
**DEPARTMENT FOR INTERNATIONAL
EVALUATION**

Evaluation Report EV691

**EVALUATION OF THE PARIS
DECLARATION**

DFID Donor HQ Case Study

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Preface

The Paris Declaration on Aid Effectiveness was signed in March 2005 by over 100 Ministers and Heads of Agencies.

It has presented new challenges and opportunities to the international community. The Declaration extends previous commitments at Monterrey (2002) and Rome (2003), deepening the concepts which underpin our understanding of effective aid: the need for predictability of funding, the importance of country-led approaches and country ownership for performance improvement, the need for donor harmonisation to reduce the burdens of conflicting donor requirements, and the need for a strong results orientation. The addition in 2005 of an emphasis on the mutual accountability which lies at the core of all aid partnerships turned the Declaration into a political agenda for action, rather than just a technical agreement.

Additionally, unlike previous joint statements on aid harmonisation and alignment, the Paris Declaration included a number of targets to be met by 2010. 12 indicators with 21 targets were developed to assess progress in implementing the Paris commitments, monitored through the OECD Development Assistance Committee (DAC).

The Declaration is structured around five core principles, which have become known as the five key areas of partnership commitment (Ownership, Alignment, Harmonisation, Managing for Development Results, and Mutual Accountability). Fifty-six wide-ranging commitments to action – which together were expected to improve the quality and effectiveness of aid – were agreed. The number of countries and international organisations which signed up to them is unprecedented.

The need for evaluation of Paris Declaration implementation

With its complex interaction of political and technical commitments, the Paris Declaration presents an important challenge to development evaluation. The 12 agreed indicators alone will not sufficiently demonstrate how the Declaration is being implemented, nor what its outcomes – expected and unexpected – have been. The indicators will help us understand the extent of compliance with the formal agreements, but they do not allow us to ask the more important questions about what is really being achieved for development effectiveness, and how.

From the outset, it was therefore agreed that a joint evaluation of Paris Declaration implementation should be undertaken. This would provide evidence of the relevance and effectiveness – or otherwise – of the Paris Declaration principles. It would seek to test the simple but important assumption which underpins it: that aid will be more effective if the actions and behavioural changes given as commitments are undertaken, and less if they are not.

Denmark offered to provide a secretariat, and the evaluation was initiated in 2007, led by Niels Dabelstein¹. It has involved both donors and partner countries as equal members. DFID has been pleased to contribute fully, including participation in the joint evaluation Reference Group, and commissioning this ‘donor HQ’ case study.

The evaluation is in **two phases**. The first – to which this study contributes – is a ‘lesson-learning’ phase, undertaken just three years after the Declaration was signed. It has been designed to assess donor and partner country behaviour: to understand how behaviour is changing in country relationships; and to analyse the extent to which the most important ‘enabling conditions’ – commitment, capacities and incentives – are in place in different donor headquarters.

The Synthesis Report² from this phase of the evaluation, which involved 19 countries and development partners, has recently been published. It provides a rich analysis of experience to date, and puts forward important recommendations to enhance the potential effectiveness of the Paris commitments, as well as giving a preliminary assessment of the Paris Declaration as a tool for aid effectiveness.

The second phase of the evaluation, to which we look forward, will undertake the challenging task of assessing whether implementation of the Paris principles has indeed contributed to improved development effectiveness. The evaluation is expected to conclude in 2010.

This ‘donor HQ’ case study of DFID was undertaken by Nigel Thornton and Marcus Cox of Agulhas. It was managed by Alison Girdwood, with the support and guidance of an internal Steering Committee, chaired by Helen Wedgwood, which provided many helpful suggestions, comments and ideas.

The study represents the view of the authors, and not necessarily the views of the Steering Committee or members of DFID staff.

We would like to express our gratitude to Denmark, and to Niels Dabelstein in particular, for preparing the overall framework for this evaluation, and for the vision (and sometimes the patience) necessary to involve so many different partners and perspectives in this evaluation. It has been a privilege to participate.

Nick York
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¹ Information about the evaluation can be found at www.oecd.org/dac/evaluationnetwork (click Paris Declaration).

² *Evaluation of the implementation of the Paris Declaration: Synthesis Report*, Wood, Kabell, Sagasti and Muwanga, Copenhagen, 2008.

Executive Summary

S1. This evaluation assesses DFID's institutional capability to meet its Paris Declaration commitments. It is one of 11 donor HQ studies being prepared as part of Phase 1 of the evaluation of Paris Declaration implementation. It is also designed to support DFID in its continuing efforts to improve its own performance. In accordance with the common terms of reference for the donor HQ studies, the evaluation focused on three dimensions: commitment; capacity; and incentives. These are analysed across four institutional domains: policy; performance management and systems; programming and spending; and staffing. In addition, the results are summarised under the five main Paris Declaration principles in Annex 1.

S2. This is a light-touch evaluation, based on a review of DFID documentation, interviews with around 40 DFID staff, mainly at headquarters level, and interviews with a number of external UK stakeholders, including the National Audit Office and development NGOs. The evaluation focuses on DFID's organisational attributes, treating these as **inputs** into Paris Declaration implementation. It does not systematically assess DFID's performance (**outputs**) against specific Paris Declaration commitments.

S3. The evaluation finds that **commitment, capacity and incentives for Paris Declaration implementation are strongly developed right across DFID**. They have been consciously developed through policies, systems and procedures introduced into the department over the past decade. Many aspects of the Paris Declaration, particularly the change in aid delivery modalities, have become part of DFID's core business model. The core Paris Declaration principles have been internalised by DFID staff, becoming part of the way they understand their roles and responsibilities. As a result, DFID collectively approaches the Paris Declaration not so much as a set of external obligations, but as a tool that assists it to achieve its own corporate objectives.

S4. DFID has already achieved most of the Paris Declaration targets, and there is no reason why it should not achieve the remaining targets by 2010. From the evidence available to us, however, the current systems do not deliver complete consistency in performance across all country offices, nor across different aspects of the Paris Declaration agenda. DFID's large-scale shift to upstream aid modalities, together with its very flexible rules and procedures, have ensured that it performs very well on harmonisation with other donors, country leadership of development policy and use of country systems for aid delivery. However, DFID's performance on reporting aid on the budget, in-year predictability of disbursements and partner-coordinated technical assistance is less consistent. In addition, because of its reliance on quantitative Paris Declaration indicators, DFID is currently not well equipped to measure its own performance on the softer or more qualitative Paris Declaration commitments, like country ownership and mutual accountability, that are difficult to capture quantitatively. These qualitative commitments are fundamental to the Paris agenda, and should be the focus of equal attention.

Commitment

S5. DFID demonstrates a high degree of commitment to aid effectiveness, both in its formal policies and among staff. The evolution of its policies over the past decade shows a long-standing concern with improving aid effectiveness. As well as general commitments to aid effectiveness made in successive White Papers, there are policies on particular aid-effectiveness issues, including conditionality, country-led approaches and managing for results. DFID has taken on aid-effectiveness commitments over and above the Paris Declaration targets, both singly and in common with other EU members. DFID has strong policy capacity on aid effectiveness, with dedicated policy teams who act as internal advocates for improved aid practices.

S6. DFID's high level of commitment to the Paris Declaration is reinforced by the domestic political environment, where international development has a high political salience and pro-development lobbies are well organised and influential. The external bodies to which DFID is accountable – the UK Parliament, Treasury and National Audit Office – also take a keen interest in effective use of the aid budget.

S7. If there are any grounds for concern about DFID's commitment to the Paris Declaration, it is the preference for high-profile new initiatives over the hard work of implementing old ones. New initiatives, such as global spending commitments and new funding vehicles for global public goods, do not fall clearly within the country-led paradigm, and have the potential to push Paris Declaration commitments into the background. There is also a danger that DFID may come to view the Paris Declaration primarily as a tool for external influencing, rather than as a guide to its own behaviour. The evaluation therefore welcomes DFID's recent commitment to becoming a model of good practice on aid effectiveness, and recommends that the commitment be regularly reaffirmed and progress analysed in corporate reporting to ensure that it remains a high corporate priority.

Capacity

S8. DFID has a number of basic structural features that reinforce its capacity on aid effectiveness. Its status as an independent ministry with a legal mandate to pursue poverty reduction helps insulate it from commercial and foreign policy pressures. As a result of UK civil service reforms over the past decade, DFID combines a high degree of operational autonomy for individual spending units with robust systems to hold them to account for their performance. The high level of decentralisation to country-office level enables DFID to negotiate and make credible commitments on harmonisation and alignment. Flexible rules and procedures allow country offices to be innovative in designing interventions, choosing delivery modalities and pursuing aid-effectiveness initiatives.

S9. With half of its staff in country offices, DFID has relatively strong capacity in the field. Its staff show a good understanding of the Paris Declaration principles and commitments, even though training and on-the-job guidance on aid effectiveness is not as systematic as it could be. While the Paris Declaration itself is not used explicitly as a reference point for recruitment, appointment or promotion of staff, the core skills necessary for implementation, such as partnership building, influencing and communications are included in DFID's general competency frameworks.

S10. There is some concern within the department that the rapid scaling up of the UK aid budget, combined with compression of administrative costs across the UK civil service, may cause DFID's capacity to degrade. Country office staff interviewed were firmly of the view that working according to the Paris Declaration principles is very time intensive, and are concerned about their ability to sustain this level of engagement in the future. On the other hand, senior managers believe that administrative cost constraints will reinforce DFID's commitment to the Paris Declaration agenda, encouraging more use of 'upstream' aid modalities and improved division of labour with other donors. The evaluation notes that this will be a critical issue for DFID in the coming period. The effectiveness of budget support and other programme-based approaches is dependent on the quality and intensity of engagement by DFID staff. Careful workforce planning will be needed to ensure that the high transaction costs associated with effective aid will continue to be supported.

Incentives

S11. DFID has a strong approach to performance management and an increasing focus on results. It has established a cascading set of obligations, from the department as a whole through divisional and departmental levels down to country offices and individual staff. All levels of the organisation are required to report regularly on their contribution to corporate objectives, which include achieving the Millennium Development Goals. From 2008, the Paris Declaration commitments have been incorporated explicitly into the performance management system. There was a consensus among DFID staff interviewed for this evaluation that demonstrating compliance with the Paris Declaration principles would assist their career progression.

S12. However, DFID's capacity to monitor and analyse its own performance against its aid effectiveness commitments could be improved. DFID has been primarily dependent on the DAC survey methodology to measure progress towards the quantitative targets, and identify variations in performance across country programmes. While the use of these international agreed indicators is appropriate, there has been a lack of internal reporting on the qualitative Paris Declaration commitments such as country ownership, complementarity and mutual accountability, which are more open-ended in nature. In addition, DFID has not systematically analysed the institutional reasons for variations in its performance, in order to identify corrective actions.

S13. As a result, there is a risk that the performance management system encourages DFID to focus on quantitative targets, at the expense of qualitative commitments where progress is dependent on other actors and it is harder to demonstrate a direct contribution. To become a model of good practice on aid effectiveness, DFID will need to go beyond purely quantitative monitoring and reporting.

Recommendations

S14. The evaluation recommends a package of measures to help DFID maintain and build its institutional commitment, capacity and incentives to implement the Paris Declaration.

Recommendation 1: Maintain political commitment.

DFID ministers and senior management should continue to make periodic public commitments to Paris Declaration implementation. DFID should continue to set itself the goal of becoming an international model of best practice on aid effectiveness.

We suggest that:

DFID clarify publicly how Paris Declaration principles will apply to new international initiatives on global public goods, including climate change.

Recommendation 2: Improve performance monitoring.

DFID should strengthen its internal and external reporting on implementation of the Paris Declaration commitments, working with its partners to introduce qualitative reporting against those commitments for which no quantitative indicator is currently available.

We suggest that:

Monitoring and reporting against the Paris Declaration commitments and DFID's Departmental Strategic Objectives (DSOs) should include the following elements:

- Country offices should establish country-specific strategies and targets for aid effectiveness as part of Country Assistance Plan (CAP) preparation, drawing upon dialogue and agreed approaches with partners.
- These strategies should include a description of processes underway to improve implementation against qualitative commitments (e.g., country ownership and mutual accountability), with milestones identified for monitoring purposes.
- The CAP guidelines should provide guidance to assist with this, consistent with the latest corporate thinking and policies on aid effectiveness.
- When reporting against the DSOs on aid effectiveness, country offices should provide not just data on the Paris Declaration indicators, but also a qualitative analysis of country-level progress, by reference to their country-specific aid-effectiveness strategies, targets and milestones.
- In their reporting, country offices should analyse the reasons for any shortcomings in DFID's performance (e.g. share of aid reported on the budget), indicating whether corrective actions on DFID's side are required.
- It would be useful for DFID to analyse whether additional aid-effectiveness data could be captured on ARIES at project level, to support monitoring. This might include additional data on aid modalities, conditionality and partnerships.

We also *suggest* that DFID's regional divisions (supported by AEAD) provide a stronger challenge function towards country offices on aid-effectiveness issues.

Recommendation 3: Institutionalise lesson learning and continuous improvement.

DFID should publish an annual report on aid effectiveness, based on country and divisional reporting. This report should summarise DFID's performance against its Paris Declaration commitments, and identify priorities for the coming year and institutional measures to improve performance. The report should be made public, to facilitate external accountability. Summary findings and data on aid effectiveness should be incorporated into DFID's Annual Report to Parliament.

We suggest that:

AEAD should review the annual reporting from country offices, together with other sources of information, to identify good practices emerging at country level on Paris Declaration implementation, and ensure that these are incorporated into the DFID Best Practice Guide.

Recommendation 4: Improve transparency

DFID should establish explicit and measurable transparency objectives for corporate, country and programme information, and ensure that these are incorporated into corporate systems and procedures. DFID should benchmark its performance on transparency against identified best practices among its donor partners (e.g., the World Bank).

We suggest that:

- The remit of the current Publishing Project Information initiative within the Information Services Department (ISD) is expanded to cover transparency in support of Paris Declaration implementation.
- A team be formed, including ISD technical managers, the ARIES team, AEAD and country office staff, to develop standard approaches and guidelines to placing information on country programmes into the public domain.
- DFID reviews the way in which programming and financial data are presented on the country pages of its website.

Recommendation 5: Personnel management and workforce planning

DFID should ensure its Paris Declaration commitments are taken into account more explicitly in its workforce planning, training, recruitment, appointment and promotion procedures.

We suggest that:

- Training on aid effectiveness be further developed, and offered more systematically, particularly for B and C grade staff.

- The current round of workforce planning should ensure that scaling up and administrative cost constraints do not cause DFID's in-country capacity degrade.
- DFID considers developing clearer rules or guidelines on selectivity of engagement in country programmes, to encourage country offices to focus their efforts on a limited number of sectors.

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Acronyms

AEAD	Aid Effectiveness and Accountability Department
AES	Aid Effectiveness Strategy
AIDA	Accessible Information on Development Activities
AIDS	Acquired Immunity Deficiency Syndrome
BOND	British Overseas NGOs for Development
BPG	Best Practice Guide
CAP	Country Assistance Plan
DAC	Development Assistance Committee
DFID	Department for International Development
DPA	Development Partnership Arrangement
DSO	Departmental Strategic Objectives
EU	European Union
HLF	High-Level Forum
HQ	Headquarters
IACDI	Independent Advisory Committee for Development Impact
IDC	International Development Committee
LIC	Low-income country
MDGs	Millennium Development Goals
MEFF	Multilateral Effectiveness Framework
MO	Multilateral organisation
MOPAN	Multilateral Organisation Performance Assessment Network
MOU	Memorandum of Understanding
MTAPAE	Medium-Term Action Plan on Aid Effectiveness
NAO	National Audit Office
NGO	Non-government organisation
ODI	Overseas Development Institute
OECD	Organization for Economic Co-operation and Development
PAC	Public Accounts Committee
PBA	Programme-Based Approach
PRAG	Programme Guidance Risk Assurance Group
PRBS	Poverty Reduction Budget Support
PRISM	Performance Reporting Information System for Management
PRSP	Poverty Reduction Strategy Paper
PSA	Public Service Agreement
RAP	Results Action Plan
SAIC	Staff Appointed In Country
SWAp	Sector-Wide Approach
TC	Technical co-operation
UK	United Kingdom
UKAN	UK Aid Network
UN	United Nations

I. Introduction

1. This evaluation assesses DFID's institutional capability to meet its Paris Declaration commitments. It documents the efforts made to embed the Paris Declaration within the organisation's policies, systems and procedures. The evaluation team were given two overarching goals. The evaluation should present DFID's experiences to an external audience, to enable exchange of lessons with other donors and as a contribution to Phase 1 of the evaluation of Paris Declaration implementation. It should also support DFID in its continuing efforts to improve its performance. The team was contracted by DFID's Evaluation Department. A Steering Committee also provided useful comments and suggestions as the evaluation progressed.

2. The evaluation is one of 11 donor studies being prepared as part of the global evaluation of Paris Declaration implementation, in preparation for the 3rd High Level Forum on Aid Effectiveness to be held in Accra. There are in addition a series of eight partner country studies, which will focus on the effectiveness of implementation, plus a number of thematic studies. These will inform the production of an overall synthesis report.

3. In accordance with the common terms of reference for the donor studies, this evaluation focuses on three dimensions:

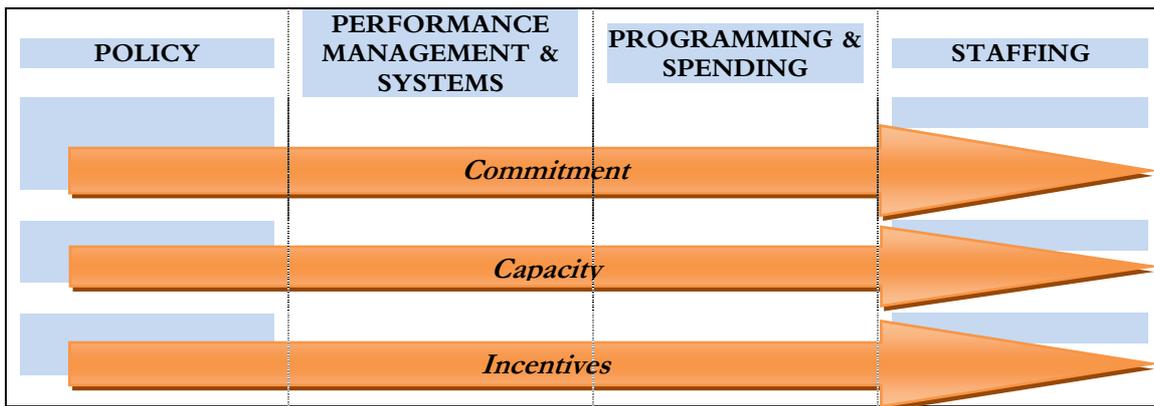
- i) **Commitment:** How committed is DFID to changing its aid-delivery practices? How is that commitment reflected in its policies and procedures? Is it coherent with other corporate commitments?
- ii) **Capacity:** What capacity is there within DFID structures and personnel to understand and implement the Paris Declaration? What has been done to boost that capacity?
- iii) **Incentives:** Do the incentives systems driving institutional behaviour support or constrain Paris Declaration implementation? What conflicting incentives are there?

4. To explore these three dimensions, we have used a framework for institutional analysis which focused on four domains:

- i) policy;
- ii) performance management and systems;
- iii) programming and spending;
- iv) staffing.

5. These four domains were mapped against the three evaluation dimensions, to create a matrix of evaluation questions. The framework is annexed to this report (Annex 2).

Chart 1: Overview of evaluation framework



6. The evaluation methodology had five elements. First, the team undertook a rapid assessment of aid effectiveness literature and other reviews of DFID’s performance, in order to inform the *evaluation framework*. This was provided to DFID as part of an inception report.

7. Second, the team undertook a detailed analysis of *documentary evidence*, reviewing external commentaries on DFID’s performance, as well as internal policy, planning and monitoring reports from the past decade. The team also had access to DFID’s information management system, and carried out analysis of spending patterns.

