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Lessons for the Italian Development Agency from the UK's Department for International Development

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A. Introduction

1. In August 2014, the Italian Parliament approved a new development cooperation law establishing a development agency and a separate development bank. The agency will come under the Ministry of Foreign Affairs and International Cooperation. A new Deputy Minister for Development Cooperation will lead the strategic and political dimensions of the agenda, whilst the operational aspects will be managed by the new agency.

2. This note sets out key strategic and operational considerations for the establishment of Italy's new aid agency. It draws on practical experience and lessons from the UK's Department for International Development (DFID) to set out reflections on the challenges of setting up a development agency.

3. There is a range of institutional designs for development agencies. These arrangements are not static over time. Governments tend to reform the configuration of their development agencies to reflect major changes in strategic orientation and policy priorities, and often in response to decisions about the political salience of international development assistance.

4. Development agencies in OECD Development Assistance Committee (DAC) countries may be categorised by four institutional models:

    a. Development cooperation is integrated in the Ministry of Foreign Affairs (MFA) that takes the lead and is responsible for policy and implementation, e.g. Denmark
    b. Development cooperation is managed by a department or an agency within the MFA which leads and is responsible for policy and implementation, e.g. Ireland
    c. A ministry has overall responsibility for policy and a separate executing agency is responsible for its implementation, e.g. Sweden
    d. A ministry or agency (other than the MFA) is responsible for both policy and implementation, e.g. the UK.

5. The establishment of the Italian agency moves Italy from a model in which development cooperation is managed by a department within the Ministry of Foreign Affairs to one in which the ministry has overall responsibility for policy and a separate executing agency is responsible for implementation. This structure has some similarity to previous institutional models used to deliver the UK bilateral programme. Prior to the creation of DFID in 1997, the UK aid programme was implemented by the Overseas Development Administration (ODA) with a junior Minister reporting to the Prime Minister through the Foreign Office. Whilst ODA was responsible for aid policy, the aid programme was heavily influenced by foreign policy.

6. Since 1997, the UK institutional model has evolved further with the status of the bilateral programme and its Minister being raised to the same level as other government ministries. Henceforth, the UK had a stand-alone ministry/department (Department for International Development) with its own Minister/Secretary of State on an equal footing with other cabinet members (including the Foreign Minister) and with full control of its own budget. This new Department was fully responsible for all aspects of international development policy and for the management and delivery of the aid programme. The aid budget was set on an increasing trajectory and the level of ambition was raised considerably.

7. Much of the DFID institutional experience is relevant to the new Italian agency and this is explored further in the paper. Other bilateral donor experience is likely to be relevant as well. For example, the Swedish Government has a separate aid administration SIDA, which works closely with its parent Ministry of Foreign Affairs. SIDA staff typically work alongside their diplomatic counterparts in their overseas missions. The Belgian Government uses a similar model. In both cases there are similarities and differences with the UK experience.

8. The first part of the paper reviews available accounts of DFID's establishment to identify the enablers of the successful transition to a separate department. The second part examines DFID's current operational set-up. The final part draws lessons and considerations from the DFID experience for the establishment of the Italian development agency.

B. The enablers of DFID's successful transition

9. The 1997 OECD DAC review[1] noted that ODA had already established a fundamentally sound organisation for aid policy and delivery. The quality of DFID's approaches to aid project management was evident in a number of areas, such as:
   - the role of defined objectives (aims) as the driving force in managing the whole department, and in particular, in programme design and performance monitoring;
   - the emphasis on information systems, facilitating this approach and underpinning DFID's decentralised system of management;
   - the concept of projects as locally-owned processes rather than donor designed blueprints;
   - the use of professional staff as advisers interacting in both headquarters and in the field;
   - the recruitment criteria and selection techniques for technical cooperation experts, adapted to the new development agenda and to their role as facilitators of local capacity development;
   - the Joint Funding Scheme (JFS) for funding NGOs and NGO mechanisms; and
   - the high quality of British Aid Statistics, one of the best published statistical records among DAC Members.

10. These characteristics are fundamental aspects of good aid management, which are as relevant to the proposed new Italian Government development agency as they were at the time to ODA. They are key elements and characteristics of the UK aid programme, which persist today and have been further developed under subsequent institutional arrangements.

11. The main change brought about by creating DFID was that the new Government had considerably broadened the remit from the more narrow aid policy and administration to all aspects of international development. There was a new mission around making a contribution to global poverty reduction, which embraced a much wider agenda of debt reduction, trade and investment as well as conflict prevention. DFID's ability to take on this expanded role required it to build further on the core strengths identified in the 1997 DAC review.

[1] See http://www.oecd.org/dac/peer-reviews/unitedkingdom1997developmentco-operationreview.htm

A supportive political environment

12. One of the key underlying factors of DFID's relatively successful establishment was the extremely supportive – and perhaps unique – political, economic and administrative environment of the UK in the mid to late 1990s and early 2000s (Barder, 2005; Vereker, 2002).

13. In 1997, the Labour government was elected through a landslide victory and unassailable majority in Parliament on a general platform of optimism, change and reform. Labour had positioned itself in the mid-1990s as a modern, ambitious and idealistic social democratic party in contrast to the long-standing Conservative administration, which had been in power since 1979. Fundamental changes to the UK machinery of government were very much on the cards, and the Labour government had a strong mandate for reform.

