least some of these models, development policy may be undermined or subsumed under other concerns. While the choice of model can affect how development objectives are compromised, the clarity with which development objectives are expressed and communicated across government is to some extent independent of the model chosen. A clear statement of policy intent, a clear statement of how it is distributed across different policy areas and a clear mechanism for accountability across government can go a long way towards improving the execution of development policy under any of the models considered.

Predictability and accountability of resources and resource management

The UK's experience has been heavily marked by both the steady (and largely predictable) loss of development funding to non-development parts of the government for work of dubious value, and the unpredictable loss of development funding from policy decisions to reduce the aid budget and to finance uncertain and poorly projected refugee expenditures from the aid budget. At present, in the UK, the Treasury allocates an overall aid budget, which is claimed by multiple departments. Most of the aid still goes to the primary development department, but any unexpected aid related expenditures, and any cuts deemed necessary are typically primarily borne by this department. This makes long-term planning virtually impossible, and has recently led to unexpected cuts, damage to institutional and government-to-government relationships, and human development losses. This was not always the case: in years past, the Treasury allocated a development budget, and unexpected expenditures came from a contingency fund; indeed, DFID was at one point allowed to make ten-year spending commitments. No matter what model is pursued, it will be limited in its effectiveness by the financial arrangements put in place by the Treasury. In some respects, more than institutional structure, an agreement with the Treasury to establish a core development budget, to be administered by the government's primary development institution, from which long-term commitments can be made and which will no longer function as a 'source of the last resort' for other departments, would be the single biggest positive reform possible.

None of the models set out here can offer full insulations from this, since resource setting is a Treasury function, though some models offer more opportunities for the undermining of even that portion of funding allocated to the development function. Nevertheless, regardless of the model used, an effective system will require predictable and fairly stable levels of funding, and clear lines of accountability for both resources and results.

We have discussed how some models are better or worse suited for accountability purposes, but the overall predictability of resources requires cooperation and leadership from the very top of Government: from the Prime Minister and Treasury.[43] This cannot be achieved by choosing a specific institutional form, but rather by articulating a clear and rule-based approach to how development funding will be allocated, and how accountability for the use and impact of resources will be structured. How well this is achieved will be a large determinant of the effectiveness of the development function.

A central mechanism for strategic coherence

In every model we have considered, some functions will be reserved for other departments (such as managing IFI relationships), and many matters of central importance for development policy (such as global health policy, climate policy, taxation and illicit financial flows and migration policy) will be taken in part or total by other government departments.

This suggests that under any model selected, part of the success depends on how this central function is operated. In the UK, at the political level, the Cabinet system is typically how decisions are made across departments and coherence is achieved, though its effectiveness varies from

43 It's in response to exactly this need that the 'star chamber' chaired by the Minister of State for International Development and Africa and the Chief Secretary to the Treasury was established, but thus far no concrete changes appear to have resulted. A mechanism or approach with more teeth is needed.

government to government. At an official level, various mechanisms have existed over the last couple of decades, most notably the National Security Council (though of course, its remit went beyond development). An effective mechanism at both political and official level will be required for development action and policy to truly meet the needs of the day.

Capability development and retention

In the foregoing analysis, we suggested ways in which capability and expertise in the form of personnel can be better or worse served by different institutional forms. This should be a central consideration in determining future set-ups. But it's not just about capability in the form of staff, but the range of tools available to be used. In the UK, over the last two decades, the development function has generally relied on fewer of the available mechanisms to influence outcomes over time (jettisoning some means of financial support to developing countries, such as budget support; and reducing the extent to which policy engagement at the technical level was a central part of how the UK engages overseas, for example). To truly get the most out of a new institutional form, choices will have to be made about how financial support can be structured; about how expertise can be deployed; about how diplomatic, trade and non-aid tools are best used.

Administrative, financial and legal basis

The administrative basis for establishing different institutional forms for the development relationship does not affect the ultimate functioning and effectiveness of the institution; however, it does make a difference to the costs of and feasibility of different structures in the UK context.

The first aspect that needs to be examined is the legal basis for development spending. Existing legislation governs aid spending fairly effectively, limiting its appropriate uses.[44] However, legislation may also be needed to establish a new agency if Model 3 is preferred. This is not certain: an agency in the mold of the Overseas Development Administration, effectively an independent arm of Government answering to a foreign affairs ministry, may not require a new legislative basis.