8. Third, the team carried out a set of *semi-structured interviews* using the evaluation framework as a guide. In most cases, interviewees received the evaluation framework prior to the interview. We spoke to over 40 staff at DFID headquarter level in London and East Kilbride, including representatives of relevant policy teams, professional cadres, regional divisions and managers. Where necessary, we returned to interviewees to clarify or follow up on issues.

9. Using the same framework, we also interviewed five representatives of UK development NGOs and networks active on aid effectiveness, together with two representatives of the National Audit Office.

10. At country level, we selected a sample of eight countries³ and interviewed twelve DFID country-office staff, as well as a small number of partner government representatives (3) and one external observer from civil society. The country sample was not randomised, but based on the practical constraints of delivering the exercise in a short period of time. While we were able to interview DFID staff at country level as intended (over the telephone and during UK visits; no field visits were conducted), we experienced significant difficulty in getting access to government and civil society representatives from partner countries. This was partly a result of the time-frame for the interviews, which coincided with the Eid and Christmas holiday periods. The evaluation would have preferred a longer period for its investigations, and the facility to undertake more research among partner country stakeholders to increase the level of external challenge incorporated into the findings.

³ South Africa, Tanzania, Uganda, Zambia, Bangladesh, Indonesia, Pakistan and Vietnam.

11. Fourth, the evaluation benefited from a process of *review* by a Steering Committee made up of DFID HQ and country staff, as well as representatives of UK development NGOs. This committee commented on the inception report, on headline findings and on an early draft of the final evaluation, and helpfully provided extensive suggestions for further areas of investigation.

12. The evaluation findings are therefore based on a combination of primary and secondary sources. We note, however, that the evaluation was designed as a light-touch exercise, based primarily on existing documentation. There was limited scope for new primary research. Some of the evidence drawn from the interviews is anecdotal in nature, although care has been taken to triangulate the findings across several sources. The conclusions are those of the evaluation team alone.

13. It should be noted that the evaluation focuses on attributes of DFID as an organisation, treating these as **inputs** into Paris Declaration implementation. It does not systematically assess DFID's performance (**outputs**) against specific Paris Declaration commitments. However, it has been necessary for us to make some reference to DFID's record on performance, in order to explore and explain its institutional determinants. In doing so, we have depended on DFID's internal analysis of its 2006 Paris Declaration survey results, supplemented by the opinions of internal and external informants and our own analysis of data from DFID's information management systems.

14. This report is structured as follows. Chapters 2 to 5 contain the detailed institutional assessment, organised under the four columns of the evaluation matrix: (i) policy; (ii) performance management and systems; (iii) programming and spending; and (iv) staffing. Chapter 6 contains the conclusions and recommendations. Annex 1 presents a matrix of evaluation findings against the five Paris Declaration principles.

II. Policy

15. **The evaluation finds that DFID policy statements reflect a high level of commitment to improving aid effectiveness, both for UK bilateral assistance and the international aid system as a whole.** DFID policy is articulated in the form of legislation, formal policy commitments submitted to the UK parliament (White Papers), ministerial statements, published policy papers, strategy documents and the annual departmental report. Reviewing the development of DFID policy over the past decade, it is clear that commitment to many of the Paris Declaration principles has been in place for some time.

16. The November 1997 White Paper “Eliminating World Poverty: A Challenge for the 21st Century” expressed a commitment to strengthening partnerships between donors and developing countries, including shifting away from policy conditionality. It committed DFID to moving towards sector-wide programmes and budget support in better performing countries.

Box 1: 1997 White Paper, “Eliminating World Poverty: A Challenge for the 21st Century”

“2.19 The Government believes that genuine *partnerships* between poorer countries... and the donor community are needed if poverty is to be addressed effectively and in a coherent way. The establishment of such partnerships moves beyond the old conditionalities of development assistance and will require political commitment to poverty elimination on both sides....

“2.20 We, together with the rest of the international community, must be ready to respond accordingly and to commit resources over extended periods in support of sound national development strategies designed to achieve sustainable development and the elimination of poverty... Working in long-term partnerships will also make possible better coordination among donors, which is another objective of the international development strategy...

“2.21 Where low-income countries are committed to the elimination of poverty and pursuing sensible policies to bring that about, the Government will be ready to enter a deeper, long-term partnership and to provide:

- a longer term commitment
- an enhanced level of resources
- greater flexibility in the use of resources...

“2.22 ...Where we have confidence in the policies and budgetary allocation process and in the capacity for effective implementation in the partner government, we will consider moving away from supporting specific projects to providing resources more strategically in support of sector-wide programmes or the economy as a whole.”

17. The 2000 White Paper “Eliminating World Poverty: Making Globalisation Work” committed the UK to achieving the 0.7% GNI target (planned for 2013), and set out further aid-effectiveness commitments, including ending tied aid, providing faster and more substantial debt relief and pushing for reform of the multilateral aid system. It also contained further thinking on how to improve bilateral aid effectiveness.

Box 2: 2000 White Paper, “Eliminating World Poverty: Making Globalisation Work for the Poor”

“314. If assistance is to help developing countries reduce poverty in a global economy, there needs to be a real improvement in the way that assistance is delivered. That means reducing support for stand-alone projects, and increasing support for sector-wide reforms. Where governments have a strong commitment to poverty reduction and good policies in place, it means moving towards providing financial support directly to recipient government budgets using their own systems.

“315. It also means helping to strengthen developing country planning, financial and procurement systems to provide the assurances necessary to enable development agencies to provide such direct budgetary support. Development agencies should simplify and harmonise their own procedures to reduce the burden imposed on developing countries. This will assist in building government systems that prevent corruption...

“317. All development agencies, including non-governmental organisations, should reduce the proliferation of small programmes. For developing countries, the bureaucracy involved in dealing with a plethora of different agencies ties up valuable administrative capacity and fails to encourage reforms in government effectiveness.

“318. There needs to be greater transparency in the operation of all development programmes. Developing country governments should be involved in deciding how funds are allocated and be kept informed on commitments, disbursements and missions. And reviews of programmes should be broadened beyond other development agencies to representatives of developing countries and civil society.”

18. All UK aid, including technical assistance, has been untied since April 1st 2001 (DFID’s commitment preceded the DAC Recommendation on Untying Official Development Assistance). A new International Development Act (2002) made poverty reduction the ultimate purpose of all UK development assistance, fixing in law that UK assistance may be provided only where “the provision of the assistance is likely to contribute to a reduction in poverty”.

19. The most recent White Paper from 2006 contains specific commitments on implementing the Paris Declaration, as well as a number of additional aid-effectiveness goals, such as greater use of pooled funding and improving the effectiveness of technical assistance (TA).

Box 3: 2006 White Paper, “Eliminating World Poverty; Making Governance Work for the Poor”

“The UK will:

- Work with others to implement the Paris Declaration
- Participate in multi-donor arrangements in all developing countries with a bilateral programme by 2010;
- Work with others to create arrangements for international partners and developing country governments to monitor their commitments to each other;
- Push for a stronger role OECD DAC in monitoring and for the holding international partners to account on their commitments, and in leading debate on how aid is allocated overall.
- Support developing country efforts to manage their relationships with donors more actively so that they lead their own development effort;
- Encourage civil society and other organisations to monitor international donor performance in developing countries.”

20. **In some areas, DFID has taken on aid-effectiveness commitments that exceed the Paris Declaration.** At the Paris 2005 High-Level Forum (HLF2), DFID made a number of additional commitments, both individually and jointly with other EU member states.

Box 4: Additional aid-effectiveness commitments at Paris

With other EU members

- All capacity-building assistance through country-coordinate programmes, with increasing use of multi-donor arrangements;
- 50% of assistance through country systems
- No new parallel PMUs
- Reduce uncoordinated missions by 50%

Unilateral DFID commitments

- Reform conditionality
- Longer-term aid commitments
- More than half of assistance as programme-based support
- More joint offices
- Keep aid untied
- 90% of UK aid to low-income countries.

21. **DFID has also introduced policies on particular aid-effectiveness topics.** For example, there is a UK policy on conditionality from 2005, which commits DFID to drawing its conditions as far as possible from its partners' development strategies, and to avoid using conditionality to leverage policy reforms.⁴ It has also published policy documents on country-led approaches,⁵ and a policy on aid effectiveness in fragile states⁶ and has contributed to the development of the DAC Principles of Good International Engagement in Fragile States. A new policy on Poverty-Reduction Budget Support is under preparation. A new Results Action Plan commits DFID to aligning with partner country systems for implementation, reporting and evaluation.⁷ Not all aspects of the Paris Declaration are covered by specific policy statements, and there may be scope for further policy work in the future – for example, to reflect any new consensus on mutual accountability emerging from HLF3.

⁴ DFID Policy Paper, "Partnerships for poverty reduction: rethinking conditionality", 2005.

⁵ DFID Action Plan, "Moving Forward with Country Led Approaches to Poverty Reduction", February 2005.

⁶ DFID, "Why we need to work more effectively in fragile states", January 2005.

⁷ DFID, "Results Action Plan", November 2007.

Box 5: A UK Policy Paper, “Partnerships for poverty reduction: rethinking conditionality”, 2005

“Evidence on the impact of policy conditionality in bringing about policy change is at best mixed... Put simply, conditionality which attempts to ‘buy’ reform from an unwilling partner has rarely worked.

...Wherever possible we will base our assessment of partner country programmes on evidence of actual impact, since we recognise that policies have different effects in different institutional and social environments

...We will support broad-based country ownership of poverty reduction plans including through processes that take account of the views and concerns of poor people. For us, ‘country ownership’ requires that the country has leadership over its development policies. It requires partner governments in consultation with citizens to define a poverty reduction programme, which donors can support. We do not only equate country ownership with government ownership. We believe that civil society, including poor people, should also have a voice and stake in their development, and that governments should be accountable to them.

...We believe donors have a useful and legitimate role as catalysts for change, and should continue to participate in policy dialogue based on well-researched policy options. Policy matters in poverty reduction – both policy content and the policy process. If we are concerned that policy choices included in a poverty reduction strategy (PRS), or other national strategy, will not lead to poverty reduction, or might even exacerbate poverty, we will discuss these differences of opinion with our partner.

...We are committed to increasing transparency around the process of decision-making on conditions, the conditions themselves, and the process for deciding to reduce or interrupt aid. We will encourage greater involvement of parliaments in the oversight of conditions prior to their agreement, and greater involvement of line ministries, parliamentarians and civil society in the identification of agreed benchmarks. We will also encourage other donors, including the international financial institutions (IFIs), to be more transparent, particularly in relation to the process of agreeing the terms and conditions for their aid. The UK will make our own aid conditions more transparent, by publishing them on DFID’s website.

22. **In the past, DFID used medium-term strategies on aid effectiveness to guide the necessary institutional changes.** In February 2003, it produced an Action Plan to Promote Harmonisation,⁸ which identified three areas for action at the central level (review of internal procedures to comply with the DAC Good Practice Papers; revision of internal guidance material; and additional training). It referred to a series of actions taken in 2002 to enhance aid effectiveness, including untying of aid, new guidance requiring Country Assistance Plans to be based on partner country PRSPs, the ability to match financial commitments to partners’ budgetary planning horizon, increased delegation of authority to field offices (see para. 53 for details) and a general simplification of procedures to improve flexibility. It noted the potential for budget support and sector programmes to produce rapid progress on harmonisation. The Action Plan contained DFID-specific harmonisation indicators, with a commitment to monitoring against them in an open manner. Each Regional Division developed a series of country-specific harmonisation targets as part of their Delivery Plans for 2003/4. Each country programme had a small number (1-3) of specific commitments for advancing harmonisation.

23. This was updated in November 2005 in the form of a Medium-Term Action Plan on Aid Effectiveness⁹, which set out a matrix of actions to be taken at the country, regional, international and corporate levels. The Action Plan restated and reinforced the Paris Declaration commitments and targets, although it was lighter on detail as to the specific institutional changes required to meet them.

⁸ DFID, “Action Plan to Promote Harmonisation”, February 2003.

⁹ DFID Donor Policy and Partnerships Team, “DFID’s medium-term action plan on aid effectiveness: our response to the Paris Declaration”, July 2006.

Box 6: 2005 Medium-Term Action Plan on Aid Effectiveness

- Improving the aid architecture, including reforming the PRS process to make it more flexible and country owned, improving developing country voice in international fora, and improving overall aid allocation;
- Aligning aid with country priorities and systems, including reform of conditionality, greater predictability, increasing use of country systems, joint diagnostic work, improved aid monitoring frameworks, and improving the quality of technical assistance;
- Improving harmonisation among donors, including more joint missions, more joint country programming, increased sharing of staff and offices, and better division of labour among donors;
- Improved donor accountability, including country-level monitoring, regional and international mechanisms for mutual accountability, and global monitoring of the Paris Declaration.

24. DFID has now decided to move away from Action Plans, in favour of integrating aid-effectiveness goals into its next round of Business Planning.

An updated Medium Term Action Plan on Aid Effectiveness was prepared in 2006, with 14 priority actions reflecting the results of the 2006 Paris Declaration Monitoring Survey. However, a decision was taken to discontinue the MTAPAE, in favour of integrating aid-effectiveness commitments and targets into DFID's new round of business planning and its performance management systems, described in the next chapter. An internal Aid Effectiveness Strategy was adopted, restating DFID's commitment to improving its own effectiveness and becoming a model of good aid practice, and to improving the effectiveness of the international aid system as a whole. However, this Strategy is at a high level of generality, and is intended only for internal purposes.

25. While we applaud the decision to incorporate the Paris Declaration commitments into the new Departmental Strategic Objectives, we nonetheless find the decision not to proceed with an updated Action Plan on Aid Effectiveness a cause for concern, for a number of reasons. First, the evaluation team encountered concern from some interviewees that it signalled a weakening of commitment to the Paris Declaration. Internal incentives in DFID are strongly influenced by signals from the highest levels of the department on current corporate priorities. Second, the Action Plan was a clear and public commitment to continuous improvement of aid practices. As well as an internal guide, it served to enhance external transparency and accountability. While absorbing the Action Plan into the performance management system may help to mainstream the issues, it arguably also makes aid effectiveness less visible, both internally and externally. Third and perhaps most importantly, the Action Plan and associated reporting mechanisms were the main channel by which DFID analysed its performance on aid effectiveness, diagnosed weaknesses and identified the necessary institutional measures in response. It is important that internal monitoring on aid effectiveness is backed by robust analysis leading to lesson learning and corrective action. Care should be taken to ensure that reporting under the new corporate performance system is backed by this kind of institutional analysis.

26. While DFID's framework of policies on the Paris Declaration remains very strong, the evaluation notes a number of tensions that could affect the level of commitment.

First, there is potential friction between DFID's external influencing agenda, and its commitment to improving its own aid effectiveness. Clearly, aid effectiveness was well embedded in UK policy prior to the Paris Declaration. Some observers (including the 2006 DAC Peer Review of DFID) have

suggested that DFID sees the Paris Declaration more as an instrument for promoting its policy agenda among its partners, than as a set of commitments for itself. Some UK civil society observers noted to the evaluation that, as the leader in a peer group whose performance is very mixed, DFID may be inclined to believe that it has already met its own obligations, and to focus instead on external influencing. While DFID's global leadership is generally welcomed and encouraged by partners, the evaluation also observes that DFID's institutional culture may encourage staff to focus more on external influence than in close scrutiny of their own behaviour.

27. We therefore welcome the commitment in DFID's Results Action Plan and internal 2007 Aid Effectiveness Strategy to strengthening the international system *by being a model of good practice*. This formulation should help to resolve the tension between the internal and external aid-effectiveness agendas. The evaluation takes the view that DFID's global influence depends on its own performance, and its willingness to set standards for itself that are more exacting than those accepted internationally.

28. **Second, DFID now defines its approach to global aid effectiveness as going 'beyond Paris'**. For example, the internal 2007 Aid Effectiveness Strategy also addresses the poverty efficiency of resource allocation, the effectiveness of multilateral aid institutions and the development of international accountability structures. While there is no question that there are important aid-effectiveness issues not addressed in the Paris Declaration, it would be a cause for concern if this took attention away from pursuing the Paris Declaration agenda. Like many other donors, DFID has a tendency to prefer new initiatives to the hard work of implementing old ones.

29. **Third, there are tensions between the Paris Declaration and global, sectoral spending targets.** This emerged as a particular concern for country offices during the evaluation. In its 2006 White Paper, DFID committed itself to providing at least half of its bilateral aid to support four sectors that it believes are essential for achieving the MDGs: education; health; water and sanitation; and social protection.¹⁰ Additional spending pledges include:

- £8.5bn for education (2006–2015);
- £200m p.a. by 2010 for water and sanitation in Africa;
- £1.5bn on HIV/AIDS (2006–2008);
- £100m on Aid for Trade by 2010
- £0.8bn on the Environment Transformation Fund.¹¹

30. These spending targets are political commitments made at ministerial level, rather than the product of DFID's established resource-allocation process. The DAC Peer Review specifically advised DFID against sectoral spending targets, so as not to compromise country leadership.

¹⁰ DFID, "Eliminating world poverty: making governance work for the poor", White Paper, 2006, pp. 52–3.

¹¹ Information provided to the evaluation by the CLEAR Team.

“In keeping with the Paris Declaration, DFID is encouraged to avoid setting additional aggregate **sector and thematic spending targets**, so as not to undermine partner country ownership and aid effectiveness.”

31. Some interviewees from DFID country offices stated their concern that global spending targets imposed by headquarters may put pressure on them to behave “in a more bilateral way” – that is, shifting sectoral allocations unilaterally, notwithstanding partner preferences or division of labour agreed with other donors. Country offices are only required to shift resources into these target sectors where they represent a genuine need at country level. However, that need is being determined by DFID, rather than the partner. To meet spending targets, some country offices report needing to move into areas which are not DFID’s comparative advantage, at the expense of other areas where there is pressure from the partner country to remain engaged. A number of DFID interviewees noted the tendency for new initiatives to be undertaken without considering their opportunity costs, both in terms of financial and human resources.

32. **Fourth, DFID’s aid-effectiveness commitments continue to compete with other corporate priorities.** As a UK government department, DFID’s primary accountability is at the domestic level. While DFID’s policy commitment to aid effectiveness has been sustained over the past decade, as a government department its short-term priorities and incentives are strongly influenced by current political priorities and the policy agendas of particular ministerial teams. Similarly, its administrative procedures and systems are defined in the main by Whitehall priorities and cross-government reforms. Staff interviewed reported that there tends to be high rate of new policies and initiatives to compete with the aid-effectiveness agenda.

33. All UK government departments are required to contribute to a set of overarching policy targets, articulated through 3-year rolling Public Service Agreements (contracts) between individual departments and the Treasury, linked to the budget. One of these overarching objectives is global poverty reduction and achieving the MDGs, on which DFID leads. However, DFID is also required to contribute to other policy areas, including climate change, global security and migration – an obligation which is now being formalised through a new, cross-government performance framework.¹²

34. Joint policy targets have the potential to improve coherence between aid and other policy areas – a key aid-effectiveness objective, although not addressed in the Paris Declaration. However, they may also give rise to tensions. For example, the UK has contributed to efforts to pursue global public goods by creating new global funds and partnerships, particularly in the health and environmental arenas, which tend to work outside the Paris Declaration paradigm and are sometimes at odds with country leadership. DFID has played a leading role in the International Health Partnership, which aims to bring vertical health funds within the aid-effectiveness paradigm. From the interviews undertaken, the evaluation did not identify any evidence that DFID is making the case to its Whitehall partners as to why aid effectiveness principles should apply in other policy areas such as climate change.

¹² DFID Public Service Agreement 2005–2008: <http://www.dfid.gov.uk/pubs/files/PSA/DFID-PSA-2005-08.pdf>.