14. International aid was not a public priority at the time, but benefited from engagement from senior figures in the Labour government. In the 1997 election, and in the years that followed, international development policy – in terms of support either for or against greater engagement in the issue – scarcely featured as a public policy priority. However, international development and poverty reduction was a personal and long-term political priority of senior members of the Labour government.

15. The benign economic context – rising household incomes, low unemployment and increasing government spending on public services – reduced potential opposition to a well-funded international development agenda. Despite a lack of strong public enthusiasm for international development issues, a policy aiming to increase government attention and spending on international development did not generate significant resistance.

16. The Labour government also set out to modernise UK public administration and undertook a number of major reforms to improve the functioning of government. New 'delivery' and 'strategy' units were set up within government to encourage a focus on getting 'results' out of public spending. A Freedom of Information law was committed to in order to increase government transparency, and a new system of cross-government public service targets was adopted to encourage a managerial focus on delivery, including incentivising government departments to work together. While there was resistance to change, there was also a recognition that reorganising responsibilities and powers between government agencies is not necessarily a zero sum game. Other government departments – for example the Foreign and Commonwealth Office and the Ministry of Defence – were persuaded that they had something to gain from the emergence of a strong, confident agency with clear responsibility for development assistance (Barder 2005).

Legal and bureaucratic reforms

17. There was considerable continuity in staffing during the transition. The Permanent Secretary of the former ODA (under the Foreign and

Commonwealth Office) who had been in post for four years, became the Permanent Secretary of DFID for its first four years. This continuity in leadership, as well as that of a number of other senior staff members who carried over in the same posts, played a positive role in ensuring a successful transition (Young, 2000).

18. DFID was made a full department, with a Cabinet Minister of its own answerable directly to Parliament, fundamentally changing the status of international development policy within government (Burrall et al, 2009). Within the UK system of government, all policy decisions must be made by consensus of the Cabinet, which in theory gives each Cabinet Minister – and therefore the department they lead – a potential veto over government policy. Under the previous ODA system, FCO Ministers would be responsible for representing the case for international development in UK policy making, alongside their much wider mandate to promote UK interests abroad. DFID, as a separate department with a separate Minister, had equal standing to promote, argue for and ultimately reject government policies that it determined were not meeting UK international development objectives. DFID was present in numerous Cabinet Committees that decide policy, allowing for international development issues to be more clearly represented in a number of areas such as foreign, defence, trade, banking, security and migration policy.

19. Making DFID a separate department also changed the status of international policy in terms of external accountability and overall public profile. UK international development policy was given the same level of challenge and scrutiny as other government departments. The Minister was required to answer Parliamentary questions in both houses of the legislature. In the House of Commons, the newly formed International Development Select Committee (IDC) scrutinised and challenged DFID on its expenditure, administration and policies, including the impact of UK policy and practice on developing countries.[2]

20. A revised legal framework unambiguously set out the government's objectives in the area of international development and strengthened DFID's hand in internal government negotiations. The International Development Act, passed in 2002, enshrined in law the single purpose of aid spending: every development assistance project or programme must by law either further sustainable development or promote the welfare of people and be likely to contribute to the reduction of poverty (International Development Act, 2002). Exceptions were aid to UK overseas territories, humanitarian assistance, and contributions to multilateral development banks. The 2002 Act also made it illegal for UK aid to be tied to the use of British goods and services, clearly signalling DFID's primary purpose as a development agency, rather than a tool for furthering UK commercial interests. It clarified the purposes for which aid

[2] The International Development (Reporting and Transparency) Act 2006 (International Development Act, 2006) requires DFID to report annually to Parliament on total expenditure on international aid and on the breakdown of this aid. The Act requires these reports to contain information about expenditure by country, the proportion of expenditure in low-income countries, the effectiveness of aid expenditure and the transparency of international aid. The report is included as part of the DFID Annual Report. It is debated annually in Parliament and scrutinized by the IDC as part of its oversight.

could be given, gave clearer legal authority for DFID's development awareness work, and provided a wider range of mechanisms through which financial assistance could be provided. The use of a legal instrument to oversee and define UK aid spending made it easier for DFID to 'protect' its budget against short-term pressure for re-allocation or spending on non-developmental objectives.[3]

Moving from 'aid' to 'development' in a professionalised department

21. As well as its legal and bureaucratic position within government, DFID undertook a number of internal administrative and policy-based reforms. These had the impact of professionalising the new department and increasing its authority.

22. DFID benefitted from a clear articulation of its purpose. The Secretary of State and the Permanent Secretary agreed on day one that the objective of the department was the reduction, and eventual elimination, of world poverty. This clarity of purpose rapidly transmitted through the organisation and was a powerful motivating, unifying and guiding force. Within six months of its establishment, DFID published a new government White Paper, *Eliminating World Poverty*, which set out an ambitious agenda for UK development policies (DFID, 1997), followed by others in later years. These White Papers were important not only because of what they said, but also because they put on public record clear statements of the government's approach to international development which had not been discussed in the past as a policy area in its own right. These statements brought the organisation together around a number of clear objectives. The White Papers were accompanied by a publicity and communications effort to explain the new policies, both within the UK and abroad.

