

## Department for International Development (DFID)

# Evaluation of the Implementation of the Paris Declaration: Case Study of DFID, UK

## Executive Summary

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### Executive Summary

1. The DFID HQ evaluation assessed DFID's institutional capacity to meet its Paris Declaration (PD) commitments. It was one of the eleven donor HQ studies prepared as part of Phase 1 of the evaluation of Paris Declaration implementation. It was 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 were analysed across four institutional domains: policy; performance management and systems; programming and spending; and staffing.
2. This was 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 focused on DFID's organisational attributes, treating these as inputs into Paris Declaration implementation. It did not systematically assess DFID's performance (outputs) against specific Paris Declaration commitments. Findings are based on a combination of primary and secondary sources. Some of the evidence drawn from interviews was anecdotal in nature, although care was taken to triangulate across several sources. The conclusions are those of the evaluation team alone.
3. The evaluation found that commitment, capacity and incentives for implementation of the Paris Declaration principles are strong 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.
4. 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, DFID's 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 scores 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, DFID is not well equipped to measure its own performance on the softer or more qualitative Paris Declaration commitments, like country ownership and mutual accountability, which are difficult to capture through indicators.

## i Commitment

5. 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.
6. 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. DFID's external accountability mechanisms – to the UK Parliament, Treasury and National Audit Office – also support its commitment to effective use of its aid budget.
7. If there are any grounds for concern about DFID's commitment to the Paris Declaration, it is its preference for high-profile new initiatives over the continuing 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 the Paris Declaration into the background. There is also a potential 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 reaffirmed periodically to ensure that it remains a high corporate priority.

## ii Capacity

8. There are a number of basic structural features of DFID that reinforce its capacity on aid effectiveness. Its status as an independent ministry with a clear 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.
9. With half of its staff in country offices, DFID has relatively strong capacity in the field. DFID staff show a good understanding of 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 is not used explicitly as a reference point for recruitment, appointment or promotion of staff, related skills such as partnership building, influencing and communications are included in DFID's general (staff) competency frameworks.
10. 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 reported 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.

## iii Incentives

11. 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 has been incorporated explicitly into the departmental 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.
12. 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 to identify variations in performance across country programmes. 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.

13. 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.

## Recommendations

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

- a) Signals from ministers and senior managers on corporate priorities have a strong influence on institutional incentives. Continuing to **make periodic public commitments to Paris Declaration implementation** would therefore help to sustain momentum. It would also be useful for DFID to clarify how the Paris Declaration principles apply to new global partnerships and funding vehicles established to promote global public goods.

- b) There is scope for DFID to **improve the monitoring of its performance under the Paris Declaration**, particularly in respect of commitments for which there are no quantitative indicators. A more effective monitoring system might include:
  - I. **explicit aid-effectiveness strategies and approaches at country-office level**, with objectives and milestones clearly identified;
  - II. **annual reporting by country offices of progress on aid effectiveness**, including reporting against qualitative commitments and analysis of the reasons for any shortfalls in performance;
  - III. **the incorporation of aid-effectiveness data at project level into DFID's new information management system** (Aries).

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- c) It is important that performance reporting from country-office and divisional level is aggregated, analysed and used to inform continuing improvement in corporate systems and practices. This includes identifying good practices emerging at country level for dissemination across the department, as well as finding solutions to any institutional constraints identified by country offices. It would be helpful for the Aid Effectiveness and Accountability Department to engage further with this kind of diagnostic work, and to **produce an annual report on aid effectiveness identifying priorities and institutional measures for the coming year**.

- d) DFID could strengthen its capacity for aid effectiveness by **using the Paris Declaration more explicitly as a refer-**

**ence point for personnel planning and management.** At present, training on the Paris Declaration and on related skills such as negotiation, influencing and partnership building is not systematic. The rapidly increasing UK aid budget combined with compression of its administrative budget may make it more difficult in the future for DFID to support the high transaction costs associated with Paris Declaration implementation. The evaluation therefore recommends that DFID undertake further effort to **measure these transaction costs, and take them into account in its workforce management and planning.** It may also be appropriate to **treat time spent on aid-effectiveness initiatives as a programme rather than an administrative cost.**

- e) DFID could facilitate external accountability by **increasing its own transparency on aid effectiveness.** At present, technical shortcomings in information management systems and concerns about data quality means that information on DFID's spending and performance is not readily accessible. The new information management systems currently under preparation should significantly increase DFID's technical capacity to share this information publicly. The evaluation recommends that DFID **adopt a set of explicit transparency objectives** with a view to achieving international best practice, and build those into its ongoing Publishing Project Information initiative. In addition, it would be helpful to **review the way programming and financial data is presented on the country pages of the DFID website**, in order to facilitate partner assessment of DFID's performance against its aid-effectiveness commitments.