35. **DFID has a good range of policies on gender equality, and is recognised internationally as a leader in the area.** Its September 2000 policy, *Poverty Elimination and the Empowerment of Women*, sets out an ambitious strategy for promoting gender equality rights across its portfolio. Following reviews that found implementation of these commitments had been uneven, DFID adopted a Gender Equality Action Plan 2007-9 (February 2007). Overall responsibility for its implementation rests with the Director General Policy and International, who reports to ministers on progress. The Director General is supported by a Gender Equality Champion in each Division, as well as the Equity and Rights Team in Policy and Research Division. The objectives of the Action Plan including promoting sex-disaggregated results monitoring, promoting accountability for gender equality and promoting gender equality when working with partner governments, multilateral institutions and civil society. Nonetheless, when asked by the evaluation team, few DFID staff were able to articulate how gender issues relate to aid-effectiveness commitments, and none mentioned the Gender Action Plan.

36. The main concerns expressed by civil society observers to the evaluation were that the Paris Declaration had concentrated DFID's attention on its partnership with government, at the expense of both political space and resources for civil society in general, and women's organisations in particular, to participate in the policy process. This might cause DFID to default to a narrow and rather technocratic understanding of country ownership, rather than recognising that country ownership should be the outcome of a democratic political process in which women's groups and other interests are well represented.

37. From interviews with country staff, however, the evaluation found no evidence that new aid modalities and processes have narrowed the space for women's groups or civil society. As part of its preparations for Accra, DFID has commissioned a study into whether the Paris Declaration has inadvertently excluded cross-cutting issues, including gender, human rights and social exclusion, from the policy agenda. There are positive examples of DFID staff using new processes, such as Performance Assessment Frameworks and participatory budgeting initiatives, to give gender issues greater priority within the development policy dialogue. However, from the country level responses received, the evaluation finds that there may be some truth to the suggestion that the Paris Declaration encourages DFID to assume the existence of a higher degree of consensus around national development strategies than is warranted, in order to have a solid basis for alignment. The role of politics in development has been much debated within DFID over the past decade, and DFID has been a pioneer in the use of political economy analysis ('Drivers of Change'). However, DFID has reduced its central support to Drivers of Change work, and it does not appear that the approach is used systematically to inform its approach to aid effectiveness at country level.

38. **DFID's strong commitment to aid effectiveness is clearly influenced by the UK political environment, where poverty reduction has a high political salience and pro-development lobbies are well organised and influential.** There is strong public identification with the UK role in development (although not with the Paris Declaration specifically), as witnessed by the level of mobilisation around the 'Make Poverty History' campaign in 2005. Conversely,

compared to many other donors, there is less pressure on the UK's development policy from commercial and foreign policy interests, assisted by DFID's status as a separate ministry. In recent years, the political significance of the development agenda has continued to increase, with strong personal engagement from the Prime Minister.

39. **The quality of DFID assistance benefits from a productive relationship with UK civil society.** The influential UK development lobby is well informed about DFID performance, and closely engaged in the policy process. There is regular contact and good information flows between BOND/UKAN¹³ and the DFID policy teams responsible for aid effectiveness. There is also a high level of interchange of staff between DFID and UK NGOs, giving DFID a distinctive staffing profile within the UK civil service. Civil society advocates report generally good access and influence, although they remain concerned that poor transparency on DFID's side can make independent monitoring and evaluation difficult.

40. **Despite this favourable external environment, DFID has been slightly defensive towards its domestic constituency when it comes to aid effectiveness.** In its Communication Strategy and its Annual Reports,¹⁴ DFID has stressed the importance of building public support for an enlarged development budget. Given this emphasis on making the case for scaling up, the evaluation finds that DFID (like most donors) likes to project a positive image of its own performance, and tends to gloss over imperfections in the aid process. (Development NGOs are also guilty of overselling the impact of aid in their 'Make Poverty History' campaign.) In the view of a number of internal and external respondents to the evaluation, DFID is over-sensitive to external criticism, and unwilling to engage the public in a frank debate on the effectiveness of external assistance. The UK Cabinet Office's Capability Review of DFID noted that its communications capacity inside the UK is not strong enough to "tell the story" of aid to the British public.¹⁵

41. As a number of DFID informants noted, there are difficulties in communicating the Paris Declaration agenda to the public – both because of its fairly technical nature (compared to, say, the more tangible MDGs) and because the link between improved aid practices and development outcomes is still rather attenuated. Surveys suggest that, while support for aid among the UK public is strong, understanding is low, with most people assuming that aid is a much higher proportion of the UK budget than it in fact is, and also that aid is predominantly humanitarian.¹⁶ A more concerted effort to make a public case for core elements of the agenda might help to guard against the danger of a future decline in public support.

¹³ The British Overseas NGOs for Development (BOND) is a network of development NGOs with around 300 members. In 2004, it created the UK Aid Network (UKAN) as a platform for campaigning for more and better aid, as part of the Make Poverty History campaign. It pools analytical and advocacy resources among its members, and makes regular submissions to DFID on development policy: <http://www.bond.org.uk/policy/ukan.htm>.

¹⁴ <http://www.dfid.gov.uk/pubs/files/departmental-report/2007/default.asp>.

¹⁵ UK Cabinet Office, "Capability Review of the Department for International Development", March 2007, p. 18.

¹⁶ Survey evidence in the UK and other countries is discussed in a recent book by Roger Riddell, *Does Foreign Aid Really Work?* (OUP: Oxford, 2007), chapter 7, pp. 107-118.

42. **Overall, DFID’s policy capacity around aid effectiveness is very strong, and it plays a very active role in international policy-making fora.**

There are dedicated central resources for policy making on aid effectiveness, with an Aid Effectiveness and Accountability Department (AEAD) that leads both on DFID’s own performance and on the global influencing agenda. It is a strong internal advocate for aid-effectiveness, generating policy, strategies and guidance. It has good access to ministers and senior management. It also has a watching brief over the implementation of existing strategies, and carries out periodic analysis of DFID’s performance. It manages the Aid Effectiveness Network, which is the largest and most active thematic network within DFID, publishing its own electronic newsletter.¹⁷

43. DFID commissions a good range of studies and evaluations on aid effectiveness. For example, it is conducting studies on mutual accountability mechanisms at both international and country level, and leading on a multi-donor study on aid effectiveness in fragile states. It is also very active in a range of global networks on aid effectiveness – not least the DAC and its various workstreams underway in preparation for Accra. DFID strong capacity in the policy arena has given it a recognised international leadership role. Ironically, country office staff interviewed report that one area where DFID is not very coordinated, either between HQ and the field or with partners, is its large number of centrally commissioned studies, which can make extensive demands of both country offices and partners. DFID does not keep a record of the number of such studies.

¹⁷ The newsletters are available on the DFID public website: <http://www.dfid.gov.uk/mdg/aid-effectiveness/newsletters/newsletters.asp>.

III. Performance management and systems

44. **DFID has very strong performance management systems, generating a coherent set of objectives and accountability relationships throughout the department.** As of 2008, Paris Declaration commitments are being explicitly incorporated into this performance management system. However, for the reasons set out in this chapter, there is scope for DFID to improve its monitoring of and reporting against aid-effectiveness goals, and to use monitoring information more systematically to inform lesson learning and institutional change.

45. **As with any UK government department, domestic oversight of DFID is highly formalised.** DFID has a number of external reporting lines and overlapping accountability mechanisms regarding its policies and activities.

46. At the highest level, the department reports to the UK Parliament, with specific oversight for policy and operations maintained through the International Development Select Committee (IDC) and through the Public Accounts Committee (PAC) for use of the budget. The IDC is currently undertaking an investigation on coordination for aid effectiveness. In common with other government departments, DFID submits an Annual Report to both houses of Parliament, the contents of which are set out in legislation (see below).

47. At the highest administrative level, DFID is accountable for the achievement of performance and spending targets to the Treasury, formalised through a contract known as a Public Service Agreement (PSA). DFID reports annually to Parliament and Treasury against the PSA,¹⁸ as well as on the achievement of its wider commitments. In addition to the annual report, it also publishes a six-monthly report on achievement against its PSA commitments. The new Corporate Performance Framework includes Departmental Strategic Objectives, which are in turn cascaded to each division.

48. DFID is also accountable to the Cabinet Office for the quality of its internal administration and systems, with other oversight bodies such as the Civil Service Commissioners also playing a role. The Cabinet Office ensures the achievement of cross-government strategic, institutional and financial targets. In support of civil service-wide reform objectives, the Cabinet Office carried out a Capability Review of DFID in 2007, examining its institutional capacity to meet the challenges of delivering on its mandate.¹⁹

49. DFID is also subject to annual compliance and periodic value for money audits by the National Audit Office, which reports to the Public Accounts Committee. The mandate of the National Audit Office is to report on the economy, efficiency and effectiveness of government expenditure. For example, the National Audit Office has recently issued a study of DFID's use of budget support.²⁰ While

¹⁸ Annual reports can be found here:

<http://www.dfid.gov.uk/pubs/files/departmental-report/2007/default.asp>.

¹⁹ Capability Reviews for all Government Departments can be found here: <http://www.civilservice.gov.uk/about/accountability/capability/index.asp>

²⁰ National Audit Office, "Department for International Development – Providing budget support to developing countries", February 2008: <http://www.nao.org.uk/pn/07-08/07086.htm>.

identifying that this modality offers potential benefits, including improved partner planning and financial systems, the NAO also noted that it “carries significant risks”. Its recommendations on improving the management of budget support programmes (especially risk management and progress monitoring) are currently under consideration within DFID.

50. In May 2007, the UK parliament was informed of the establishment of a new Independent Advisory Committee for Development Impact (IACDI) to oversee evaluations of DFID performance and to act as an external challenge to the Department. IACDI has been meeting regularly since December 2007, and has already produced a number of recommendations on how to strengthen the independence of the evaluation function.

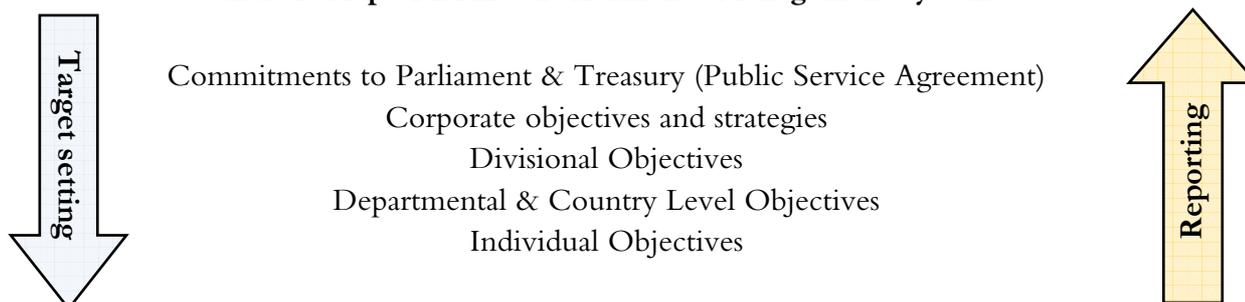
51. DFID is thus subject to a comprehensive regime of domestic accountability institutions, which together act to reinforce many of the high-level concerns for aid effectiveness. Some civil society observers have questioned whether these accountability institutions have fully taken on board the principles of the Paris Declaration. There are suggestions that they may be more concerned with financial probity than development impact, and more concerned with visibility of UK spending than with good aid practice. However, the evaluation was informed by the NAO that it draws on the Paris Declaration in its assessments of whether DFID is providing value for money.

52. DFID has a comprehensive performance-management system, which is designed to produce a high degree of consistency across the department. Since the early 1990s, the UK has been developing a performance-management approach for the civil service as a whole, reflecting New Public Management principles (including in their most recent guise, the ‘Modernising Government’ agenda). The New Public Management is more orientated towards outcomes and efficiency than other, input-based models of public administration. Drawing on lessons from the private sector, it is based on delegating a high degree of operational autonomy to spending units, while holding them accountable for their achievement of clearly articulated targets and results. As a result, it has fewer rules and administrative prescriptions than other models of public administration, and offers a higher degree of flexibility and responsibility to individual staff. This system has introduced a robust performance culture, notably after concerted management efforts begun in 2003.

53. Internally, DFID reports to its Management Board in the form of a Quarterly Management Report (sub-headed “Are we delivering against our PSA targets?”), which is a key information source for policy and management decisions. The Management Board also receives periodic reports from other sources, including internal audit (which reports formally to the Director-General (Corporate Performance)). Below the Management Board, the Development Committee is the locus of policy making. Both the Management Board and the Development Committee submit relevant policy and plans to Ministers for approval.

54. DFID’s management processes are designed such that, at each level in the corporate hierarchy, targets are set that relate directly to the overall achievement of the PSA objectives.

Chart 2: Map of DFID’s Performance Management Systems



Level	Target	Reporting and Accountability
Corporate	<p>DFID’s PSAs set out the targets that have been agreed with HM Treasury for the Department’s performance for 3 year periods (currently 2003-06, 2005-08). For the 2005-8 PSA, DFID’s PSA includes 6 targets; including the achievement of the MDGs in 16 African (PSA1) and 9 Asian (PSA2) countries, improved effectiveness of the multilateral system (PSA3), strengthening the role of the EU in development (PSA4), improved conflict prevention (PSA5), and achieving a 90% allocation of bilateral aid to LICs along with quality improvements (PSA6).</p> <p>New targets are currently being negotiated for 2008-11, when a new performance system will be adopted across the UK government. Each department will be accountable for the achievement of its PSA targets, which will be further articulated into Departmental Strategic Objectives set out in the Corporate Performance Framework.</p>	<p>Progress towards each target is tracked continuously, and formally reported to Treasury twice a year (in the Autumn Performance Report and the Annual Report). The PSA also forms the core of the Quarterly Management Report to DFID’s Board.</p> <p>The PSA is used as a tool to manage and improve performance, providing a high-level framework against which policy decisions and financial commitments can be assessed, and successes and underperformance measured. In addition DFID undertakes specific performance management exercises not linked to the PSA per se, such as annual Management Reviews, and invites external assessments of its personnel management capability through mechanisms such as Investors in People. In addition, other parts of Government, such as the Cabinet Office, undertake periodic reviews of performance and capability.</p>
Division	<p>Until 2008, divisional targets were set out in Directors’ Delivery Plans. In some cases these included Paris Declaration-related targets, but not systematically. At regional level, Regional Assistance Plans have also been defined.</p> <p>This mechanism is now being replaced with a tighter system, Divisional Performance Management Frameworks, which require divisions (including the regional divisions, Policy Division and other corporate divisions) to articulate how they will contribute to the achievement of the MDGS, DSOs, as well as Managing Delivery Channels, Managing Resources and Building for the Future.</p>	<p>Reporting will be synchronised with the corporate annual and Autumn reports. Divisional heads report to the Board and Permanent Secretary for achievement of their targets.</p>

Department (including country offices)	<p>These are set out for each department, and must demonstrate the link to Divisional targets. Country offices spending more than £20m have had 3-5 year Country Assistance Plans (CAPs), which have been rolling plans looking at least 5 years ahead, and updated every 3 to 5 years. They should incorporate an annual plan and a performance assessment framework.</p> <p>Guidance for country-level target setting specifically state that CAPs should identify how DFID, in cooperation with other donors, can support partner countries to implement their national development plans, in accordance with the principles of the Monterrey consensus and aid-effectiveness commitments. Also CAP cycles should as far as possible be aligned with the partner's PRSP cycle, and country offices should develop joint assistance strategies with other donors where possible, to improve alignment and reduce transaction costs.</p>	<p>Departmental heads report on an annual basis to divisions for achievement. The Performance Framework for each CAP should be reviewed and updated each year.</p> <p>CAPs have been reviewed prior to approval by Ministers by a CAP Quality Assurance Group. This process is changing during 2008, with a Peer Review taking on the challenge function. Consideration of Aid Effectiveness will be mandatory, and an explicit function of the Peer Review will be ensuring AE issues are covered.</p>
Individual	<p>Individual objectives are set in a negotiated process between staff members and their line managers. Targets are increasingly required to reflect departmental, divisional and corporate priorities, as well as personal development needs.</p>	<p>Staff and their managers sign off on objectives that are reported on annually. Progress is monitored, primarily through an annual review. Individuals' performance is also assessed through 360 degree reporting from colleagues and subordinates.</p>

The 2006 DAC Peer Review stated:

“The comprehensive and logically constructed programming hierarchy found in the Corporate Performance Framework is administratively efficient, simple and transparent.”²¹

The 2007 UK Cabinet Office's Capability Review of DFID praised the clarity of its objectives and targets, finding “a clear line of sight from these high level objectives and targets down to team and personal objectives, which enables DFID to focus effectively on outcomes.”²²

55. DFID is in the process of implementing a new performance management system, which includes clear commitments to improving aid effectiveness. From 2008, new Departmental Strategic Objectives (DSOs) have been set at corporate level. These include commitments to the delivery of high quality and effective bilateral assistance, as well as strengthening the international aid system as a whole (DSOs 5 and 6). Each Division was required to select up to 20 indicators from a list of 32, of which four related directly to the Paris Declaration. These were:

²¹ DAC Peer Review, “United Kingdom”, 2006, p. 16.

²² UK Cabinet Office, “Capability Review of the Department for International Development”, March 2007, p. 19.

- improved global performance against Paris Declaration commitments;
- Paris Declaration commitments implemented and targets met corporately and in country offices;
- DFID programmes in fragile states are consistent with the DAC principles;
- strengthening effectiveness through learning and better use of evidence.

There is as yet no detailed articulation of how reporting under these DSOs will be done. In particular, it is not clear to what extent country offices and regional divisions will be required to report against the implementation of Paris Declaration commitments that do not have quantitative targets associated with them. This is an important issue; as a recent DAC Draft Good Practice Note on incentives for harmonisation and alignment notes, “What gets measured gets done.”²³

56. **DFID is reinforcing its focus on results.** DFID prepared a Results Action Plan (RAP) as a response to the Monterrey Consensus and the Paris Declaration, as well as the requirements of the 2005 White Paper and the International Development (Reporting and Transparency) Act.²⁴ The Plan noted that DFID needs to improve the availability and quality of information throughout the results chain (inputs, outputs, outcome and impact), to establish DFID both “as a model of good practice and as a driver of reform across the whole development system”.²⁵

57. The Results Action Plan deals with four dimensions: (i) leadership; (ii) evaluation and monitoring; (iii) accountability and partnerships; and (iv) planning and budgeting. Each dimension identifies activities to assist with the twin objectives of driving reform and modelling good practice. DFID has committed itself to seeking agreement at the Accra HLF for systems for mutual accountability at both the international and national levels. It was also commits to promoting multilateral effectiveness, for instance through the Multilateral Organisations Performance Network (MOPAN). DFID is closely involved on these agendas in preparation for HLF3.

58. **Internal checks and balances may not be thorough enough to ensure that the Paris Declaration principles are taken into account consistently in all programming decisions.** While country offices are required to conduct analysis of country-level aid effectiveness as part of their Country Assistance Plans (see the next chapter), it is not always clear how this analysis informs the design of individual programmes. In the past, project and programme designs produced in country offices were reviewed by a committee, including regional managers and heads of the relevant professions. This rigorous scrutiny encouraged country office heads to ensure that designs complied with relevant corporate policies and commitments, before being submitted for approval. This practice has declined as a

²³ OECD DAC, “Draft Good Practice Note on Incentives for Harmonisation and Alignment in Aid Agencies”, March 2007, p. 11.

²⁴ DFID, “Results Action Plan”, November 2007: <http://www.dfid.gov.uk/pubs/files/results-action-plan08.pdf>.

²⁵ *Ibid.*, p. 2.

result of increased delegation and decentralisation. The evaluation recommends that regional divisions play a stronger role in challenging country offices on how individual programmes support the Paris Declaration commitments, particularly the more diffuse principles like ownership and mutual accountability. This would help to boost consistency of performance against Paris Declaration commitments across country programmes.