23. DFID increasingly focused on 'development' policy rather than administration of 'aid'. Its original Public Service Agreement (PSA) targets explicitly put DFID in the lead of UK ambitions regarding poverty reduction, but also made it a key partner in a range of 'beyond aid' policy issues (e.g. conflict reduction, environmental protection, trade promotion). By making DFID formally involved in wider policy-making, it ensured that DFID could engage in a wide set of issues and to play a more influential role in central government decision-making (Gavas et al, 2014).

24. DFID made specific strategic policy choices. These included to end the tying of UK aid, focus on the poorest developing countries, and actively pursue and prioritise the aid effectiveness agenda and adopt new aid instruments. It focused on the governance, health and education sectors. These three absorbed the majority (37%) of UK gross bilateral aid spending in 2012 (DFID, 2014c).

[3] The legal situation regarding DFID spending is more complicated than might be assumed. The International Development Act applies specifically to DFID and not to the whole government's development assistance policy. DFID disbursed 88% of the UK's ODA in 2012/13, with the remaining 12% covered by other government departments. Those departments are not covered by the 2002 Act and are under no obligation to align their spending with the objective of reducing poverty (Gavas et al., 2014).

The three largest bilateral country programmes in 2012 were Ethiopia, Nigeria and Bangladesh. In the same year the main aid modalities under the bilateral programme were respectively project aid (45% of total net UK bilateral aid); core support to international organisations including to multilateral agencies (35%); budget support for developing countries (10%) and technical assistance involving provision of advisers and consultants (7%).[4]

25. DFID aimed to base decisions on evidence while increasing transparency (Vereker, 2002). It established strong connections to academia to base decisions on the latest research findings and instituted a system of quality assurance of important business decisions (Morrissey, 2002). Development policy also became markedly more transparent. Country assistance plans – which formed the basis of DFID country programmes – were published for the first time. Most DFID project documents were made available through the website (Vereker, 2002) and as of 2005, all project documents were opened to public scrutiny in line with the cross-government Freedom of Information Act.

26. The department also changed its staffing structure to increase technical specialism and strengthen country level decision-making, although cross-government pressures on administration costs have challenged DFID's ability to deliver its programmes. Over the first five years, DFID moved a great deal of personnel to its field offices, with nearly half of its staff working in some 50 overseas locations. It delegated increased levels of spending control to its heads of country programmes and changed the core skills of staff from project administration towards analysis, communication and policy dialogue. It developed a system of 'professional cadres' for a number of areas (governance, economics, social development, health, education etc.), which are responsible for designing, quality assuring and overseeing project implementation. Staff must pass qualifying criteria demonstrating their technical competence before being eligible to take a role within the professional cadre.

[4] All these figures are taken from UK Statistics on International Development 2013 at: https://www.gov.uk/government/statistics/statistics-on-international-development-2013

C. DFID's current operational set up

27. Annex 1 gives an overview of DFID's governance, organisational and financial arrangements.

Operational frameworks and coordination with diplomatic offices

28. DFID has 28 priority overseas offices made up of UK based officials posted overseas and locally employed professionals and administrators. These are mainly country offices that are responsible for managing the UK bilateral programme for the specific developing country partner. Each country programme is guided by a strategic and operational framework or plan based on a rolling three year planning framework setting out the objectives, cross cutting challenges like governance, sectoral priorities and proposed funding areas for the programme. Country programmes use a Country Poverty Reduction Diagnostic tool to determine development needs and how UK resources are best used. This is aligned with the overall DFID Corporate Business Plan objectives and regional objectives and is also endorsed by other government departments including the Foreign Office.

29. All bilateral programmes work with the funding allocations set out in the Corporate Results and Resource Framework which is the overall budget for the aid programme including administration costs and planned aid spending. Country offices are led by a senior civil servant with a degree of delegated authority (up to £5 million) for approving funding within the agreed country budgets. However, larger funding commitments are referred to headquarters and to Ministers in London for approval.

30. A Bilateral Aid Review was undertaken in 2011, which was initiated by the government to ensure value for money was being achieved and could be demonstrated to taxpayers. The process involved DFID country programmes bidding for centrally awarded funding on the basis of results they could deliver in individual sectors (DFID, 2011a). This led to results matrices being agreed for each country programme as part of their Operational Plans, which have subsequently been used to monitor programme delivery. The Bilateral Aid Review process illustrates how DFID has continued to evolve organisationally and administratively in response to external pressures and to the wider political context.

31. In 2008, an Independent Advisory Committee for Development Impact was set up to advise DFID on how to strengthen the independence and effectiveness of its evaluation work. In 2011, the government established a fully Independent Commission for Aid Impact (ICAI) with a wide ranging mandate to independently examine and report on all UK Government programmes funded by Official Development Assistance.[5] This was seen as an important assurance on the delivery of value for money under the aid programme at a time of increasing aid spending and tight control of UK public spending.

32. In country, the DFID office is often co-located with the Foreign Office diplomatic post for security reasons and also to enable ease of communication and collaboration. DFID Heads of offices and professional staff work closely with Foreign Office counterparts to ensure alignment and coordination of diplomatic and aid activities. Working relationships are generally good but personalities matter and there can be disagreements from time to time. These are resolved through inter Departmental dialogue or through Ministers in Whitehall.