It would, however, require serious administrative spending to establish effectively: a new agency, with non-civil service terms and conditions would almost certainly be the most expensive option to set up; though re-establishing an independent department would also entail substantial transition costs. This is the second aspect which must be considered. Machinery of government changes are expensive, but some are more expensive than others. Assessment of the costs is just as necessary as an assessment of the potential benefits.

44 Specifically, the International Development Act (2002) requires that for aid spending to be lawful, the Minister must be satisfied that it will contribute to a reduction in poverty. For further discussion of how this Act effectively ruled out certain kinds of spending with primary purposes other than reducing poverty see Ranil Dissanayake and Mark Lowcock, "Setting the Compass for Eliminating World Poverty: The Department for International Development 1997–2003," CGD Policy Paper 310 (Washington, DC: Center for Global Development, 2023). https://www.cgdev.org/publication/setting-compass-eliminating-world-poverty-department-internationaldevelopment-1997.

Conclusion

The foregoing analysis should make clear that the institutional basis for development action can be organised in multiple different ways, with different strengths and weaknesses. For the UK the choice is less about what is 'best' than about which trade-offs it is willing to accept and what costs and benefits it most wishes to pursue. As has been pointed out above, independence and primacy of development outcomes comes at a cost of influence on non-development policy; operational independence (in Model 3, for example) can be at a cost of clarity of accountability for results (but may be more resilient to changing political currents); coherence across foreign and development policy can come at the expense of capability. What the UK chooses to prioritise will drive institutional form choices.

That said, the experience of other countries clearly points out that there are better and worse ways of implementing each model, given the trade-offs each embodies. For an independent department, one central concern would be to find a way of giving it a real voice in non-development policy discussions. Even in its best implementation to date, DFID, this was uneven. Yet, with the challenges facing developing countries and the poor within them increasingly requiring non-development (or non-traditional development) answers, this is becoming more important, not less. How a development department can fully leverage diplomatic, foreign policy and other tools to work with countries which have weak development bargains, or defence tools to support security and the sustainable exit from conflict; or influence domestic tax and financial transparency laws will increasingly determine its effectiveness. Beyond this, establishing a political constituency for the independence and primacy of development concerns remains a pressing control: it would be to the detriment of UK development policy if an independent department without a sure footing or long-term viability was created.

The effectiveness of an implementing agency model (Model 3) will depend on how well the policymaking and reserved functions in the central ministry are able to prioritise development outcomes, over a long-time horizon. The more these are captured by shorter-term foreign policy goals, the less effective the strategic direction will be. But a second-order concern is how well these goals are communicated and incentivised through the agency (or agencies); effecting a system of accountability that incentivises risk-taking, long-term payoffs, and doesn't simply maximise near-term counting goals will be of critical importance. And yet, doing so will likely increase tensions between a forward-looking strategic agency and a policymaking ministry with shorter time horizons and more proximate priorities. Getting the balance between independence and strategic coherence will not be easy and is unlikely to be gotten right immediately.

Finally, the UK experience has shown that the two fully merged models are very difficult to implement without the loss of the expertise that was so central to the UK's identity as a development player. Whatever coherence benefits these models bring cannot come at the cost of capability attraction and retention. For this reason, the further the UK leans towards Model 2 rather than 1, the better its prospects of maintaining and rescuing its reputation are. That said, this will not be enough:

a clear sense of mission is required, and that is difficult to achieve when foreign and development policies are in tension, as they have tended to be in the UK. This is not, fundamentally, about objectives, but about approach and strategy. The foreign department has never been as clearly evidence-based or technocratic as a strong development function needs to be. If the UK is to stick with this model, it will require that development approaches spread across the department and begin to influence foreign policy action in a way that has not happened yet; rather the opposite is happening to the detriment of both.

A final point to make is that ultimately a great deal of the success or failure of the UK's approach will depend on whether and how it can return to predictable, stable, and long-term action—something which has been stymied by other government departments rather than the FCDO or DFID. Fixing this, through a deal with the Treasury and ideally clear and explicit guidance and rules, will matter enormously.

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