59. Corporate information systems are not yet fully effective in capturing and reporting on aid-effectiveness performance. DFID's current management information system (PRISM) is weak at capturing aid-effectiveness data at individual activity level. Programme documents and reviews are often not captured on the system, or are of poor quality. A 2007 review for the Corporate Planning and Performance Group in DFID found that, out of a sample of 134 projects reviewed between 2004-6, fewer than one third had the required documentation. This makes it difficult for DFID to produce accurate aggregate information about aid modalities and partnerships. It has also been unable to meet its commitments concerning the publication of programme conditions, as this information is not effectively captured on the system.

60. DFID is aware of this problem, and is in the process of developing a new information management system, ARIES, to replace PRISM, which will be fully installed by 2009. It should significantly improve the coverage and quality of data over the previous system, although care will need to be taken to ensure that staff have the incentives to enter information accurately and on time. Design work is currently underway as to what information will be captured on ARIES. There are on-going discussions on how to incorporate aid-effectiveness monitoring indicators into the new system, including ensuring they are consistent with recently published DAC guidelines on monitoring.

61. DFID's institutional capacity to monitor its performance against the Paris Declaration commitments could be improved. In the 2005-8 period, the Paris Declaration was not formally included in the PSA targets, and was not part of regular internal management reporting or the Quarterly Management Reports. This left DFID dependent on the OECD-DAC 2006 Paris Declaration Baseline Survey for detailed implementation data. In addition to the 26 countries who participated in the DAC survey, DFID surveyed all of its priority (PSA) countries, giving a total coverage of 29 out of 34 country offices. The survey generated data against the ten relevant Paris Declaration targets, enabling DFID to calculate its overall corporate performance, its unweighted average across its country offices and the variations at country office level. With this data, DFID produced an internal analysis of its performance, which unfortunately has not been published. While its overall corporate performance was found to be strong, the analysis revealed that the unweighted average across country offices lagged behind in a number of areas (see Chart 3). The figures demonstrated that overall performance is strongly influenced by a number of larger, high-performing country programmes. Consistency in performance across country offices was therefore identified as an issue.

Chart 3: Results of DFID's expanded 2006 baseline survey²⁶			
Indicator	2010 Target	Corporate performance	Country average
3 Aid reported on budget	92%	84%	45%
4 Coordinated capacity development	50%	61%	52%
5a Use of PFM systems	50% (EU target 80%)	75%	53%
5b Use of procurement systems	50% (EU target 80%)	76%	51%
6 Parallel Project Implementation Units	14 (0.2 per country)	41	1.8
7 In year predictability	95%	90%	48%
8 Untied aid	100%	100%	100%
9 Use of Programme Based Approaches	66%	59%	50%
10a Coordinated Missions	40%	44%	44%
10b Coordinated country analytical work	66%	69%	69%

62. In addition, the survey revealed that performance in many individual country offices was off-track for certain 2010 targets, including reporting of aid on budget, in-year predictability, phasing out parallel project implementation units and use of PBAs. These results informed guidance to divisions for the new business planning round.

63. However, as DFID staff acknowledge, there are a number of shortcomings with the Paris Declaration targets and the DAC Survey methodology. Partnership commitments are difficult to capture through proxy indicators. Some of the Paris Declaration indicators provide only superficial measures of complex principles – e.g., the existence of operational development strategies as a proxy for ownership, or results-oriented performance assessment frameworks as a proxy for managing for results. Other indicators pose such difficult definitional challenges (e.g., partner-coordinated capacity building programmes; programme-based approaches), that it is unlikely that data is being collected consistently across countries. The DAC has acknowledged weaknesses in the survey process, including a tendency of both indicator definitions and results to be an outcome of negotiations among donors and partner countries. Furthermore, many of the 56 Paris Declaration commitments have no indicator attached, including key areas like conditionality.

64. Most importantly, many of the Paris Declaration indicators do not provide any information on causality. For example, a failure to report aid on budget may be a consequence of either donor or partner failings, or both. The reasons for underperformance may vary significantly across countries, depending not just on DFID's own practices but on other donor actions and the capacity and willingness of the partner country to lead the process. To acquire a full picture of its performance, DFID needs both additional data on its own behaviour and more detailed analysis of the reasons for any lapses in performance, at both country and corporate level. As an example, the evaluation team found no consensus among DFID staff interviewed as to why many country offices are underperforming on in-year predictability of

²⁶ Taken from DFID, "Aid Effectiveness Strategy", 2007.

disbursements and recording aid on the budget, or even as to whether the 2006 survey was accurate picture on this point. **The evaluation recommends that that the Aid Effectiveness and Accountability Department be tasked with analysing and reporting on institutional causes for any performance shortfalls or variations identified in future rounds of the Paris Declaration survey.**

65. **DFID's performance management approach therefore makes it better placed to achieve quantitative Paris Declaration targets than 'softer', qualitative principles.** This is particularly the case for commitments around ownership and mutual accountability, where the Paris Declaration itself is open-ended. These are joint commitments, where making progress requires agreement with other donors and partner countries. There is considerable innovation at country-level in these areas, with DFID staff often playing an instrumental role. However, DFID currently has no system for determining whether good practices are being picked and applied consistently across the department. The current system does not require country office staff to report on how they are implementing the Paris Declaration principles, or challenge them as to whether they are being sufficiently proactive. For this reason, the evaluation recommends that the new performance management system place more emphasis on qualitative reporting.

66. **Lesson learning around aid effectiveness is institutionalised, but there is room for improvement.** DFID uses a variety of mechanisms for corporate learning around aid effectiveness. In addition to general lesson-learning processes linked to the performance management system and Best Practice Guidelines, it has a dedicated Aid Effectiveness Network.

67. The Aid Effectiveness Network was developed to share knowledge and improve co-ordination of aid effectiveness within DFID.²⁷ A 2004 review by Agulhas²⁸ assessed it as the most effective of DFID's 68 internal lesson-learning networks. The network now provides a range of services, including a monthly newsletter, a library of resources, hosting meetings and a webpage, regular seminars and regional events. It is a voluntary network of practitioners, but nonetheless serves as a useful corporate tool. Users join the network because they have responsibilities requiring aid-effectiveness knowledge, or because they wish to keep current with the latest developments. They use the network to access information and to ensure that their work is coherent with DFID policy. Staff also participate in other aid-effectiveness networks, such as that hosted by the World Bank.

68. Since 2006, DFID has developed a Best Practice Guide which offers 'living examples' from the field and detailed research materials around different topics, including aid effectiveness. The Best Practice Guide's section on Aid Effectiveness and Country Led Approaches contains guidance on:

²⁷ See the Aid Effectiveness section of the DFID website: <http://www2.dfid.gov.uk/mdg/aid-effectiveness/default.asp>.

²⁸ Agulhas, "Strengthening DFID's Network Capacity", May 2004, Report for DFID's Business Transformation Unit.

- the Paris Declaration on Aid Effectiveness;
- country-led approaches and Poverty Reduction Strategies;
- Poverty and Social Impact Analysis;
- development results and MDG monitoring;
- managing fiduciary risk when providing budget support;
- public financial management reform;
- conditionality; and
- Middle Income Countries.

69. Although the Guide is a valuable resource, many sections are not entirely up to date. The evaluation considers that the content on the Paris Declaration and aid effectiveness could be strengthened through the addition of more country-level, lesson-learning materials in the “living links” section. There is a large volume of research and analysis on aid effectiveness currently underway, and it will take a concerted effort to keep up to date with it. In addition, the guidelines are not readily available from the corporate home page, which limits access for busy staff.

70. Corporate lesson learning is provided by an internal Evaluation Department, as well as dedicated policy and research teams. DFID has recently established an Independent Advisory Committee on Development Impact (IACDI) to strengthen the independence of the evaluation function.

71. **The lack of detailed project- and country-level information on DFID’s external website and its lack of systematic dissemination of information compromises its external transparency.** Civil society observers note the difficulty of accessing project-level documentation, disbursement information and performance data. In fact, DFID does post some project-level documentation (project memoranda, concept notes and logframes) on the Accessible Information on Development Activities (AIDA) gateway.²⁹ However, there is no way to navigate through to AIDA from DFID’s own website, making this resource little known and difficult to find. It does not publicise annual reviews or project completion reports, in large part due to concerns about the quality of the reports themselves. Country-level spending data is made public through the departmental Annual Reports, but not provided on the country pages of the DFID website. Some DFID country offices have established their own websites, but these are not standardised. Consequently, DFID compares poorly to the best-practice example of the World Bank, where project documentation, spending and reviews are easily found on the website.

72. DFID is aware of this problem, and has launched a “Publishing Project Information” initiative to improve transparency. The roll-out of the new information system (ARIES), coupled to the new electronic document and records management system (QUEST), should allow DFID to improve the accessibility of documentation. Decisions are awaited from senior management on what data will be

²⁹ <http://aida.developmentgateway.org/index.do>.

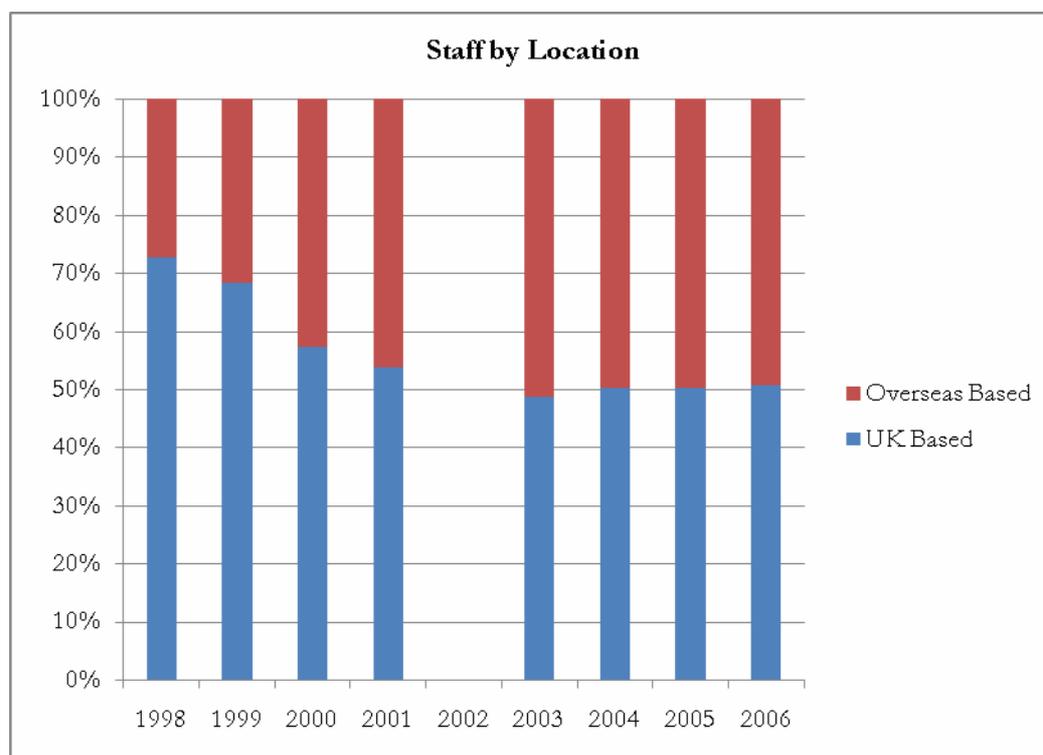
posted, but it is anticipated that during 2008 the volume of information placed in the public domain will significantly increase, including project-level reviews, and users will be able to access the information on a country-by-country basis. These new systems should provide DFID with the technical capacity to achieve much higher levels of transparency in programming and financial data.

73. **DFID is required by law to report on its expenditure, but not on its progress against the Paris Declaration.** The UK promulgated an International Development (Reporting and Transparency) Act in 2006. This requires DFID to publish the Annual Report submitted to Parliament, which must include a forecast of the year in which the UK will reach the 0.7% GNI target, progress toward the MDGs, the effectiveness of both bilateral and multilateral aid provided by DFID in achieving these targets, and progress on untying aid. This list does not capture information such as the breakdown of bilateral aid by aid modality, although some Paris Declaration-related data is available through the Statistics In Development publications. In view of the Act's goal of encouraging greater transparency, the evaluation recommends that DFID consider incorporating into the Annual Report additional Paris Declaration-related data (such as information on aid modality and predictability of disbursements) and reporting on progress towards Paris Declaration targets.

IV. Programming and spending

74. **DFID’s high degree of decentralisation facilitates achievement of the Paris Declaration.** Since 1997, DFID country offices have been given a high degree of operational discretion over sectoral allocation of funding and choice of aid modality, with country office heads exercising delegated authority for programming decisions. There is also a relatively high level of financial authority given to country offices (ministers approve spending over £20m, directors up to this figure, and heads of offices typically up to £7.5m). We note, however, that the trend towards larger unit size of programmes has tended to push decision making back towards higher levels. In addition, DFID has 49.8% of its staff at country office level. DFID has also been slowly increasing the proportion of professional staff engaged locally. Over 2005–2007, approximately 34% of all DFID’s staff (including ancillaries) were “staff appointed in country” (SAIC); it is planned that this figure will be 37% by 2008³⁰ and DFID has increasingly sought to rotate SAIC through the UK HQ offices to build experience and knowledge.

Chart 4: Location of DFID staff



75. This high level of decentralisation has removed one of main barriers faced by many donors to the implementation of the Paris Declaration. Country-level experience (see for example the case studies prepared for the Asian Regional Forum on Aid Effectiveness³¹) suggests that aid organisations with highly centralised decision-making structures find it difficult to negotiate harmonised activities with other donors, and to be fully responsive to country leadership of programming decisions. **DFID’s structure allows country offices to be flexible and entrepreneurial in**

³⁰ From DFID Annual Reports 1998–2007: <http://www.dfid.gov.uk/pubs/files/departmental-report/2007/default.asp>.

³¹ <http://www.adb.org/Documents/Events/2006/Aid-Effectiveness/default.asp>.

pursuit of aid effectiveness. On the other hand, it increases the challenge of ensuring consistency in the implementation of corporate policies. This tension between discretion and consistency is kept in balance through the corporate performance management systems.

76. **Country offices are required to include aid-effectiveness analysis in their Country Assistance Plans (CAPs).** The first paragraph of DFID’s internal guidance for country-level planning emphasises the centrality of aid effectiveness to DFID’s corporate objectives: “DFID Country Assistance Plans set out how DFID, together with development partners, and in accordance with the principles of the Monterrey consensus, and our aid effectiveness commitments, will support efforts to reduce poverty and achieve sustainable development in the countries in which we have programmes”. The guidance specifies that the content of the CAP must include explanations of the following:

- “how DFID will support implementation of the Paris Declaration On Aid Effectiveness and, where appropriate, apply the DAC principles for Good International Engagement in Fragile States;
- how the programme responds to DFID’s Policy on Country Led Approaches;
- which aid instruments DFID will use to deliver its objectives;
- how compliance with DFID’s Conditionality Policy will be ensured, including the process for dialogue and mutual accountability with the partner government and how conditions will be made transparent;
- how DFID plans to support reform of the multilateral system at a country level (e.g. UN reform, EU pilots);
- how DFID intends to support gender equality, women’s empowerment and the needs and rights of socially excluded groups;
- how natural resources, environmental sustainability and climate change impact on the country plan;
- how DFID and partner country will demonstrate results.”

77. Each CAP is expected to include an Aid Effectiveness Analysis section, including an assessment of progress in implementing the Paris Declaration, as well as the extent to which development is partner-led, and progress on implementing DFID’s conditionality policy and objectives on multilateral reform. It also requires a separate Aid Effectiveness annex, to expand on these themes further.

78. DFID is currently updating its guidance on country-level planning. At present, a technical Quality Assurance Group assesses CAPs prior to ministerial approval. In the future (provisionally from Spring 2008), country plans will be submitted instead to a Peer Review panel, and then on to Ministers. This process is expected to improve cross-DFID learning, as well as increase the level of internal challenge. New CAP guidance is being developed which, according to DFID’s Programme Guidance Risk Assurance Group (PRAG), will retain the emphasis on aid effectiveness. A separate aid-effectiveness annex will no longer be mandated, but country offices will be expected to demonstrate to the Peer Review panel that they have undertaken a credible analysis of aid effectiveness as part of their country planning. It would be useful for AEAD to become more involved in the drafting of these guidelines, to ensure that they emphasise not just harmonisation and alignment, but also the more diffuse PD principles like ownership and mutual accountability.

79. DFID's flexible systems and procedures facilitate partnership working.

The evaluation has encountered few administrative or corporate barriers to working with others. Indeed, DFID demonstrates a high degree of flexibility in its formal rules and procedures (which have been comprehensively rewritten in the last five years into a new, internet-based guide, "The Blue Book"). These procedures are constantly updated.

80. DFID's administrative guidance suggests a number of mechanisms for working with others, including:

- as a partner donor with other 'like-minded' donors under a Delegated Co-operation Arrangement (silent partnership);
- through Multi-Donor Budget Support;
- through sharing advisory support with other donors;
- contributing to a multi-donor Trust Fund (e.g. housed by the World Bank);
- as a partner donor in a multi-donor office (e.g. Southern Sudan).

In addition, DFID has entered into Joint Financing Agreements and joint country planning exercises with donor partners (for instance in Bangladesh and Cambodia).

81. DFID formalises its commitment to partnerships by setting out in writing the common objectives, mutual obligations and *modus operandi* in the form of a Memorandum of Understanding (MOU) or Accountable Grant. The MOU is the most common mechanism, and UK government procedures requires this to be worded so as to be legally non-binding, although that in practice MOUs are seen as establishing firm commitments, including detailed arrangements for spending and financial reporting.

82. DFID is developing Development Partnership Arrangements (DPAs) with its bilateral partners, as a result of commitments made at the Paris HLF.³² Each DPA is an overarching bilateral arrangement setting out the UK's long-term commitments, including for the delivery of more predictable and better aid. DPAs also specify the conditions on which UK aid may be suspended (e.g., human rights violations), and are intended to support transparency, predictability and mutual accountability.

83. DFID's procurement is fully untied, including technical assistance, and governed by EU regulations. Its rules on reporting permit the use of other donor systems for joint funding arrangements and partner country systems for programmatic aid. The National Audit Office informed the evaluation team that it is in favour of the use of partner systems so long as they meet international standards. DFID's regulatory environment is therefore supportive of alignment.

84. As a result, there appear to be no significant procedural inhibitions to the implementation of the Paris Declaration, and peer organisations comment on DFID's procedural flexibility as a key asset in their partnerships.

³² For an example of a DPA, see:
http://www.dfid.gov.uk/mdg/conditionality/afghan_ten_year_dev.pdf.

85. **At the heart of DFID’s strategy for improving aid effectiveness has been the shift towards more ‘upstream’ assistance, including budget support, SWAPs and other forms of programme-based approaches (PBAs).** Since the 1997 White Paper, DFID has been committed to increasing its use of budget support and sectoral programmes, identifying that these new modalities provide the fastest route to alignment with country policies and systems. In 2006/7, DFID had general budget support programmes in 13 countries, accounting for an estimated 18% of its bilateral assistance to partners.³³ Sectoral budget support (10 countries) accounted for a further 16%. SWAPs and other PBAs account for approximately a further 15% of bilateral assistance. (These numbers cannot be determined exactly, due to weaknesses in the way projects are categorised under PRISM. It is unclear whether this will be resolved in the new information management system, ARIES.) This leaves DFID just short of its commitment to providing more than half of its assistance in the form of PBAs by 2010, and apparently on track.