33. DFID has special arrangements for overseas representation in the UK delegations to international organisations. DFID staff work in the UK delegation to the IMF, World Bank, EU, UN and to EBRD and regional Banks in Africa and Asia.

DFID's overseas presence has long been regarded as one of its great strengths. The existence of well-resourced and staffed field offices allows DFID to exert substantial influence on the wider donor community and to build effective working relationships at all levels of Government and key institutions. The quality and availability of experienced senior professional staff in sectoral expertise provides credibility and increases the confidence of government that the relationship can provide valuable knowledge and expertise as well as access to resources.

Management of staff, recruitment processes and training

34. DFID is a government department staffed by civil servants. It is supported by local staff known as Staff Appointed In Country (SAIC) who are not civil servants, but who are also engaged in aid administration in country. They are not generally eligible to apply for UK based posts. Each DFID overseas office operates its own internal recruitment system that depends on the size of that office and the specific country context.

35. The Permanent Secretary, Directors General and senior managers of DFID are all members of the Senior Civil Service (SCS) and the rest of the staff are either administrators or professionals from a range of cross cutting (governance, economic and social development backgrounds) or more specialist

[5] See, for example, ICAI's 2011 Report, 'Approach to Effectiveness and Value for Money' at: http://icai.independent.gov.uk/wp-content/uploads/2010/11/ICAIs-Approach-to-Effectiveness-and-VFM.pdf

backgrounds. DFID also uses consultants and experts contracted to DFID to provide expertise under the aid programme on behalf of developing countries.

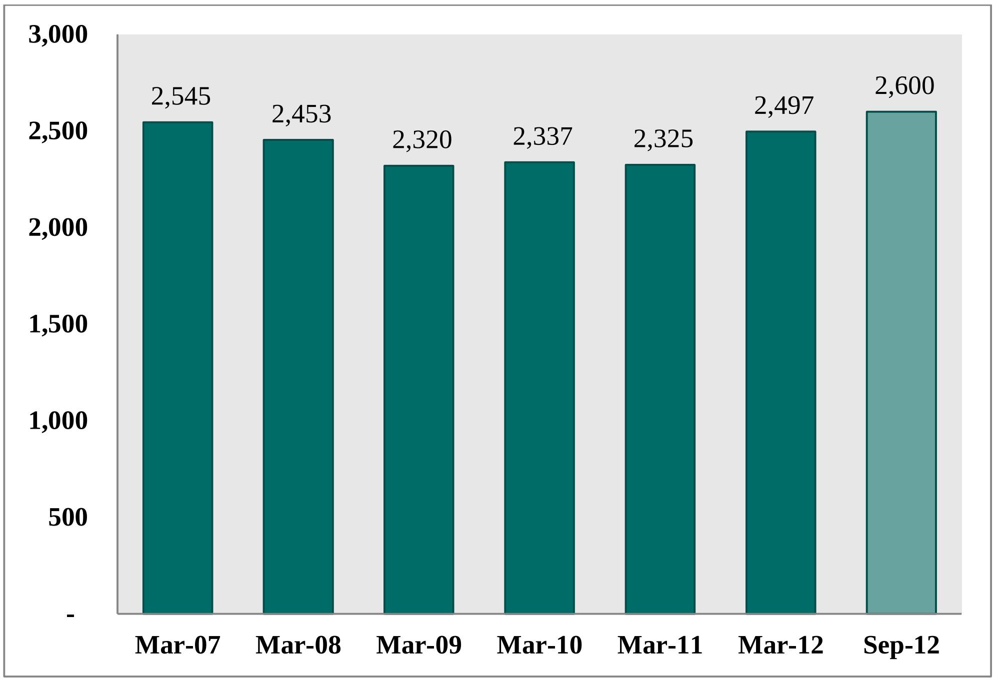
36. UK based DFID staff are recruited into the organisation as career civil servants from university (the 'fast stream') or mid career through direct entry where there are vacancies in specialist areas or where these cannot be filled from within the organisation. Staff can also be recruited directly in more junior administrative grades and work their way progressively up the system. Performance assessments are carried out annually and rigorously linked to Departmental and personal targets for all staff. Promotion is on merit and performance and candidates are assessed by the Human Resources Department.

37. DFID has distinct administrative and professional career structures and cadres. The former are generalists and hold managerial positions within the organisation progressing from desk officer (responsible for a specific programme) to Head of Department/Deputy Director and above to Director and Director General. Professional advisers have their own cadres and entry requires an interview and testing process. High quality of the professional staff is a key factor enabling DFID to engage effectively in policy dialogue and debate with other donors and with developing countries. EU and Commonwealth nationals can be employed up to a senior advisory level in the UK civil service.

38. Recent analysis of the DFID workforce[6] shows that overall staff numbers (full time equivalents) reached 2600 in 2012, which was 11% higher than the year before. The level of seniority (i.e. the grade and level of responsibility) and experience of UK based civil servants has also been increasing. The proportion of national or locally recruited staff which are appointed in country has been growing and was expected to reach 54% of the total workforce by March 2015 (see Figure 1).