Chart 5: Bilateral aid 2006-7 ³⁴		
Form of aid	Expenditure	Proportion
PRBS General	£315,429,563	16.38%
PRBS Sector	£185,811,628	9.65%
SWAP (i.e non-budget support)	£96,664,679	5.02%
Other PBA	£189,021,313	9.82%
<i>Total PBA</i>	£786,927,183	40.87%
Other/not recorded	£1,138,418,561	59.13%
<i>Total</i>	£1,925,345,744	

86. **DFID country offices have been very entrepreneurial in developing new aid modalities, and in encouraging other donors to support them.** DFID has no overall targets for the percentage of assistance to be provided through any given modality, and country programming guidance allows country offices to determine the right mix of aid instruments for the country circumstances. The choices of modality open to country offices are essentially unlimited, provided that core rules on probity and accountability are followed and that consistency with overall corporate objectives, including on aid effectiveness, can be demonstrated. Many country offices have almost entirely abandoned unilateral projects, in favour of joint and multilateral initiatives. For example, both the Vietnam and Ethiopia country programmes have only a single unilateral project left in the country portfolio.

87. **This large-scale shift into upstream aid modalities ensures that DFID performs well on both alignment and harmonisation.** Support delivered through partner budgets is ‘automatically’ aligned with country policies and delivered through country systems. DFID’s experience shows that shifting towards budget support is also a much quicker route to systems alignment than negotiating changes in management arrangements around individual aid projects. DFID has met its target of channelling 50% of assistance through country systems in respect of budget

³³ National Audit Office, “Department for International Development – Providing budget support to developing countries”, February 2008, p. 9.

³⁴ Information taken from DFID’s management support system, PRISM.

procedures, audit and procurement, and has almost reached the target for financial reporting. DFID's rules on use of country systems are relatively permissive. DFID's policy position is that providing assistance through country systems is the most effective strategy for strengthening them, and increases the sustainability of interventions. Country offices are required to undertake a thorough assessment of the fiduciary risks involved when selecting an aid modality. However, they are able to proceed with programmatic assistance despite known shortcomings in country systems, provided there is a credible process for strengthening those systems and the development benefits are shown to outweigh the fiduciary risk.³⁵ The evaluation considers that this balancing equation – risk against development benefit – represents good practice under the Paris Declaration.

Chart 6: Percentage of assistance classified as PBA in DFID's 20 largest country programmes³⁶			
Destination	DFID expenditure 06/07	Total PBA	% of total
Tanzania	£108,767,861	£97,499,272	89.60%
Ghana	£69,385,608	£53,942,587	77.70%
Zambia	£40,342,201	£30,511,862	75.60%
Vietnam	£49,796,403	£35,131,682	70.60%
Mozambique	£47,498,170	£33,516,250	70.60%
Afghanistan	£98,831,166	£65,000,000	65.80%
Ethiopia	£90,329,408	£58,347,077	64.60%
Malawi	£68,029,380	£42,822,857	62.90%
Pakistan	£103,613,724	£65,108,497	62.80%
Uganda	£77,464,868	£47,200,732	60.90%
India	£204,452,649	£76,763,965	37.50%
Bangladesh	£106,247,883	£38,960,814	36.70%
Sierra Leone	£37,610,971	£12,500,000	33.20%
Indonesia	£60,633,697	£14,387,394	23.70%
Sudan	£109,800,075	£17,063,359	15.50%
Kenya	£65,245,892	£8,944,069	13.70%
Congo, Dem. Rep.	£75,237,014	£8,594,991	11.40%
Zimbabwe	£32,404,285	£3,196,988	9.90%
Africa Regional	£27,763,154	£905,307	3.30%
Cameroon	£25,541,776	£101,781	0.40%
Total/average	£1,498,996,185	£710,499,484	47.40%

³⁵ DFID, "Poverty reduction budget support: a policy paper", May 2004.

³⁶ Information taken from DFID's management support system, PRISM.

88. **DFID’s policy is to use general budget support wherever possible as a platform for engaging at a strategic level with central planning and budget processes.** The growing number of Low-Income Countries with credible national development strategies has increased the scope for general budget support. By increasing the size of the discretionary resource envelope available for poverty reduction, the assumption is that budget support will increase the significance of the budget as a policy instrument, while providing donors an effective platform for engaging in policy dialogue. The results of the Joint Evaluation of General Budget Support (1994–2004)³⁷ give some grounds for confidence for this belief. However, the Joint Evaluation also found that, while most recipient countries had expanded pro-poor expenditure and the scale of social service delivery, this had often come at the expense of quality, suggesting that underlying institutional problems were not being resolved.³⁸

89. **DFID generally seeks to complement its budget-support programmes with activities aimed at improving country systems and policy-making processes.** DFID invests substantial resources in capacity building on country systems, particularly planning and budgeting, statistical systems and public-financial management. This support is usually provided in conjunction with other donors, or via the multilateral system. These are of course long-term challenges, depending substantially on the willingness and capacity of partner countries to lead reform. A recent report by the NAO found that had done a “good job in moving public financial management up the development agenda,” but that progress in strengthening public financial management systems had nonetheless been slower than expected.³⁹

90. DFID’s 2004 policy paper on budget support also identified the potential benefits as including greater country ownership and empowerment, improved policy dialogue and increased democratic accountability.⁴⁰ Given this emphasis, we would expect to find DFID accompanying its budget support with assistance to parliaments, civil society and other national accountability mechanisms. However, these complementary activities are not always clearly articulated in the design of budget-support programmes. While support to NGOs is provided in most cases, parliament is supported in only 20 percent of cases and State Audit Institutions in only 13%.⁴¹ (In some cases, other partners may be supporting these institutions.) Civil society observers note that budget support arrangements are more likely to strengthen the accountability of partner governments to donors, than to their own citizens. This suggests that continuing efforts will be needed to promote broad-based country ownership and stronger accountability around development policy. DFID is now in the process of developing of developing new guidance for country offices on how to engage more effectively with strengthening accountability.

³⁷ See <http://www.idd.bham.ac.uk/general-budget-support/>.

³⁸ See <http://www.idd.bham.ac.uk/general-budget-support/>.

³⁹ National Audit Office, “DFID: Providing budget support to developing countries”, February 2008. p. 5.

⁴⁰ DFID, “Policy Paper – Poverty Reduction Budget Support”, May 2004.

⁴¹ *Ibid.*, p. 20.

91. **In general, while DFID has a sound aid-effectiveness rationale for its shift to budget support, it is clear that the benefits it anticipates are not delivered automatically by the change in modality.** The continuing challenge is to improve the quality of engagement around budget support programmes, using the instrument as a platform to influence policy and institutional development.

Box 7: National Audit Office findings on DFID budget support⁴²

Budget support has:

- often enabled partners to increase expenditure in priority areas;
- resulted in an increase in the volume of services, especially in health and education;
- helped increase the capacity of partner governments to plan and deliver services effectively, and develop poverty-focused policies;
- helped partner governments strengthen PFM systems;
- facilitated donor alignment;
- reinforced existing economic stability and good economic management.

However,

- service expansion has often been at the expense of quality;
- progress in strengthening PFM systems has been slower than expected;
- there is no clear evidence of its impact on transaction costs.

92. **There is concern, both within DFID and among external observers, about the impact and sustainability of DFID’s capacity-building support.** This concern is of course not specific to DFID, but common to all donors. The Paris Declaration commitment to partner-coordinated capacity building is one of the more difficult to implement. DFID has had internal debates for some years on how to move to a more country-led approach to technical assistance, without reaching a clear conclusion. Its policy provides that Technical Co-operation should be procured and managed by counterpart institutions, where the capacity exists.⁴³ However, in many cases, the willingness and capacity of partner countries to lead on capacity building remains deficient. There has been sharp criticism by a prominent UK NGO, charging that much donor technical assistance is “ineffective, over-priced, donor-driven and based on a failed development model”⁴⁴ – accusations that DFID strongly refuted.⁴⁵ While these accusations were not specific to DFID, they highlighted that this an area where continuing policy development is required. DFID is currently reviewing country office compliance with corporate guidance on managing Technical Co-operation personnel, as well as participating in the study on technical co-operation for capacity development being led by Japan in preparation for the Accra High Level Forum.

⁴² National Audit Office, “DFID: Providing budget support to developing countries”, February 2008.

⁴³ DFID, “How to provide Technical Cooperation personnel”, June 2006.

⁴⁴ ActionAid, “Real Aid 2: Making Technical Assistance Work”, 2006, p. 4.

⁴⁵ See DFID’s response to the ActionAid report:
<http://www.dfid.gov.uk/news/files/actionaidresponse2006.asp>

93. **DFID staff often lead on aid-effectiveness initiatives and the development of new, in-country aid architecture.** DFID's leadership on areas such as common Performance Assessment Frameworks for budget support countries, Joint Assistance Strategies and independent review processes is acknowledged and welcomed both by other donors and partner countries. In PSA countries with good country leadership of the aid-effectiveness agenda, such as Uganda, Tanzania, Ghana, Mozambique and Vietnam, these structures have helped to promote more effective policy dialogue, results orientation and mutual accountability. Based on interviews and documents reviewed, it appears that DFID's relatively strong presence in-country, high degree of decentralisation, flexible procedures and entrepreneurial culture have enabled it to play a leading role in creating new structures and process to support aid effectiveness.

94. **However, these new approaches also carry some risks for the quality and breadth of DFID's engagement with partner countries.** The evaluation heard concerns from DFID country office interviewees that these transaction-intensive, high-level processes have narrowed their range of contacts with partners, and left them with less time for direct involvement in sectoral work. Both Northern and Southern civil society partners also expressed the view that DFID staff have become less accessible, as their time has become consumed with new processes. Complex harmonisation processes in particular can lead to DFID staff spending too much of their time dealing with other donors, without commensurate benefits to the partner country. As one partner country official put it to the evaluation, donors "keep selling themselves their own goods". However, from the interviews undertaken, it is clear DFID country-office staff are increasingly aware of the need to prioritise the efforts put into aid effectiveness.

95. **DFID's plans to intensify its engagement in fragile states will present new challenges for aid effectiveness.** DFID already spends half of its bilateral resources in fragile states, and plans to increase that proportion. DFID is aware that its aid-delivery practices will need to be adapted for these more difficult environments, as recommended in the DAC Principles of Good International Engagement in Fragile States, and has commissioned a range of research to identify ways of doing so. Overall, DFID has achieved a rate of 35% programme-based approaches (PBAs) in fragile states, compared to 47% in non-fragile states.⁴⁶ However, there are large variations between fragile states. In some cases, DFID provides more than 60% of its aid as PBAs (Ethiopia, Pakistan, Uganda); for others (D.R. Congo, Zimbabwe), only 10%. Detailed country investigation would be required to determine whether this indicates missed opportunities for harmonisation and alignment. More likely, the figures demonstrate that the Paris Declaration targets cannot be applied too mechanically across this very diverse group of countries. Even more than in other states, country offices need to negotiate country-specific pathways towards improved aid practices, with the priorities and sequencing of measures developed locally.

⁴⁶ 2006/7 figures taken from DFID's information management system PRISM.

Chart 7: Bilateral expenditure FY 06-7: Comparison between fragile and other states⁴⁷

Form of aid	Fragile States				Other States			
	Projects	%	Expenditure	%	Projects	%	Expenditure	%
PRBS General	13	0.40%	£92,515,587	9.32%	31	0.77%	£222,913,976	23.89%
PRBS Sector	7	0.22%	£70,279,808	7.08%	12	0.30%	£115,531,820	12.38%
SWAP (i.e non-budget support)	14	0.44%	£64,186,751	6.47%	34	0.84%	£32,477,928	3.48%
Other PBA	97	3.02%	£117,831,603	11.88%	68	1.68%	£71,189,710	7.63%
<i>Total PBA</i>	<i>131</i>	<i>4.08%</i>	<i>£344,813,749</i>	<i>34.75%</i>	<i>145</i>	<i>3.58%</i>	<i>£442,113,434</i>	<i>47.38%</i>
Not recorded/other	3,080	95.92%	£647,314,435	65.25%	3,904	96.42%	£491,104,126	52.62%
<i>Total</i>	<i>3,211</i>		<i>£992,128,184</i>		<i>4,049</i>		<i>£933,217,560</i>	

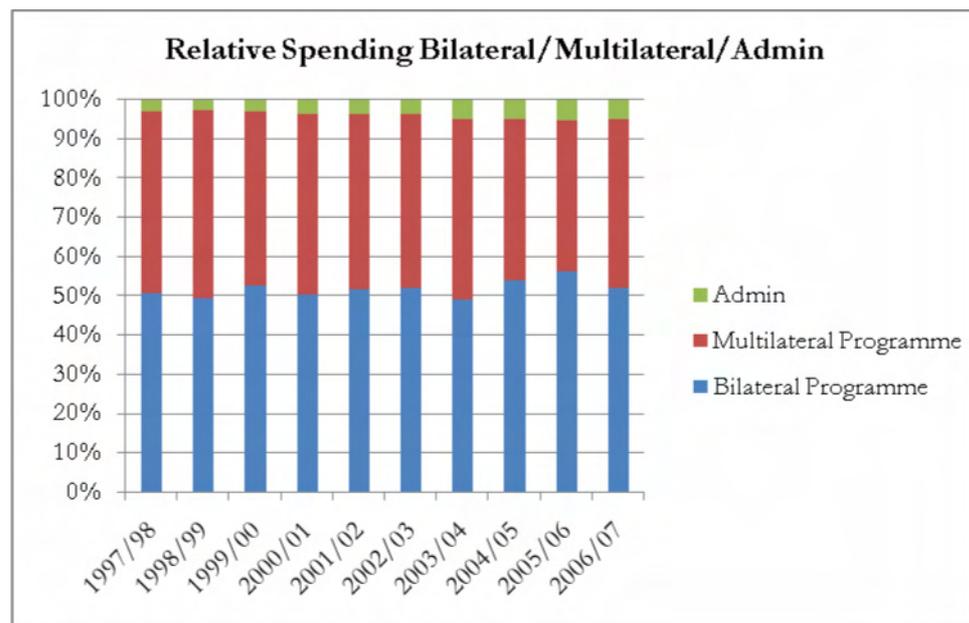
96. **DFID has a strong commitment to increasing the effectiveness of the multilateral aid system.** As the UK aid budget increases and administrative costs are compressed, DFID is turning to multilateral channels for an increasing share of its budget. Its contribution to multilateral partners rose by 51% from 2005 to 2006, becoming 38% of the aid budget. The internal 2007 Aid Effectiveness Strategy places strong emphasis on improving the effectiveness of the multilateral system, noting that DFID’s influence within the multilateral system has potentially more impact on global aid effectiveness than its own bilateral aid practices. DFID is committed to improving the allocative efficiency of its multilateral expenditure by directing funds towards more effective multilateral organisations, and by using its funding to secure continuing improvements in multilateral performance. To that end, it has developed a Multilateral Development Effectiveness Summary (MDES) to assess the effectiveness of its multilateral partners.⁴⁸ Because it is difficult to compare country-level results across agencies, these assessments focus on organisational effectiveness, using a Balanced Scorecard approach across four dimensions: managing resources; results orientation; building for the future; and working with others. Using this methodology, DFID has completed baseline assessments for 15 agencies.⁴⁹ These assessments are used to inform Institutional Strategies, updated approximately every 3 years, which set down the goals DFID will pursue in its partnership with each agency. Most of these Institutional Strategies have not been updated since the Paris Declaration, and their focus is on institutional reform, rather than specific aid-effectiveness commitments. Nonetheless, they do cover concerns that are relevant to aid effectiveness, in particular managing for results and effective partnerships. In addition, DFID is part of the MOPAN group of 11 donors (plus 2 observers) who carry out a rolling programme of surveys at country level on perceptions of multilateral effectiveness. This is useful as a harmonised approach, although its findings are not considered particularly robust.

⁴⁷ Data extracted from the PRISM management information system by the evaluation team.

⁴⁸ DFID Methodology Note, “Multilateral Effectiveness Summaries”, November 2006.

⁴⁹ These assessments can be found here: <http://www.dfid.gov.uk/news/files/assess-multilateral-effectiveness.asp>.

Chart 8: Distribution of DFID spending



97. DFID has used its influence within the multilateral replenishment negotiations to encourage greater aid effectiveness on the part of multilateral partners. For example, it has been a strong advocate of changes in conditionality practice by the World Bank, as well as increased decentralisation. Through the International Health Partnership, it has encouraged WHO and the global health funds to engage more with the Paris Declaration. It is working closely with the EU on implementing the Paris Declaration, in particular on division of labour.

98. DFID has been a strong supporter of 'One UN' reforms, both globally and in country pilots such as Vietnam. Creating a single plan, fund and leadership for UN agencies at country level should in due course make a major contribution to simplifying the aid architecture. UK civil society observers are concerned that DFID has been less proactive on reform of the Bretton Woods Institutions. In its 2006 White Paper, DFID states its support for selecting the Presidents of the World Bank and IMF based on merit, rather than nationality.⁵⁰ However, it then missed an opportunity to advance this issue during the 2007 appointments. From interviews undertaken for this evaluation, we are aware that civil society campaigners are also concerned that DFID has not pushed the World Bank hard enough to meet its commitment to ending the use of policy conditionality.

99. At the country level, DFID's Country Assistance Plan Guidance states that country offices should include an assessment of multilateral partners in their analysis of aid effectiveness, and develop a strategy for strengthening them. DFID country offices do appear to be very active in their influencing activities, for example by contributing to the design of World Bank Poverty Reduction Support Credits, and using joint programming, secondments and trust funds to boost multilateral capacity in strategic areas.

⁵⁰ White Paper, p. 75.

V. Staffing

100. **It was clear that there is a high level of knowledge and ownership of the Paris Declaration principles throughout DFID.** Staff interviewees appear to consider the Paris Declaration targets as the minimum level to which DFID should aspire, in its pursuit of greater aid effectiveness. The Paris Declaration has achieved a central position in the corporate discourse and is clearly understood as a corporate priority. It was striking the extent to which the Paris Declaration principles have been internalised by staff, so that they are not seen as external requirements, but core values of the organisation.

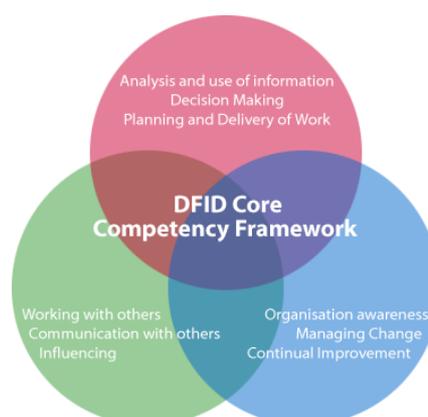
101. The evaluation found that, if there is any limitation to staff understanding of the Paris Declaration, it is a tendency to reduce the principles to harmonisation and alignment (which are more amenable to bureaucratic processes). Staff appear less confident on pursuing more open-ended principles like country ownership and mutual accountability.

102. **Aid effectiveness has proved a reference point for some elements of staffing strategy.** In 2005, DFID published a “People Strategy 2005–8”,⁵¹ which for the first time created a set of high-level goals for personnel management (regarding leadership and management, professional development and service improvement, health and safety, diversity, efficiency and effectiveness). The strategy contained specific commitments, to be monitored annually. It did not refer directly to the Paris Declaration, but included a commitment that DFID’s top managers will “integrate aid effectiveness principles and commitments into their planning, systems and reporting, and involve internal and external partners in business planning and evaluation”.⁵² One of the indicators of success was the achievement of the DAC indicators on aid effectiveness by 2008, and their integration into the Quarterly Management Report.

103. **While the Paris Declaration does not play an explicit role in identifying staff for recruitment, appointment or promotion, its competency frameworks emphasise a range of skills which are relevant to the Paris Declaration.** With the exception of the dedicated policy teams, the Paris Declaration is not routinely used to define the skills required for country-office posts, and nor was it used as an explicit reference point in the recent round of promotions and recruitment of senior advisors. However, the skills that DFID requires of its staff are generally supportive of aid effectiveness. DFID seeks to build its overall capability through the recruitment and retention of high-quality staff, assessed against defined behaviours and skills set down in ‘competency frameworks’. The generic competency framework applicable to all staff is set out in the table below, and includes partnership, communication and influencing. In addition, DFID is in the process of developing additional competency frameworks tailored for the needs of particular technical groups. For specialists, it is anticipated that there may be a competency relating specifically to aid effectiveness in some cases, though this has yet to be finalised.

⁵¹ DFID, “Our People Strategy 2005–2008”, 2005: <http://www.dfid.gov.uk/pubs/files/people-strategy-05-08.pdf>.

⁵² *Ibid.*, p. 7.

Chart 9: DFID's Competency Frameworks

Competency	Dimension
Planning and delivery of work	Plans and organises work to meet individual, team and departmental objectives whilst achieving quality and value for money
Analysis and use of information	Assesses and interprets information in order to identify issues or problems
Decision making	Considers the information that is available, identifies options and makes timely decisions
Working with others	Takes responsibility to build and maintain positive relationships and value the opinion of others
Communicating with others	Vary the way they communicate ideas and information ensuring their message is understood
Influencing	Positively influences others, creating acceptance and support for ideas
Organisation awareness	Understands how their job contributes and delivers DFID goals in accordance with DFID values
Managing change	Supports opportunities for positive change and actively looks for ways to improve what they do
Continual improvement	Continually looks to improve their skills, knowledge and the way they work

104. The introduction of the competency frameworks was intended to achieve a more balanced set of skills, both across the organisation and for particular individuals. Specialist technical skills should be complemented by additional skills such as managing change, working with others and influencing. The process of developing these skills is still underway. Respondents to the evaluation note the difference between the project-management skills traditionally valued by DFID, and the more diffuse set of skills required to build and maintain long-term partnerships. These skills are more associated with diplomats than aid specialists.

105. The goals and priorities of DFID's personnel management in recent years have been influenced primarily by UK-wide civil service requirements and initiatives (in particular the recent Capability Review), as well as the desire to maintain the UK's "Investors in People" accreditation. There is a strong emphasis on cross-government working, to improve the coherence between development assistance and other policy areas, and on improving internal management skills. Senior staff are confident that these priorities are broadly consistent with the requirements of the Paris Declaration, although they are not driven explicitly by a concern for aid effectiveness.

106. DFID has offered its staff some specific training on aid effectiveness, but it has not been systematically incorporated into staff development. DFID encourages learning through a number of methods, including formal training, network-based exchange of best practice, E-learning and on-the-job experience. DFID's Learning and Development Services are developing a modular learning programme to support the competency framework. At present, this contains a two-day "strategic and tactical influencing course" delivered by ODI, aimed at teaching staff to influence the behaviour of external partners. Neither the formal learning programme nor the induction programme for staff appears to deal specifically with aid effectiveness.

107. In the past, a day's formal training on the Paris Declaration was provided through the Development Partnerships Course, which was given to staff about to take up overseas postings. Included in this course was a DVD "Making Aid Work", which had been produced to promote aid effectiveness. However, the DVD was found not to be an effective training tool, and is no longer promoted. It is understood that the Development Partnerships Course is being restructured, and is not presently offered. **The evaluation received feedback from several country offices that they would appreciate more training opportunities for B and C grade staff in-country staff on aid effectiveness.**

108. In a devolved structure, heads of offices have a strong influence over country-level priorities. This in turn influences individual staff incentives. It is the country office heads who mediate between local and corporate agendas. Those heads with a strategic approach to aid effectiveness can have considerable impact on the shape of the country programme, directing staff towards activities which support the Paris Declaration. Respondents noted that changes in heads of offices can bring sharp changes in local priorities. In addition, respondents noted that the heads of offices with larger programmes receive more attention from senior management. As a result, they tend to be held to account more closely for the achievement of corporate objectives, and are more likely to follow corporate priorities. For this reason, measures requiring country office heads to articulate aid-effectiveness strategies and report against their implementation might have a substantial influence on improving the consistency of Paris Declaration implementation.

109. Country-office staff believe that demonstrating commitment to aid effectiveness will support their career progression. DFID places considerable emphasis on rewarding good performance from staff in pursuit of corporate priorities. So long as aid effectiveness is seen as remaining a high corporate priority, the incentives for staff will be positive.

110. **Informal culture also plays a major role in setting staff incentives.** Compared to other UK civil service departments, the evaluation agrees with many observers' view that DFID staff tend to be highly idealistic, with a genuine intellectual and emotional commitment to their work. Our observation is that DFID's institutional culture has stressed the role of 'heroes' – individuals with strong technical knowledge and entrepreneurial drive, motivated by the need to demonstrate personal impact on the development process. This individualistic culture has contributed to DFID's highly entrepreneurial approach to aid effectiveness, and its leadership at country level. The DAC Peer Review comments that DFID's leadership role is "generally highly appreciated by the donor community".⁵³ However, DFID's preference for leadership over enabling and influencing can also carry a cost in terms of relationships. Country office staff interviewed for the evaluation reported occasional friction caused by DFID's "preachiness" and its impatience with other donors with less flexible rules and procedures. The 2006 DAC Peer Review noted:

"While this leadership is seen in most contexts as helpful, it also can give rise to a certain concern. Donors who do not support select DFID themes with the same degree of enthusiasm (e.g. budget support) or whose political leadership is not yet comfortable with the international effectiveness agenda can find their field missions inadvertently labelled by others as less than fully collaborative. In this sense, DFID may be perceived as "long on strategy, short on tactics" when working in these partnerships."⁵⁴

Our observation is that the institutional culture also leads to a preference for continuous innovation over sustained engagement, leading to a high 'churn rate' of new ideas and initiatives that may ultimately detract from impact.

111. This informal culture has also presented management challenges. Where staff are essentially self-motivated, it is harder to establish consistency against corporate policies. In recent years, DFID has tried to address this problem with a range of internal reforms designed to overcome a historical, internal split between development experts (and within that between advisers in specialist fields) and administrative staff. It has increased the level of role flexibility, consciously breaking down internal, technical silos. This coincided with an increasing emphasis on performance management against corporate priorities. Recent promotion rounds have stressed the importance of cross-team and inter-departmental working. Over time, this may result in a more 'emotionally intelligent' approach to relationships and influencing.

112. **Ministers and senior management play an important role in determining informal incentives.** As in any other civil service department, staff respondents to the evaluation are keenly aware of the rapidly shifting priorities set by ministers and senior management. Ambitious staff will tend to prioritise the issues and themes that are seen as holding the highest priority on the corporate agenda. Within the Paris agenda, there are issues that in recent years have been at the very top of DFID's corporate agenda: e.g., the PRSP initiative, the shift towards budget

⁵³ Development Assistance Committee, "United Kingdom Peer Review", 2006, p. 24.

⁵⁴ *Ibid.*

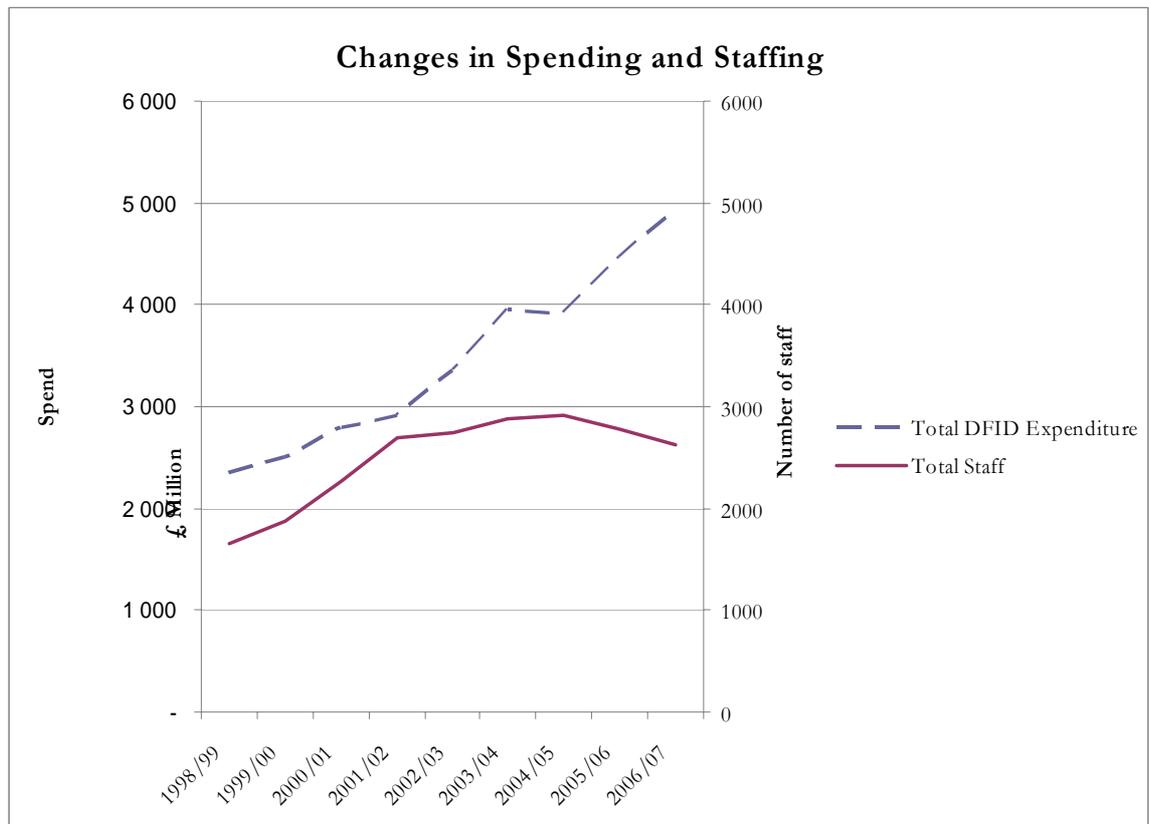
support, new forms of joint programming with other donors, and initiatives such as Joint Assistance Strategies. On these issues, the evaluation observes that DFID staff have been at their most innovative. Other aspects of the Paris agenda, however, have not been seen as high on the corporate agenda: e.g., recording aid on the budget, or finding new modes of technical co-operation. Senior management therefore need to remain aware of the signals they send about the relative importance of aid effectiveness.

113. In the face of a rapidly increasing budget and constraints on its administrative budget, DFID has recently initiated the preparation of a Strategic Workforce Plan to ensure it remains fit for purpose. The UK is committed to achieving a development budget of 0.7% of GNI by 2013. At the same time, DFID's total administration budget must be cut from £232m to £227m between 2007 and 2010. However, the UK Treasury has somewhat relaxed the constraints on overseas administrative costs, allowing a 1% increase between 2007/8 and 2010/11. This will result in an absolute reduction of UK-based personnel in DFID, and a continuing increase in the proportion of staff posted overseas (who can be classified as "Programme Funded Administration" if they spend more than 51% of their time on programme activities)⁵⁵.

114. This places DFID under enormous institutional pressure, as recognised by numerous external reviews (such as the DAC Peer Review, the Cabinet Office Capability Review and the IDC's response to the 2007 Departmental Report). At the same time, DFID is committed to increasing the proportion of its bilateral programme in fragile states, which require relatively higher levels of human resources. As was made clear throughout the evaluation, the level of effort in terms of staff time to implement development programmes according to Paris Declaration principles is considerably greater than for 'old-fashioned projects', although there is no system in place for measuring the transaction costs. In addition to changing the way it works, DFID is also committed to taking on a whole range of new policy challenges, particularly around climate change and other global public goods. Without a strategic approach to workforce management, there is a real risk that DFID will see its capacity begin to degrade.

115. On the one hand, senior managers interviewed for the evaluation asserted that scaling up and staffing constraints were an important driver of improved aid effectiveness. They believe it will force DFID to continue to become more selective in its choice of countries and sectors, better aligned (especially through more budget support) and to engage in better division of labour with other donors.

⁵⁵ DFID internal document, "Guidance to the Reclassification of Frontline Overseas Admin Costs as Programme in Africa, South Asia and EMAAD", undated.

Chart 10: Changes in DFID spending and staffing since 1998

Sources: PRISM; DFID Annual Reports

116. However, interviewees from country offices emphasised the tendency of the Paris Declaration to increase, rather than decrease, transaction costs, and are concerned that the quality of DFID's engagement with its partners will suffer if staff numbers fall too far. Staff are increasingly required to spend more time in capitals talking with donor partners. Shifting towards budget support may deliver 'automatically' against Paris Declaration targets on alignment, but it does not automatically deliver development impact unless supported by high-quality engagement by appropriately qualified staff. Evidence from country programme evaluations (e.g., Indonesia) suggests that a reduction in DFID advisers in-country leads to a reduction in DFID's ability to influence partners. DFID's comparative advantage lies in its greater in-country resources and the high calibre of its staff, and maintaining this advantage is essential for promoting aid effectiveness.

117. To address this deficit in workforce planning, DFID has now begun to prepare a Strategic Workforce Plan, based on divisional plans. So far, the Paris Declaration has not featured as an explicit element in DFID's assessments of its future staffing needs. It would be useful for it to be factored into workforce planning.

118. **There is widespread concern, both inside and outside DFID, that country staff are beginning to lose touch with field-level realities.** The DAC Peer Review recommended that country office spend more time out of capital cities, getting closer to the development realities they support.⁵⁶ However, country office staff interviewed for the evaluation noted that the shift towards up-stream assistance has required them to devote more of their time to transaction-intensive processes with other donors and central government officials. Processes such as budget support negotiations, joint programme management arrangements and Joint Assistance Strategies are designed to create more effective platforms for dialogue and influence. However, the reported cost is that DFID staff spend less time at the frontline of programme delivery, making them less informed about current developments. They also have a narrower range of daily contacts, with less time to travel away from the centre of government, and are in danger of losing the ‘reality check’ that comes from talking to stakeholders at lower levels of government and in civil society. Greater selectivity in engagement, to reduce the number of sectors per country programme, is one key strategy for addressing this problem. In addition, the evaluation suggests DFID consider how to ensure that staff have both the time and the incentives to develop their networks of contacts and keep themselves informed on field-level developments.

⁵⁶ DAC, “United Kingdom Peer Review”, 2006, p. 17.

VI. Conclusions and Recommendations

1. Conclusions

119. The evaluation finds that commitment, capacity and incentives for Paris Declaration implementation are well developed across DFID. They are the product of policies, systems and procedures introduced into the department over the past decade. Many aspects of the Paris Declaration, particularly the change in aid delivery modalities, have now become part of DFID's core business model. DFID's strong performance management system makes the entire organisation, from the highest levels to individual staff, accountable for their contribution to improving aid practices, although there is scope for improving monitoring and reporting. Even without these formal incentives, it is notable the extent to which the core Paris Declaration principles have been internalised by DFID staff, becoming part of the way they understand their own roles and responsibilities. As a result, DFID collectively approaches the Paris Declaration not so much as a set of external obligations, but as a tool that assists it to achieve its own corporate objectives.

120. This evaluation was not designed to test in detail DFID's performance against each individual Paris Declaration commitment. However, a number of observations can be made about the overall pattern of performance.

121. The policies, systems and procedures described here ensure that performance against the Paris Declaration commitments is generally high, and steadily improving. Based on the 2006 Paris Declaration Baseline Survey, DFID has already achieved most of the Paris Declaration targets, and there is no reason why it should not achieve the remaining targets by 2010. However, the current systems do not deliver complete consistency in performance. DFID's overall performance against the Paris Declaration indicators is boosted by strong performances in a number of its largest country programmes. Some country programmes are lagging behind, and the unweighted averages (that is, without taking into account the size of the country programmes) are less impressive. If DFID is to achieve its goal of becoming a model of good practice for the international aid system, then it will need extra effort to boost performance across all of its country programmes.

122. Furthermore, DFID's performance is not entirely consistent across the Paris Declaration agenda. DFID's large-scale shift to upstream aid modalities, with nearly half of its assistance in the form of budget support and other programmatic assistance, together with its very flexible rules and procedures, ensure that it performs well on harmonisation with other donors, country leadership of development policy and use of country systems for aid delivery. However, DFID performs less well on reporting aid on the budget and in-year predictability of disbursements, with some country offices well behind the DFID average and the 2010 targets. In addition, DFID lacks systems to assess its performance against the softer or more qualitative Paris Declaration commitments, like country ownership and mutual accountability, that are difficult to capture through indicators. These areas have apparently not been as high on the corporate agenda, and have not received the level of management attention required to diagnose and address the causes of variations in performance.

123. Bearing in mind these qualifications on DFID's overall very credible performance, this concluding chapter returns to the three dimensions of commitment, capacity and incentives, to consider what are the main institutional determinants of each, and where DFID still demonstrates shortcomings.

Commitment

124. DFID shows a high commitment to aid effectiveness, both in its formal policies and among staff. The evolution of its policies from the 1997 White Paper onwards shows a long-standing concern with improving aid effectiveness. This has been reinforced by regular statements at ministerial level. In addition, there are policies on specific aid-effectiveness issues, including conditionality, country-led approaches and managing for results. DFID has taken on aid-effectiveness commitments over and above the Paris Declaration targets, both singly and in common with other EU members. It has set out its approach to aid effectiveness in the form of Action Plans, and most recently in an internal Aid Effectiveness Strategy. DFID has invested in developing its policy capacity on aid effectiveness. It has dedicated central policy teams which act as internal advocates for improved aid practices, and which contribute effectively to international policy debates.

125. DFID's high level of commitment to the Paris Declaration is reinforced by the domestic political environment, where international development has a high political salience and pro-development lobbies are well organised and influential. UK development NGOs have campaigned extensively for 'More and Better Aid', and lobby effectively around elements of the aid-effectiveness agenda. DFID's external accountability mechanisms to the UK Parliament, Treasury and National Audit Office are also supportive of its commitment to effective use of its aid budget.

126. If there are any grounds for concern about DFID's commitment to the Paris Declaration, it is the preference for high-profile new initiatives over the hard work of implementing old ones. Global spending targets on specific sectors can detract from the Paris Declaration commitments. New initiatives around global public goods also have the potential to push the Paris Declaration into the background. From that perspective, the evaluation was slightly concerned to hear senior DFID staff describe their approach to aid effectiveness as going 'beyond Paris'. There are of course important aid-effectiveness issues not covered by the Paris Declaration. However, there is a danger that DFID may come to view the Paris Declaration as a baseline that has already been achieved, which at this stage would be premature. There is also a risk that DFID's strong performance relative to many other donors may cause it to view the Paris Declaration primarily as a tool for external influencing, rather than as a guide to its own behaviour. We therefore welcome the commitment in the Results Action Plan and internal Aid Effectiveness Strategy to making DFID a model of good practice on aid effectiveness.

Capacity

127. There are a number of basic structural features of DFID as an organisation that reinforce its capacity on aid effectiveness. Its status as an independent ministry with a legal obligation to pursue poverty reduction helps to insulate it from the commercial and foreign policy interests that have been the root cause of many poor aid practices

in the past. As a result of UK civil service reforms over the past decade, it combines a high degree of operational autonomy for individual spending units with systems to hold them accountable for their contribution to departmental objectives. The high level of decentralisation to country offices enables DFID to negotiate on harmonisation and alignment, and to make credible commitments at the country level. Flexible rules and procedures allow country offices to be highly innovative in designing interventions, choosing delivery modalities and pursuing aid-effectiveness initiatives.

128. With half of its staff in its country offices, DFID has relatively strong personnel capacity in the field, and is often called upon by partner countries and donors to lead on aid-effectiveness initiatives. DFID staff show a good understanding of the Paris Declaration principles and commitments, even though training on aid effectiveness has not been as systematic as it might have been. Most of the learning required for implementing the Paris Declaration is acquired through hands-on experience. Paris Declaration-relevant skills such as partnership, influencing and communication are included in the general competency frameworks. However, some DFID informants believe that the organisation still favours technical (sector-specific) skills and knowledge over the 'softer' skills of influencing and relationship building, and would like to see more training in this area.