[6] The material and tables in the following section are drawn from: UK National Audit Office Briefing For the House of Commons International Development Committee December 2012

Figure 1: Number of full-time equivalent staff employed by the Department – 2007 - 2012



Source: NAO (2012), presentation of departmental data

39. DFID increased the number of specialist advisers by 45% in 2011/12. Some recent data on the breakdown of professional cadres is shown in Table 1 below. In contrast to the professional stream, DFID is planning to reduce the number of administration posts by 18% in the period to March 2015.

Table 1: Number of adviser posts by cadre

	September 2012 actual	Planned Increase/decrease September 2012 to March 2013	March 2013 planned	Planned increase/ decrease March 2013 to March 2015	March 2015 planned
Conflict	29	1	30	3	33
Economics	122	14	136	-5	131
Education	35	6	41	0	41
Environment	54	5	59	-1	58
Governance	108	17	125	-1	124
Health	70	3	73	0	73
Humanitarian	23	5	28	-1	27
Infrastructure	25	7	32	-1	31
Private Sector	46	13	59	-5	54

Rural	27	5	32	2	34
Social Development	73	1	74	2	76
Statistics	41	-1	40	3	43
Evaluation	35	3	38	-1	37
Total	**690**	**77**	**767**	**-6**	**761**

Source: NAO (2012), presentation of departmental data

40. From 2003 onwards, DFID experimented and applied so called 'silent partner' or delegated cooperation arrangements, where DFID funds are handled and managed by a trusted donor partner. These have been widely discussed as part of the aid harmonisation and effectiveness agenda[7] and DFID has also examined its own experience.[8] DFIDs experience suggested that delegated partnerships could work well with adequate planning. They worked less well in cases where there was insufficient alignment in policy and procedures and the level of partner capacity and expertise could not met DFID's needs.

41. DFID staff are expected to spend part of their career in overseas offices to gain experience of developing country aid programmes. As DFID has reviewed its terms and conditions and increasingly focussed on fragile states, it has proven more difficult to recruit staff to challenging locations such as Afghanistan and Pakistan. The lesson from this experience is that careful attention needs to be given to staff incentives and to terms and conditions of employment to ensure it can achieve its staffing targets especially for overseas offices in challenging environments.

42. DFID invests heavily in formal training (between five and eight days a year per staff member) and there is much on the job and internal training through for example annual retreats of professional groups.

43. UK Cabinet Office capability reviews have consistently rated DFID as one of the best performing UK Government departments.[9] However it is not without its critics. Some external commentators have recently highlighted how the demands of bureaucracy and pressures to achieve value for money may be leading to risk aversion and to a decline in morale (Chambers, 2014). A recent review has also criticised DFID for compliance weaknesses in its recruitment procedures.[10]

[7] See OECD DAC (2003) 'Harmonising Donor Practices for Effective Aid Delivery', which discusses delegated cooperation where one donor acts on behalf of another.
[8] See, for example, Mendizabel, Jones and Clarke (2009) 'Review of emerging models of advisory capacity in health and education sectors'.
[9] See HMG (2009) 'Capability Reviews: An overview of progress and next steps'.
[10] See: http://civilservicecommission.independent.gov.uk/wp-content/uploads/2014/07/Compliance-monitoring-ratings-2013-2014-alphabetical.docx

DFID's experience suggests the need to match increased ambition in terms of funding levels and country coverage with an adequate number of aid personnel with adequate incentives and terms and conditions of employment. The quality of DFID staff has helped DFID Ministers to play a critical role in the development of new ideas and approaches in development. The capacity to provide innovative policy thinking and intellectual leadership has arguably helped DFID to significantly influence the wider development community and the positions adopted by the international community.

The project cycle

44. The project cycle depends on the time taken to identify, design and appraise a project or programme. Sometimes this can be a drawn out process (a year or more) where there is a need to test an approach or the level of political commitment. It can involve preparatory studies and pilots of interventions for subsequent scaling up.

45. Each new programme or project proposal requires a business case which is a systematic process to establish the nature of the development challenge, how proposed support would help deliver the UK operational plan and the evidence for the approach being proposed. Options are fully explored and the economic returns and risks to each are considered before a specific proposal is selected and put forward for approval by the Head of Office or DFID headquarters. Subsequently, the preferred option will be taken forward to detailed design and implementation occurs once this is approved by project managers.

46. The key decision makers are the project officer /lead adviser, and the wider professional team within the DFID field office or UK based department who are responsible for managing the business case preparation. The Head of office is usually consulted throughout and makes the final decision on accepting the business case and on approving funding or seeking Ministerial approval.

47. Development partners are consulted in the business case analysis and the Foreign Office diplomatic post is also consulted on the political implications. Preparation of the business case is usually guided by DFID project officers but undertaken by aid-funded consultants. Presentations are made to the wider donor community as required.

48. The real life application of the project cycle approach reflects the local circumstances and context. Where there is limited ownership, more time will be required to build relationships and trust and to consider options. Consultation processes with other donors tend to reflect their degree of interest and involvement so may not always be comprehensive. Business process preparation is often drawn out in practice as there are several iterations reflecting the development of understanding and contributions from dialogue and consultation. Internal comments within DFID also have to be taken on board.

49. DFIDs project and programme preparation processes are generally undertaken to a high standard and are grounded in analysis of the local context, political economy and the technical and economic viability are all assessed based on the available evidence. Where the evidence is lacking or the risks are high, a pilot will be adopted.