129. However, the rapid scaling up of the UK aid budget, combined with compression of administrative costs across the UK civil service, has the potential to cause this capacity to degrade. Senior management believe that these pressures will reinforce DFID's commitment to the Paris Declaration agenda, leading to more use of upstream aid modalities and improved division of labour with other donors. Nonetheless, country office staff are of the view that working according to the Paris Declaration principles involves higher transaction costs, and are concerned about their ability to sustain this effort in the future. If the trend towards large budget-support programmes becomes driven by administrative resource constraints, and is not accompanied by continued intensive engagement in policy dialogue and institutional reform, then the quality of DFID aid will suffer. It is therefore important for DFID to engage in careful workforce planning, taking into account the demanding aid-effectiveness agenda. We note that the Treasury has recently relaxed the constraints on overseas staff, who now come under the programme budget if they spend the majority of their time on programme activities. It may be appropriate to define all aid-effectiveness activities as programme-related.

Incentives

130. DFID has a very strong approach to performance management. It has established a cascading set of obligations, from the department as a whole through divisional and departmental levels down to country offices and individual staff. All levels of the organisation are required to report regularly on their contribution to corporate goals (PSA targets). From 2008, the Paris Declaration indicators have been made part of the performance reporting system. In addition, country planning guidance requires country offices to carry out an analysis of aid effectiveness, and to incorporate measures to improve aid effectiveness in their Country Assistance Plan.

131. This has created a strong set of incentives around Paris Declaration implementation. DFID staff interviewed for this evaluation were generally of the view that demonstrating compliance with the Paris Declaration principles would assist their career progression.

132. However, given its commitment to exceeding the Paris Declaration targets and becoming a model for good practice, DFID's monitoring and analysis of its own performance is not particularly strong. For reasons of harmonisation and international comparability, DFID uses the DAC Paris Declaration survey as its primary monitoring tool. However, developing a full picture of DFID performance requires additional information – for example, around the use of conditionality, or the reasons why aid is not being reported on the budget. Ideally, it should involve country offices reporting against qualitative commitments as well as numerical targets, and providing analysis of any shortfalls in performance. This information could then be aggregated and analysed at the central level, to determine whether corrective action is needed. It is this link from monitoring and reporting through analysis to corrective action that it is not yet fully institutionalised, although there is scope to do so within the new performance management system. We note that the decision not to proceed with the updated Medium-Term Action Plan on Aid Effectiveness may have been a step backwards in this respect.

133. As a result, DFID's performance management systems creates incentives towards the achievement of quantitative targets, than towards the more diffuse Paris Declaration principles like country ownership and mutual accountability. In addition, certain aspects of the Paris Declaration agenda, such as division of labour, partner-coordinated capacity building and predictability of aid, do not appear to have received the same level of corporate priority.

2. Recommendations

Recommendation 1: Maintain political commitment

DFID ministers and senior management should continue to make periodic public commitments to Paris Declaration implementation. DFID should set itself the explicit goal of becoming an international model of best practice on aid effectiveness.

Observation: The evaluation concluded that formal incentives within DFID are strongly influenced by signals from the highest levels of the department on current priorities. These priorities are seen as changing rapidly. Periodic signals on DFID's continuing commitment are therefore important for maintaining the incentives for Paris Declaration implementation.

We suggest that:

DFID clarify publicly how Paris Declaration principles will apply to new international initiatives on global public goods, including climate change.

Observations: There is a risk that new initiatives and funding vehicles designed to mobilise rapid international responses on global public goods will undermine the Paris consensus. There is a tendency for donors to respond to urgent new challenges, such as adaptation in developing countries, through large, vertical funding arrangements that cut across country policies and systems. DFID should be using its global influence to encourage new funding vehicles to respect the Paris Declaration principles, as it has been doing in the health field.

Recommendation 2: Improve performance monitoring

DFID should strengthen its internal and external reporting on implementation of the Paris Declaration commitments, working with its partners to introduce qualitative reporting against those commitments for which no quantitative indicator is available.

Observation: DFID has made extensive progress in incorporating the Paris Declaration into its performance management system from 2008. It is now in the process of developing new systems and processes for monitoring and reporting against the DSOs. At present, the DSO targets simply refer to the implementation of Paris Declaration commitments and targets, without further articulation. If these new monitoring arrangements are limited to reporting against established quantitative indicators, they will be insufficient to provide DFID with a complete picture of its performance under the Paris Declaration, and may inadvertently create incentives to focus on measurable commitments at the expense of partnership principles. In addition, the monitoring and reporting systems needs to provide DFID with the capacity to identify the institutional reasons for any shortcomings in performance, and take necessary corrective actions.

We suggest that:

Monitoring and reporting against the Paris Declaration commitments and DFID's Departmental Strategic Objectives should include the following elements:

- Country offices should establish country-specific strategies and targets for aid effectiveness as part of Country Assistance Plan (CAP) preparation, drawing upon dialogue and agreed approaches with partners.
- These strategies should include a description of processes underway to improve implementation against qualitative commitments (e.g., country ownership and mutual accountability), with milestones identified for monitoring purposes.
- The CAP guidelines should provide guidance to assist with this, which is consistent with the latest corporate thinking and policies on aid effectiveness.
- When reporting against the DSOs on aid effectiveness, country offices should provide not just data on the Paris Declaration indicators, but also a qualitative analysis of country-level progress, by reference to their country-specific aid-effectiveness strategies, targets and milestones.
- In their reporting, country offices should analyse the reasons for any shortcomings in DFID's performance (e.g. share of aid reported on the budget), indicating whether corrective actions on DFID's side are required.

- DFID should analyse whether additional aid-effectiveness data could be captured on ARIES at project level, to support monitoring. This might include additional data on aid modalities, conditionality and partnerships.

We also suggest that DFID’s regional divisions (supported by AEAD) provide a stronger challenge function towards country offices around aid effectiveness.

Observation: This might involve analysing country-level aid-effectiveness strategies, CAPs and individual programme design by reference to the Paris Declaration principles, and asking heads of offices to justify the choices involved. Strengthening the internal challenge on aid effectiveness would help to create stronger incentives for heads of office to ensure that aid effectiveness is prioritised by their teams. If special attention is given to country programmes lagging behind on particular the Paris Declaration indicators, this would help to raise the overall consistency of DFID’s performance.

Recommendation 3: Institutionalise lesson learning and continuous improvement

DFID should publish an annual report on aid effectiveness, based on country and divisional reporting. This report should summarise DFID’s performance against its Paris Declaration commitments, and identify priorities for the coming year and institutional measures to improve performance. The report should be made public, to facilitate external accountability. Summary findings and data on aid effectiveness should be incorporated into DFID’s Annual Report to Parliament.

Observation: To achieve DFID’s goal of becoming an international model of best practice on aid effectiveness, it is important that performance data from country office and divisional level is aggregated centrally, analysed and used to inform the continuing development of corporate systems. This includes analysing any difficulties reported by country offices concerning particular Paris Declaration commitments, and finding institutional solutions. If, for example, country offices report that sectoral spending targets are detracting from country leadership, then this information should be fed back to senior management. If DFID is behind on in-year predictability of disbursements, then there should be systematic analysis of the reasons and possible solutions.

We suggest that:

AEAD review the annual reporting from country offices, together with other sources of information, to identify good practices emerging at country level on Paris Declaration implementation, and ensure that they are incorporated into the DFID Best Practice Guide.

Observation: In this dynamic area of development practice, considerable effort will be required to keep the Best Practice Guide up to date and relevant. The evaluation considers that it would benefit from the addition of more country-level material in the “living links” section, together with short summaries of current research and analysis on aid effectiveness by DFID and its partners. This is particularly important in respect of fragile states, where considerable flexibility is needed in applying the Paris Declaration principles and where international thinking on best practice is moving ahead rapidly.

Recommendation 4: Improve transparency

DFID should establish explicit transparency objectives for corporate, country and programme information, and ensure that these are incorporated into corporate systems and procedures. DFID should benchmark its performance on transparency against identified best practices amongst its donor partners (e.g., the World Bank).

Observation: At present, DFID’s lack of transparency limits the scope for mutual accountability. While DFID publishes more information than its civil society critics give it credit for, much of the information is not readily accessible, or in a form that facilitates external scrutiny. The main reasons appear to be technical shortcomings in DFID’s information management systems, together with concerns about the quality of documentation, such as project reviews. However, we are of the view that increasing the level of transparency would help to drive up quality.

We suggest that:

- The remit of the current Publishing Project Information initiative within the Information Services Department (ISD) should be expanded to cover transparency in support of Paris Declaration implementation.
- A team should be formed, including ISD technical managers, the ARIES team, AEAD and country office staff, to develop standard approaches and guidelines to placing information on country programmes into the public domain.
- DFID should review the way in which programming and financial data is presented on the country pages of its website.

Observation: As part of its on-going work on mutual accountability, it would be useful for DFID to analyse what kinds of country programme data are most likely to assist partner countries, civil society and other donors to make informed assessments of DFID’s performance against its aid-effectiveness commitments, and ensure that the data is presented on the website in a form that facilitates this analysis. This would be consistent with on-going efforts by Evaluation Department to give external partners more of a role in joint evaluations.

Recommendation 5: Personnel management and workforce planning

DFID should ensure its Paris Declaration commitments are taken into account more explicitly in its workforce planning, training, recruitment, appointment and promotion.

We suggest that:

Training on aid effectiveness be further developed, and offered more systematically, particularly for B and C grade staff.

Observation: Country office staff report that there is a need for a more concerted approach to teaching the behaviours (negotiation; influencing; partnership building) required to support aid effectiveness. These skills may be best taught on the job, through coaching and mentoring.

The current round of workforce planning should ensure that scaling up and administrative cost constraints do not cause DFID's in-country capacity degrade.

Observation: DFID's budget-support programmes and other upstream modalities are most effective when they are supported with intensive staff engagement in policy dialogue and institutional reform. Workforce planning should be based on a realistic (and if possible quantitative) assessment of the staff time required to sustain this level of engagement. Country staff also need time to develop their network of contacts and keep themselves well informed on field-level realities in their areas of responsibility.

DFID considers developing clearer rules or guidelines on selectivity of engagement in country programmes, to encourage country offices to focus their efforts on a limited number of sectors.

Observation: Balancing high-intensity engagement with administrative resource constraints will necessitate DFID country offices working in fewer sectors. At present, however, country-office staff report both internal and external pressure working against greater selectivity in programming.

Annex 1 Summary of DFID evaluation finding against Paris Principles

	Commitment	Capacity	Incentives
Ownership	<p>Summary: DFID demonstrates high levels of formal and informal commitment to the principle of country ownership, articulated through policy developed over the last decade.</p> <p>Evidence:</p> <ul style="list-style-type: none"> • Successful White Papers from 1997 onwards make a strong commitment to ownership and partnership. • 2005 DFID Action Plan on Country Led Approaches: “Country led approaches are about <u>empowering</u> partner countries to define their own approach to tackling poverty.” • 2004 DFID policy on conditionality renounces its use to impose specific policy choices. • Staff voice a high level of commitment to and understanding of the principle. <p>Challenges:</p> <ul style="list-style-type: none"> • External respondents note that DFID staff may sometimes default to a narrow interpretation of ‘country ownership’, as meaning the preferences of the government. They question whether DFID (and other donors) are willing and able to engage fully with the political and contested nature of the development process. 	<p>Summary: DFID demonstrates good capacity to support country ownership.</p> <p>Evidence:</p> <ul style="list-style-type: none"> • DFID has been instrumental in developing new platforms of policy dialogue, such as multi-donor budget support arrangement and joint performance assessment frameworks. These mechanisms are intended to create an appropriate balance between donor influence and country ownership, although the effectiveness varies across countries. • DFID country offices generally provide good support to the preparation of PRSPs and national development strategies, including consultative processes. In most countries, it supports civil society organisations to provide research and advocacy on development issues. <p>Challenges:</p> <ul style="list-style-type: none"> • DFID is still developing a system for monitoring conditions at programme level. To date, it has been unable to monitor compliance with its own policy on transparency of conditionality. • While DFID policy permits the use of ‘process conditionality’ to encourage partners to use participatory approaches to development planning, there is little evidence that this is helping to broaden country ownership. • DFID has invested significant resources in political economy (‘Drivers of Change’) analysis over the past five years, but has recently reduced its central support for this approach. 	<p>Summary: Both formal and informal incentives appear supportive of country ownership.</p> <p>Evidence:</p> <ul style="list-style-type: none"> • DFID’s CAP Guidance places strong emphasis on supporting national development strategies and analysing the quality of participatory processes. • DFID staff show a strong intellectual commitment to the principle. <p>Challenges:</p> <ul style="list-style-type: none"> • Global, sectoral spending targets adopted by ministers can cause country offices to reallocate funding without regard to country preferences.

	Commitment	Capacity	Incentives
Alignment	<p>Summary: DFID’s preferred model of aid delivery is to align with partner policies and systems.</p> <p>Evidence:</p> <ul style="list-style-type: none"> • DFID CAP Guidelines require country assistance to be aligned with national development strategies. • DFID is committed to increasing its use of budget support and PBAs. • DFID believes that providing assistance through country systems is the most effective strategy for strengthening them, and increases the sustainability of interventions. • Together with other EU members, DFID has committed itself to providing all capacity-building assistance through partner-coordinated programmes, to providing 50% of its assistance through country systems and to establishing no new PMUs. 	<p>Summary: DFID’s light and flexible rules and procedures give it considerable capacity to align.</p> <p>Evidence:</p> <ul style="list-style-type: none"> • DFID’s status as an independent department, its high degree of decentralisation and relatively strong presence in-country all contribute to its capacity to align. Senior management are of the view that pressures on administrative costs across the UK civil service will facilitate greater harmonisation and alignment by encouraging the shift to upstream modalities and better division of labour with other donors. However, country office staff also note that the Paris Declaration principles are transaction intensive, and are concerned that administrative constraints may reduce their effectiveness in the future. • DFID’s rules permit the use of country systems where they offer reasonable fiduciary standards. Country offices are required to assess the fiduciary risks involved when choosing an aid modality, but can proceed with programmatic assistance despite known shortcomings, provided there is a credible process for strengthening the systems and the development benefits are shown to outweigh the fiduciary risk. • DFID has met its target of delivering 50% of its assistance through country systems in respect of public financial management (75% overall; unweighted county office average 53%) and procurement (76% overall; unweighted country office average 51%). • DFID’s assistance has been fully untied since April 2001, including technical assistance. • DFID is developing 10-year Development Partnership Agreements with many of its partners, which contain medium-term commitments for better and more predictable aid. 	<p>Summary: Both formal and informal incentives are supportive of alignment.</p> <p>Evidence:</p> <ul style="list-style-type: none"> • Alignment (especially the shift towards new aid modalities) is clearly perceived as a corporate priority. • Senior management believe that the scaling up of DFID assistance will create a strong imperative for alignment and harmonisation. • DFID staff believe that demonstrating commitment to the Paris Declaration principles, including alignment, supports their career progression. • DFID staff demonstrate a high degree of intellectual commitment to the Paris Declaration principles. • From 2008, DFID country offices and divisions will be required to report on their performance against the Paris Declaration principles, including alignment, as part of the corporate performance management system.

	Commitment	Capacity	Incentives
Alignment continued	<p>Challenges:</p> <ul style="list-style-type: none"> DFID has identified that certain elements of alignment, including predictability of aid flows and reflecting aid on budget, have not received the same level of corporate priority in the past, and has noted these as priority areas in its internal Aid Effectiveness Strategy. DFID does not yet have a clear strategy for promoting country leadership of capacity building. 	<p>Challenges:</p> <ul style="list-style-type: none"> The 2006 Baseline Survey revealed that DFID has not yet reached the 2010 target for reporting of its aid on the budget (overall 84%; unweighted country office average 45%, against a target of 92%), and in-year predictability of disbursements (overall 90%; unweighted country office average 48%, against a target of 95%). The evaluation was unable to identify any clear institutional reason for this, and noted that DFID itself had not engaged in sufficient monitoring and analysis to identify whether this reflects an institutional problem. DFID is not placing sufficient emphasis on phasing out existing PMUs (it still has 41, against a 2010 target of 14). Country offices note this is partly due to pressure from counterpart agencies in partner countries to retain existing PMUs. There are risks that administrative cost pressures may cause DFID's currently high capacity to degrade. The evaluation recommends that the staff time required for pursuing the Paris Declaration principles is taken into account in workforce planning, and that it is recorded as programme rather than administrative costs. 	<p>Challenges:</p> <ul style="list-style-type: none"> Country offices report that global spending targets and other central initiatives may sometimes force them to behave in a more unilateral fashion. Country offices and regional divisions have not been challenged to analyse the underlying reasons for shortfalls in performance (e.g., country-led capacity building; predictability of aid).

Harmonisation	Commitment	Capacity	Incentives
	<p>Summary: DFID is strongly committed to joint programming with donor partners, but does not have a clear strategy for promoting greater division of labour.</p> <p>Evidence:</p> <ul style="list-style-type: none"> • Successive UK White Papers have called for a reduction in stand-alone projects, efforts to reduce transaction costs for partners and more use of multi-donor programmes and arrangements. • DFID produced a Harmonisation Action Plan in 2003, which referred to the need to simplify procedures and increase flexibility to encourage harmonisation. This was followed up by a Medium-Term Action Plan on Aid Effectiveness (2005), and most recently by an internal Aid Effectiveness Strategy (2007). • Many country offices have moved almost entirely away from bilateral projects – e.g., the Ethiopia and Vietnam country programmes contain only a single bilateral project. <p>Challenges:</p> <ul style="list-style-type: none"> • Country office staff report that many joint programming initiatives have become very time-intensive, without always delivering commensurate benefits to partners. There is an increasing determination to prioritise the effort put into harmonisation. • DFID does not have a concerted strategy to strengthen its division of labour with other donors, and some country offices report that pressure from partners to remain engaged across multiple sectors is working against greater selectivity. 	<p>Summary: DFID's high level of delegation to country offices and very flexible rules and procedures facilitate joint working with partners.</p> <p>Evidence:</p> <ul style="list-style-type: none"> • The evaluation encountered few corporate or administrative barriers to working with other donors. • Administrative guidance is provided on various forms of partnership, including silent partnerships, multi-donor budget support, shared advisory support, multi-donor trust funds and multi-donor offices. • DFID is willing and able to act as silent partner by delegating management of its funds to other donors. Visibility requirements do not appear to be a significant influence on programming choices. • DFID has entered into joint financing agreements and joint country planning processes in a number of countries (e.g., Cambodia, Bangladesh). • DFID has been instrumental in development Joint Assistance Strategies in a number of African countries, including Tanzania, Uganda and Zambia. While designed to improve division of labour, the evidence suggests that concrete changes in programming has so far been limited. • According to DFID, separate, duplicative field missions are rare, because most activities are managed at country office level. • DFID makes a range of investments in improving the effectiveness of its multilateral partners, including secondments and trust funds designed to boost capacity in strategic areas. <p>Challenges:</p> <ul style="list-style-type: none"> • DFID commissions a large number of studies and other central initiatives that are not always coordinated with partners, despite placing demands on them. 	<p>Summary: There are strong incentives in DFID for working jointly with other partners, but not necessarily for being more selective on sectoral engagement.</p> <p>Evidence:</p> <ul style="list-style-type: none"> • DFID's CAP guidance provides that country offices should prepare CAPs jointly with other donors wherever possible. • Staff report that they are discouraged from proposing purely bilateral projects. • DFID has a strong commitment to improving the effectiveness of the multilateral system, and sees joint working with multilateral partners as a tool of influence. <p>Challenges:</p> <ul style="list-style-type: none"> • There are incentives working against greater selectivity in sectoral engagement. Because of its relatively greater capacity in-country than most bilateral donors, country offices come under strong pressure from partner countries to remain engaged across multiple sectors. • Some DFID staff have noted that DFID often assumes it has a comparative advantage in all sectors.

Managing for Development Results	Commitment	Capacity	Incentives
	<p>Summary: DFID has a strong commitment to managing by results, both in its own practices and those of its multilateral partners.</p> <p>Evidence:</p> <ul style="list-style-type: none"> • DFID is committed to supporting the Paris principles on MFDR. • DFID has developed a Results Action Plan (RAP) in response to the Monterrey Consensus and the Paris Declaration, as well as the requirements of the 2005 White Paper and the International Development (Reporting and Transparency) Act. The RAP notes that DFID needs to improve the availability and quality of information throughout the results chain (inputs, outputs, outcome and impact), and “establish DFID both as a model of good practice and as a driver of reform across the whole development system”. • DFID is active in encouraging multilateral partners on MFDR through the Multilateral Organisations Performance Network (MOPAN). • DFID has a coherent internal performance management system. The 2007 DAC Peer Review noted “The comprehensive and logically constructed programming hierarchy found in the Corporate Performance Framework is administratively efficient, simple and transparent.” The 2007 UK Cabinet Office’s Capability Review of DFID praised the clarity of its objectives and targets, finding “a clear line of sight from corporate to team and personal objectives, enabling an effective focus on outcomes.” 	<p>Summary: DFID has high capability and a good track-record in managing for results.</p> <p>Evidence:</p> <ul style="list-style-type: none"> • UK has built a performance-management approach for the civil service as a whole since the early 1990s. DFID’s Public Service Agreement is a contract setting out the targets agreed with HM Treasury for the Department’s performance for 3-year periods (currently 2003-06, 2005-08). These incorporate the MDGs. • DFID undertakes regular internal and external performance reviews. • From 2008, DFID has incorporated aid-effectiveness commitments into its performance management system. New Departmental Strategic Objectives (DSOs) at corporate level will include commitments to delivering high quality and effective bilateral assistance, and strengthening the international aid system as a whole. Each Division will be required to select up to 20 indicators from a list of 32, of which four relate directly to the Paris Declaration. • DFID has a central policy team focusing on results management, which produced the RAP. • DFID’s high degree of decentralisation facilitates MFDR. Since 1997, DFID country offices have been given a high degree of operational discretion over sectoral allocation of funding and choice of aid modality, with country office heads exercising delegated authority for programming decisions. • CAP guidance mandates aid effectiveness analysis and planning. CAPs must specify how DFID will promote the Paris Declaration and implement corporate strategies on country-led approaches and conditionality. They must also specify how results will be demonstrated. • In addition to the 26 countries who participated in the 2006 DAC Paris Declaration survey, DFID surveyed all of its priority (PSA) countries, giving a total coverage of 29 out of 34 country offices. The survey provides data against the ten relevant Paris Declaration targets, enabling DFID to calculate its overall corporate performance, its unweighted average across its country offices and the variations at country office level. With this data, DFID produced an internal analysis of its overall performance. It found that the unweighted average lagged behind its overall corporate performance, indicating that its overall performance is influenced by a number of large, high-performing country programmes. Consistency in performance across country offices was therefore identified as an issue. 	<p>Summary: DFID is accountable for its contribution to achieving the MDGs under a contractual relationship with the UK Treasury. It is also under constant external scrutiny to improve its focus on development results.</p> <p>Evidence:</p> <ul style="list-style-type: none"> • DFID is accountable for the achievement of performance and spending targets (including the MDGs) to the Treasury, formalised through the Public Service Agreement (PSA). DFID reports annually to Parliament and Treasury against the PSA, as well as on the achievement of its wider commitments. In addition to the annual report, it also publishes a six-monthly report on achievement against its PSA commitments. • DFID is subject to annual compliance and periodic value for money audits by the National Audit Office, which reports to the PAC. The mandate of the National Audit Office is to report on the economy, efficiency and effectiveness of government expenditure. • DFID has a strong approach to performance management. It has established a cascading set of obligations, from the department as a whole through divisional and departmental levels down to country offices and individual staff. All levels of the organisation are required to report regularly on their contribution to corporate goals (PSA targets). From 2008, the Paris Declaration indicators have been made part of the performance reporting system. In addition, country planning guidance requires country offices to carry out an analysis of aid effectiveness, and to incorporate measures to improve aid effectiveness in their CAP.

	Commitment	Capacity	Incentives
<p>Managing for Development Results continued</p>	<p>Challenges:</p> <ul style="list-style-type: none"> DFID has not been sufficiently systematic in capturing lessons from the monitoring and evaluation of individual programmes and projects, and ensuring they are made available across the organisation. Measures are now underway to improve the quality of programme reviews. 	<p>Challenges:</p> <ul style="list-style-type: none"> New guidance on country planning may take a slightly narrow view of the Paris Declaration, focusing on funding modalities and donor harmonisation. Given the planned focus issues like mutual accountability and division of labour at Accra, more detailed guidelines in these areas may be required. DFID's strong performance culture makes it better placed to achieve quantitative targets than 'softer', qualitative principles. This is particularly the case for commitments around ownership and mutual accountability, where the Paris Declaration itself is open-ended. DFID's ability to monitor its performance against the Paris Declaration commitments could be strengthened further. Corporate systems are designed to support domestic accountability requirements and to support DAC Statistics in Development reporting, but do not at present require reporting against the Paris Declaration indicators. DFID's current management information system (PRISM) is weak at capturing aid-effectiveness data at individual activity level. This leaves DFID dependent on the DAC Survey methodology, with its acknowledged limitations. DFID is in the process of developing new reporting mechanisms on AE as part of its performance management system. The evaluation recommends that this includes qualitative monitoring and reporting against Paris Declaration commitments. To improve the effectiveness of its aid, DFID could put greater effort into analysis of reasons for variations in performance across country offices and different Paris Declaration commitments. For example, it would be useful to have more analysis of the institutional reasons behind apparent shortfalls in predictability of aid flows. 	<p>Challenges:</p> <ul style="list-style-type: none"> Incentives are not consistent across all elements of the Paris Declaration agenda. Some issues – country leadership, alignment and harmonisation – have been clearly established as corporate priorities. Other areas – division of labour, partner-coordinated capacity building, predictability of aid, recording aid on budget – have not received the same attention. There is a risk that DFID's approach to performance management encourages staff to focus on areas where progress can be demonstrated through quantitative indicators, at the expense of the more qualitative commitments – country ownership, mutual accountability – where progress is dependent on other actors and it is harder to demonstrate a personal contribution.

Mutual Accountability	Commitment	Capacity	Incentives
	<p>Summary: DFID's commitment to mutual accountability needs to be more clearly articulated.</p> <p>Evidence:</p> <ul style="list-style-type: none"> • Since the 2000 White Paper, DFID has been committed to greater transparency in development programmes, and to clear information flows for partner countries on commitments and disbursements. It supports the involvement of representatives of developing countries and civil society in the review of development programmes. • The 2006 White Paper calls for a stronger role for the OECD DAC in monitoring donors against their commitments, and for leading the global debate on aid allocation. It calls for support to developing countries in managing their relationship with donors, and encouragement to civil society in monitoring donor performance. • The 2005 Medium-Term Action Plan on Aid Effectiveness calls for improved donor accountability, including monitoring mechanisms at country, regional and international levels. 	<p>Summary: DFID is entering into long-term Development Partnership Arrangements with many of its partner countries to promote mutual accountability. However, there are some concerns that shortfalls in DFID's own transparency, due primarily to technical shortcomings in information management systems, may limit the scope for external accountability.</p> <p>Evidence:</p> <ul style="list-style-type: none"> • DFID is entering into Development Partnership Arrangements (DPAs) with bilateral partners, setting out the UK's long-term commitments, including for the delivery of more predictable and better aid. DPAs also specify the conditions on which UK aid may be suspended (e.g., human rights violations), and are intended to support transparency, predictability and mutual accountability. • DFID is required by law to report on its expenditure, but not on its progress against the Paris Declaration. The International Development (Reporting and Transparency) Act 2006 requires DFID to publish the Annual Report submitted to Parliament, which must include a forecast of the year in which the UK will reach the 0.7% GNI target, progress toward the MDGs, the effectiveness of both bilateral and multilateral aid provided by DFID in achieving these targets, and progress on untying aid. Under the Act, DFID reports on its contribution to achieving the MDGs, but not on compliance with the Paris Declaration. • DFID has become progressively better at publishing aid-effectiveness data in its Annual Report. • DFID has supported the development of mutual accountability processes at country level in a number of cases, such as independent monitoring of aid effectiveness (e.g., Tanzania, Vietnam). At the international level, it has been an advocate for improved predictability and transparency of aid flows. It has made the promotion of initiatives such as these a key objective for the Accra HLF. 	<p>Summary: There is scope for DFID to improve the internal incentives around mutual accountability.</p> <p>Evidence:</p> <ul style="list-style-type: none"> • DFID is subject to a substantial regime of domestic accountability institutions. Some civil society observers have questioned whether these accountability institutions have fully taken on board the principles of the Paris Declaration. There are suggestions, for example, that they may be more concerned with financial probity than development impact, and more concerned with visibility of UK spending than with good aid practice. The evaluation has not found any evidence to support this view; the NAO, for example, draws on the Paris Declaration for its assessments of whether DFID is providing value for money. • DFID benefits from a productive relationship with UK civil society. The influential UK development lobby is well informed about DFID performance, and closely engaged in the policy process. There is regular contact and good information flows between BOND/UKAN and the DFID policy teams responsible for aid effectiveness. Civil society advocates report generally good access and influence, although they remain concerned that poor transparency on DFID's side can make independent monitoring and evaluation difficult.

	Commitment	Capacity	Incentives
<p>Mutual Accountability continued</p>	<p>Challenges:</p> <ul style="list-style-type: none"> DFID is aware that, together with other donors, it does not yet have a clear strategy for how to operationalise mutual accountability. It has commissioned a number of studies on the issue, and will seek to build an international consensus at Accra. 	<p>Challenges:</p> <ul style="list-style-type: none"> On principle, DFID seeks to complement its budget-support programmes with activities aimed at improving country systems and strengthening democratic accountability. The evaluation finds that in practice, however, these complementary activities are not always articulated at programme design stage, nor pursued systematically. DFID is not always consistent in ensuring that national parliaments, accountability institutions and civil society are incorporated into budget support arrangements. DFID's own lack of transparency is a limitation on mutual accountability. Civil society observers note the difficulty of accessing project-level documentation, disbursement information and corporate performance data. While DFID does publish some project-level documentation, it is not easy to find. It does not publicise annual reviews or project completion reports, due both to technical problems and concerns about the quality of the reports themselves. Country-level spending data is made public through the departmental Annual Reports, but not provided on the country pages of the DFID website. Some DFID country offices have established their own websites, but these are not standardised. Consequently, DFID compares poorly to the best-practice example of World Bank, where project documentation, spending and reviews are easily found on the website. DFID is currently rolling out a new information management system (ARIES), which when coupled with the new electronic document and records management system (Quest) is expected to significantly improve its information-management capability. However, decisions are awaited from senior management both on what aid-effectiveness data will be captured, and what information will be placed in the public domain. Recently, DFID has launched a "Publishing Project Information" initiative to improve transparency, and it is anticipated that the volume of information made public (including project reviews) will significantly increase. With these new systems, there is no reason why DFID should not be able to become a model of best practice in external transparency of programme and financial data, provided this is explicitly adopted as a goal by the department. 	<p>Challenges:</p> <ul style="list-style-type: none"> DFID has been slightly defensive towards its domestic constituency when it comes to aid effectiveness. In its Communication Strategy and its Annual Reports, DFID has stressed the importance of building public support for an enlarged development budget. Given this emphasis on making the case for scaling up, the evaluation finds that DFID (like most donors) likes to project positive images of its own performances, and tends to gloss over imperfections in the aid process. As a number of DFID informants noted, there are difficulties in communicating the Paris Declaration agenda to the public – both because of its fairly dry and technical nature (compared to, say, the more tangible MDGs) and because the link between improved aid practices and development outcomes is still rather attenuated. This points to the need to develop a set of basic messages to put into the public domain on aid effectiveness. There is a risk that DFID's approach to performance management encourages staff to focus on areas where progress can be demonstrated through quantitative indicators, at the expense of the more qualitative commitments – country ownership, mutual accountability – where progress is dependent on other actors and it is harder to demonstrate a personal contribution. Pilots are being undertaken to assess how to evaluate the impact of external influencing efforts.

Annex 2 Evaluation framework

EVALUATION FRAMEWORK				
	Policy	Performance Management & Systems	Programming & Spending	Staffing
Commitment	<p>What is DFID's overall level commitment to Paris Declaration implementation?</p> <ul style="list-style-type: none"> - How are the five main Paris principles reflected in DFID policies? - How do the Paris Declaration commitments relate to other policies and corporate objectives? - How are the Paris Declaration principles reflected in DFID policies on: <ul style="list-style-type: none"> • conditionality; • aid modalities; • fiduciary risk management; • fragile states; • multilateral vs. bilateral assistance; • Institutional Strategies. - What is DFID's commitment to promoting the AE agenda globally? 	<p>How are the Paris Declaration commitments reflected in DFID's management systems and procedures?</p> <ul style="list-style-type: none"> - To what extent are Paris Declaration commitments reflected in DFID's performance management processes, including: <ul style="list-style-type: none"> • PSA targets • Organisational and departmental objectives and performance indicators; • CAP guidance? - Are there processes underway to improve the alignment of procedures and systems with the Paris Declaration? - Does DFID's organisational culture and management style facilitate Paris Declaration implementation? 	<p>How are the Paris Declaration commitments reflected in DFID's policies on programming and spending?</p> <ul style="list-style-type: none"> - What targets has DFID set itself to align its programming to its Paris Declaration commitments (e.g., on PBAs)? - Does DFID offer a permissive environment for programming innovations? - How do DFID's policy on aid modalities relate to its Paris Declaration commitments? - How does the scaling-up of aid affect corporate priorities? - How does the balance between (i) LICs and MICs; and (ii) fragile states and others affect DFID's position on AE? 	<p>How are the Paris Declaration commitments reflected in staffing policies?</p> <ul style="list-style-type: none"> - How are the behaviours implicit in the Paris Declaration incorporated into staff competencies? - Do job descriptions demonstrate a commitment to Paris Declaration implementation? - Are current staffing policies conducive to country leadership and effective partnerships?

EVALUATION FRAMEWORK				
	Policy	Performance Management & Systems	Programming & Spending	Staffing
Capacity	<p>What level of policy capacity does DFID have on aid effectiveness?</p> <ul style="list-style-type: none"> - What resources does DFID devote to policy development on AE? - Who are the main drivers of AE policy within DFID? What is their role and influence? - To what extent are its policies and approaches developed collaboratively with others? - What are the constraints on DFID harmonising its policies with others? 	<p>How does DFID ensure it has the institutional capacity to implement the Paris Declaration?</p> <ul style="list-style-type: none"> - How does DFID's organisational structure, including level of decentralisation, facilitate meeting Paris Declaration commitments? - Does DFID have the staff resources in-country to implement its Paris Declaration commitments? What are effects of headcount constraints? - Do DFID's sectoral or other targets affect its capacity to meet its Paris Declaration commitments? - How does scaling up affect capacity to implement the Paris Declaration? - What systems are in place to measure progress against the Paris Declaration commitments? - What examples exist of corrective action to improve the achievement of Paris Declaration commitments? 	<p>What changes to programming and spending can be attributed to the Paris Declaration principles?</p> <ul style="list-style-type: none"> - What proportion of DFID spending is <ul style="list-style-type: none"> • aligned with national development strategies? • delivered through country systems? - How does DFID's approach to budget support, SWAs and PBAs reflect its understanding of the Paris Declaration commitments? - Is DFID investing sufficiently in the development of country capacity and systems for ODA management? - How predictable is DFID's assistance? Is it able to be reflected on national budgets? 	<p>Does DFID have the human resources to meet its Paris Declaration commitments?</p> <ul style="list-style-type: none"> - Is the current and planned staffing profile adequate for achieving Paris Declaration targets, at HQ and in country? - How do COs assign roles and responsibilities for Paris Declaration implementation? - Do staff have an adequate understanding of Paris Declaration principles? - Do recruitment and training programmes take into account the skill sets needed for Paris Declaration implementation? - What are the implications of an increasing commitment to fragile states?

EVALUATION FRAMEWORK				
	Performance Management & Systems	Programming & Spending	Staffing	
Incentives	<p>What external factors influence DFID's policies on AE?</p> <ul style="list-style-type: none"> - What level of political commitment is there in the UK to improving aid practices? - How is DFID's externally accountable for its AE policy? - How responsive is DFID to different voices on aid policy, particularly from the South and civil society? 	<p>How does DFID ensure that country offices have an incentive to implement the Paris Declaration?</p> <ul style="list-style-type: none"> - Do country offices have an incentive to monitor their own performance against the Paris Declaration? - Are country offices able to absorb the transaction costs involved in harmonisation and alignment? - Does DFID have the incentives to work in effective partnership with partner countries and other donors? - Do country offices face tensions between promoting a country-led approach and meeting DFID's corporate priorities? - Are there tensions between mutual accountability at country level, and vertical accountability within DFID? - What are the incentives and inhibitors for use of country systems and phasing out parallel delivery structures? - Do partner countries or other donors perceive any difference between rhetoric and reality in the way DFID approaches its Paris Declaration commitments? 	<p>How do aid volumes and programming approaches affect incentives to implement the Paris Declaration?</p> <ul style="list-style-type: none"> - What are the pressures on country offices regarding aid modalities, and how do they influence Paris Declaration implementation? - Do country offices respect country leadership and preferences? - How does the Paris Declaration affect the transaction costs of aid delivery? - What are DFID's visibility requirements, and do they impede achievement of the Paris Declaration objectives? - How does scaling up affect the incentives of country offices towards the Paris Declaration? - How do DFID's rules on fiduciary risk affect incentives on use of country systems? 	<p>Do DFID staff have the incentives to work according to the Paris Declaration principles?</p> <ul style="list-style-type: none"> - Does performance assessment and promotion reflect the Paris Declaration principles? Are good performers rewarded? - How does DFID's institutional culture relate to the Paris Declaration principles? Does it promote good partnership working over individual staff profile? - Do staff have the scope and support to take on innovative practices (e.g., shared offices or joint country strategies)? - Do staff working in fragile states have the incentives to prioritise the Principles for Good Engagement in Fragile States and Situations?

Annex 3 List of people interviewed

Name	Title/Role	Department	Organisation
Addies, Craig	Head	Finance and Corporate Performance Division Cabinet	DFID
Athayde, Chris	Head	International Office	DFID
Bassett, Sue	Policy Analyst	Donor Relations Department	DFID
Bewes, Anna	Deputy Director (Strategy), South Asia Division	South Asia Strategy and Operations (SASO)	DFID
Cooke, Sarah	Deputy Director, Head	Aid Effectiveness and Accountability Department	DFID
Cooper, Chris	Researcher into JAS processes.		UK School of National Government
Ditchburn, Liz	Deputy Director	Programme Guidance and Support, FCPD	DFID
Drake, Liz	Policy Adviser	Country-led Approaches and Results team, AEAD	DFID
Edwards, Richard	Deputy Head	DFID Uganda	DFID
Frances Harper	Statistics Adviser	Aid Effectiveness and Accountability Dept	DFID
Gardner, Tony	Head	Procurement Group	DFID
George, Jenny	Audit Manager	International Development Value for Money Studies	National Audit Office
Gill, Simon	Head	Corporate Planning and Performance Group	DFID
Griffiths, Jesse		Policy	Action Aid
Harding, Phil	Deputy Head	DFID Vietnam	DFID
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Thomas, Louise	Head of Corporate Plan Team	FCPD Temporary Team	DFID
Tierney, Jane		FCPD Cabinet	DFID
Trivedy, Roy	Head	DFID Tanzania	DFID
Wedgwood, Kate	Head	Director's Office, West and Southern Africa & Head of Communications, Africa Division	DFID
Wedgwood, Helen	Team Leader	Country led Approaches and Results	DFID
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Wratten, Ellen	Head of Profession	Social Development Cadre	DFID
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