50. As the UK aid programme has expanded, DFID has faced considerable pressure to cope with a much larger aid budget at the same time as aiming to 'do more with less' within a tight administration cost ceiling. The enhancement of internal processes and the results focus following the Bilateral Aid Review has also increased demands on staff. Commentators suggest this may have reduced DFIDs ability to respond flexibly and nimbly to rapidly changing circumstances in developing country programmes (Chambers, 2014). There is no evidence that these pressures have led to increased turnover of DFID staff and wastage remains low.[11]

The quality of DFID's programme preparation is demanding of time and resources. There is a constant challenge to manage the portfolio with the available staff and to ensure that time taken is not excessive. DFID has prioritised its sectoral engagement and numbers of projects to prevent overload of its own teams and to enhance aid effectiveness for the partner country. This has had mixed success. The multiple demands to prepare detailed business cases, to ensure value for money and effective monitoring and evaluation may be leading to risk aversion and less effective or slower delivery (Chambers, 2014). Recent initiatives to streamline aid procedures may help address this.[12]

Selection of the implementing bodies

51. As the UK aid programme has grown rapidly in recent years it has been ever more important for DFID to find avenues for high quality management and delivery of its aid programme. A large proportion of the UK aid programme is channelled through international organisations through budget contributions and special programmes. DFID relies on the various multilateral agencies (World Bank, European Union (EU), European Bank for Reconstruction and Development (EBRD), United Nations (UN) Agencies and Regional Development Banks) to manage a significant proportion of its funds and to deliver programmes with a positive development impact.

52. A Multilateral Aid Review was undertaken in 2011 to review the effectiveness of the multilateral development agencies on a range of criteria, including cost effectiveness, transparency, accountability and results focus (DFID, 2011b). The results from this review were used to allocate funding to multilaterals (and take the decision to end funding in some cases), and identify reform objectives. This was regarded as ground breaking at the time and other bilateral

[11] The annual rate of resignations has remained steady and low at 2.3% per annum over 2009-11.
[12] See DFID's SMART Rules: Better Programme Delivery at: https://www.gov.uk/government/publications/dfid-smart-rules-better-programme-delivery

development agencies subsequently undertook similar reviews to rank and assess these agencies. DFIDs experience of using advisers to staff UK delegations to the various international agencies and of seconding DFID staff into these organisations is also likely to be relevant. The placement of knowledgeable, high quality professional DFID staff has helped to ensure DFID maximises its influence in the multilateral agencies.

53. UK bilateral aid within country programmes is often channelled through partner governments in the form of financial aid.[13] It is recognised that this approach carries with it risks that funds may not be used for the intended purpose, do not achieve value for money, or are not properly accounted for. However DFID staff have a mandatory requirement to carry out a national level fiduciary risk assessment (FRA) every three years and to undertake an FRA of individual sector programmes or projects. These FRAs review the public finance system and can propose risk mitigation methods including safeguards as well as ongoing improvements to financial systems and anti corruption efforts. In recent years, there has been increased Ministerial concern and sensitivity to risks of misuse of funds which has led to increased interest in non budget support and project aid which is less reliant on government systems and where DFID can retain tighter and more direct control.

54. Due diligence of partner governments is undertaken using fiduciary risk assessments of partner country public financial systems (for budget support) and company reputational risk assessments are carried out on consultants. These are not fool proof and if there are weaknesses in partner government systems or any concerns about suppliers, then DFID can insist on carrying out special reviews or audits. On occasion, DFID has been criticised for aspects of its financial management. For example, the recent ICAI report on the Trade Mark Southern Africa (TMSA) project highlighted weak financial monitoring, procurement with little or no competition and questioned the amount of unspent funds in project trust fund accounts.[14]

55. A significant proportion of UK aid funds is also managed by external consultants on DFID’s behalf. Consultants can be responsible for managing and delivering bilateral projects in developing countries or for managing regional or global challenge funds. They are contracted and managed by DFID staff.

56. In the case of technical assistance, the UK can hire individuals directly or more usually will use consulting firms to provide individuals or teams to act as technical advisers to developing country governments. Consultants are also used to manage ‘demand led’ funds to support specific thematic areas, for example, the Trade Advocacy Fund, which is a global scheme to support developing countries undertake more effective trade negotiations.

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[13] Financial Aid (FA) to a partner government is a grant, the subject of a formal written arrangement by which the partner government is responsible for expenditure. FA includes both budget support and non-budget support FA. Budget support makes use of all elements of partner governments’ PFM systems, while non-budget support FA may partially use partner governments’ PFM systems, e.g. it may use partner government Treasury systems but not be audited by government audit systems.

[14] See DFIDs Trade and Development work in Southern Africa ICAI Report Number 30 Dec 2013

57. Public tenders are undertaken for the majority of DFID consultancy assignments and project implementation arrangements. All projects over the relevant threshold are subject to EU directives and procurement rules.

58. Monitoring and Evaluation (M&E) is a high priority. DFID has significantly scaled up the number of evaluations it conducts, and has increased evaluation capacity within the organisation. Evaluations are often carried out by external evaluators with quality assurance provided by a more independent internal Evaluation Unit within DFID. There is a publicly available DFID policy on evaluation and all DFID Departments are expected to ensure that adequate monitoring and evaluation arrangements are in place for new aid programmes. All projects must undertake an Annual Review and Project Completion Report that involve assessing progress against objectives and targets as well as learning lessons and recommendations for improvement. Projects are designed to be adapted in the light of experience and adjustments can be made during implementation. Evaluation is planned at the outset of the project with key questions identified in advance and data collected during implementation so that impact can be assessed.

59. M&E is resource intensive and DFID sometimes struggles to ensure that the effort is proportionate to the size of the project. It can also detract from operational management and delivery if this is not achieved. However, M&E is a high priority as it is seen as an essential pre requisite for lesson learning and adaption of development practice and of DFID itself.

DFID adheres to best practice in fiduciary risk assessment, procurement of services, project implementation and monitoring and evaluation. Experience has suggested that it is important to accept a degree of risk where there is a need for innovation and/or where development impact is potentially high. A degree of risk aversion has crept into DFID’s work in recent years as it has tried to meet ever-increasing demands for accountability. A stronger preference for non-budget support financial aid may emerge in future. Strengthened monitoring and evaluation have helped to demonstrate results and impact but it remains a challenge in development work and especially in areas related to governance and institutional change where results are difficult to measure.

D. Lessons for the Italian Development Agency

60. History and experience ('path-dependency') will shape institutional structures differently in different countries. Agencies will fill different niches in the development landscape. The UK model is unique amongst DAC countries, and the development of DFID is closely tied up with the political situation and public administration reforms of the UK in the late 1990s and early 2000s. Nevertheless, there are lessons that can be drawn from the UK experience in managing development cooperation which are useful for the reform of Italian development cooperation. These include:

Clearly establishing the agency as a influential actor within government

- Leadership and representation ideally at Cabinet level (or in Italy via a parent ministry) to ensure clarity of responsibility and accountability, professionalism and effective coordination;
- Development cooperation having the same level of parliamentary challenge and scrutiny as other policy areas to signal its importance rather than being restricted to aid administration;
- A clear articulation of purpose in a White Paper or similar instrument that sets out clear mandates both across government and between the policy and implementing structures;
- A level of budget autonomy to ensure direct accountability and responsibility for spending and results;
- Clarity of representation and leadership for the agency in representing national interests at senior level in international organisations with a clear role for the agency in relation to assessing their performance in utilising multilateral contributions.

Structuring the agency in a way that maximises its impact

- A focus on selected countries, sectors and instruments where the agency can add value and establish a reputation for excellence, including by drawing on the specific capacities, knowledge and skills of the development community within and outside government in academia and in civil society;
- A strong commitment to sustaining a visible presence in developing countries including the possible use of overseas aid offices or the placement of aid staff in overseas diplomatic missions to enable and

facilitate close working relations and make high quality development expertise available for dialogue with partners;

- Coherent and coordinated communication both between headquarters and the field and among partners at both levels;
- A robust M&E system that can demonstrate results and accountability.

Investing in staff and their systems

- Continuous investment in skills and professional development, high expectations and rigorous recruitment and promotion processes, including the use of local expertise in field operations;
- An evidence-based approach to policy-making and aid delivery through strong connections to academia and a system of quality assurance for important business decisions;
- Collaboration with other development agencies including delegated cooperation in country and with other actors (think tanks, universities, foundations, NGOs) or sub-national authorities (regions, districts or municipalities within the donor country) to maximise the comparative advantages of the different actors within the national context and to avoid unnecessary duplication of effort.

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Annex 1: DFID's operational set up

Governance	
Budget DFID was responsible for spending 88% of UK's ODA which amounted to £10.1billionin the 2013-14 financial year. The total comprised £9.92billion programme expenditure, £116 million administration and depreciation costs and £69 million annually managed expenditure. A total of £3.3billion was spent directly by DFID's 28 priority country offices. A total of £4.3 billion was spent through core contributions to multilateral organisations such as the United Nations Development Programme.	DFID annual report and accounts 2013-14
Staff geographical composition as of Sept 2013: 969 staff appointed in country (34.6%); 537 home civil servants based overseas (19.2%); London 739 (26.4%) and East Kilbride 553 (19.8%). Total: 2,798 DFID staff. There has been a rise in the number of specialist advisers over the past four years with a headcount of 850 as of July 2013. The number of programme managers has also seen an increase. The share of senior roles has grown, in Sept 2013, staff from the top two bands (Senior Civil Servants and Band A staff) made up 51 per cent of total staff posts. The increasing seniority of staff, and the overall growth in staff numbers, has been driven by the rapid increase in Band A staff reflecting the growth in the number of advisers employed by the Department.	
Organisation	
Overseas units: 28 country offices (in 2014) **Operational frameworks**: The Smart Rules provide the operating framework for the Department for International Development's (DFID's) programmes. The Blue Book (admin only) has been revised and now covers all non-programme elements of DFID's operating framework (ie human resources, security and estates). **Coordination with diplomatic offices:** strong degree of decentralisation	DFID new operational framework for programmes - excludes non-programme elements of DFID's operating framework (i.e. human resources, security and estates).
Balance between administrative costs and budget for projects & operations: The total 2013-14 DFID budget comprised £9.92billion programme expenditure, £116 million administration and depreciation costs and £69 million annually managed expenditure. A total of £3.3billion was spent directly by DFID's 28 priority country offices. A total of £4.3 billion was spent through core contributions to multilateral organisations such as the United Nations Development Programme.	

Project cycle: There are four stages of the programme cycle: 1. **Design**. In order to deliver the objectives set out in the operational plan, teams develop a robust business case setting out the strategic context, evidence and options, delivery plans and an illustration of results. This includes early engagement with all project partners and suppliers to ensure the design of an effective delivery model. 2. **Mobilisation**. On approval of the business case, teams contract and commission partners to deliver programme objectives. This includes establishing a formal agreement and setting the tone of the partnership, providing clarity on the roles and responsibilities, accountability and risk management. Monitoring frameworks are finalised at this point. 3. **Delivery**. Teams commission and manage partners and suppliers to deliver our programme objectives, including relationship management, financial management, management of resources, risk management, and monitoring and evaluation plans. Ongoing monitoring and reviews are used to take stock of progress, check assumptions, continued relevance and value for money, and to manage risks. Teams ensure that the programme is sufficiently flexible to adapt to changes in context. 4. **Learn, evolve, adapt and clos**e. Teams evaluate performance, learn and share lessons and adapt implementation in a continuous cycle. This may include revision of the delivery plan, more fundamental redesign, a project extension or responsible exit and closure. **10 Delivery Questions to consider throughout the programme cycle:** 1. Does the programme deliver UK government international development policy? 2. Does the programme suit the local context and is it flexibly responding and adapting to changes, opportunities and citizen feedback? 3. Is there sufficient understanding of the evidence and, where there isn't, are we developing and sharing evidence and learning incrementally? 4. Is the programme delivering our vision and does it continue to be good value for money? 5. Do we understand delivery risks, including the risk of fraud? Are they consistent with the risk appetite within which the programme is operating and are we able to mitigate these appropriately through the life of the project? Is it clear when to escalate issues to senior managers or ministers? 6. Do we know who else is working in this area and is there space for further, more effective collaboration or complementarity? 7. How do we determine and measure success? How do we know the programme is working? Are we engaging beneficiaries in monitoring processes? 8. Are we clear on roles and responsibilities and do we have the right skills to provide programme leadership and management throughout the life of the programme? 9. Is the timeframe realistic? Does it take account of lead-in times and experience of previous projects? 10. Have we set clear conditions for project partners? Are we tracking recommendations from annual reviews and performance improvement measures? Every DFID project or programme is underpinned by a business case (approved by ministers if the value is over £5 million). Performance of every programme, irrespective of value, is reviewed in each year of its life to assess whether they are on track to deliver the benefits at the costs expected in the business case. Programmes that fail to deliver expected results and fail to improve will be closed.	Link p.49

Implementing agencies: Around 16% of DFID's bilateral programme is carried out by civil society organisations (CSOs), which include NGOs, community-based organisations, media organisations, faith groups and diaspora organisations (Annual report). DFID often uses private suppliers to deliver its programmes. UK companies compete for UK development assistance contracts alongside non-UK competitors in a fair, open and transparent process. DFID does not give UK companies preferential treatment. Nonetheless British companies have continued to be very successful, winning over 90% of contracts awarded by DFID (Annual report). **Code of conduct for staff and service providers, consultants and implementing agencies:** DFID operates codes of conduct for its staff and has mandatory requirements in relation to financial management. There are standards of propriety for its own staff in relation to bringing the organisation into disrepute, frustrating decision, confidentiality, conflict of interest and impartiality etc. Staff are also expected to act firmly against fraud and to report any wrongdoing for further investigation. Suppliers (firms or civil society organisations) also have to sign a code of conduct to observe principles related to professionalism, integrity, transparency and accountability. These are strictly enforced and any problems or complaints are investigated formally through an established process.	DFID Annual report and accounts 13-14 Blue Book - chapter F Conduct and Propriety
Financial management	
DFID's Results Framework: *Level 1: Progress on key development outcomes* i.e. Where has there been progress on development? *Level 2: DFID results* i.e. What results has DFID financed? *Level 3: Operational effectiveness* i.e. How well does DFID manage its operations? *Level 4: Organisational efficiency* i.e. Does DFID manage itself efficiently? **Measurement of DFID's results**: The **bilateral indicators** were selected primarily through analysis of expected results set out in individual DFID country Operational Plans, while the **multilateral indicators** capture key outputs as reported by the multilateral organisations themselves. The multilateral results are presented alongside the UK's funding share of the multilateral organisation, in order to show the extent of the UK's contribution. The indicators in level 2 of the Results Framework reflect those outputs where it is possible to aggregate results across different countries and so do not capture all the results that DFID is delivering.	Results framework see p.19
Innovative financing for development: Over the last 2 years, DFID has been testing innovative approaches to results, including through linking payments directly to the delivery of results, known as Payment by Results (PbR), and gathering more evidence of what works and does not. The most innovative forms of PbR link payments to the delivery of outcomes (Annual Report). **What is PbR for DFID?** Any programme where payments are made after the achievement of pre-agreed results, rather than being made up front to fund future activities. This means sharing more risk for delivering results with those who are implementing development programmes, for example contractors or partner governments.1 Within that broad definition there are many different types of Payment by Results programme (PbR strategy).	DFID annual report and accounts 2013-14 p.118 DFID PbR strategy (2014) Robert Chambers

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