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# *The Wave*

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# The “DFID Model”: Lessons for the U.S.

By Anne C. Richard and George Rupp

## The Issue

In the United States, some of those calling for modernization or reform of the U.S. foreign aid bureaucracy have suggested that the organization and approach of the UK’s Department for International Development, or DFID, could serve as models for a stronger U.S. development agency. This brief report looks at the aspects of the DFID model that could be imported to the U.S. in the new Obama Administration with the support of Congress. It also identifies ways in which the DFID approach may be more difficult to introduce in the U.S. Because the U.S. has a completely different political system (presidential instead of parliamentary), wholesale adoption of the DFID model by the U.S. government is not possible.

## The Message

Not all aspects of the DFID model will translate to the U.S. system, but some important aspects are worth studying or adopting in the near term. Steps to coordinate aid better in Washington and build flexibility into programs in the field are ways the new Administration can improve management of aid programs. In Box 1, the DFID model is divided into aspects worth pursuing in the short term and steps that are likely to be more difficult to achieve. The policies in the second list will require more study or greater efforts to convince policy-makers of their worth.

Box 1

### **Aspects of the DFID Model to pursue now:**

- Integrating a senior development official into regular meetings of President's national security team.
- Coordinating better across U.S. national security departments (State, Defense and USAID).
- Linking newer aid programs like the Millennium Challenge Corporation (MCC) and the President's Emergency Plan for AIDS Relief (PEPFAR) into a more coherent strategy and structure. Consolidating or proposing to consolidate most development aid programs into one department. Taking steps to coordinate better or merge humanitarian offices at State and USAID.
- Adopting the Millennium Development Goals as U.S. policy; measuring U.S. progress in support of the goals.
- Considering ways to reduce the amount of tied aid.
- Garnering support for humanitarian and development aid from both right and left of the political spectrum.
- Guaranteeing several years of funding at the outset of a development project (only the MCC does this now).
- Pushing aid decision-making out to country programs; involving missions more in decisions about programming aid.
- Producing an updated and clearer legislative framework for U.S. development aid -- if Congress is motivated to take up and pass new foreign aid legislation.

### **Aspects of the DFID Model that would be harder to adopt:**

**These either would not be adopted or would require time to build support for this approach.**

- Elevating the Administrator of USAID to a cabinet position.
- Adhering rigorously to a clearer, narrower mission focused on reducing or eliminating poverty.
- Allocating very flexible and large amounts of un-earmarked aid funds to USAID missions and authorizing them to determine how best to use the funds.
- Reaching the UN target by devoting 0.7% of GDP to official development assistance (ODA) in the near term.
- Providing substantial amounts of budget support as a means to deliver aid to developing countries.
- Adopting a policy of zero tied aid (no requirement that aid be used to purchase U.S. goods and services).
- Carving out a larger role for USAID in trade, including shared aid-trade offices.
- Making large grants to support the operations of NGO partners.
- Funding a communications program to build support for international development in schools and among the public.
- Funding a large research program (although research results showing what makes aid effective are in demand).

## What is the DFID Model?

The differences between the parliamentary system of the UK and the American presidential system mean that the DFID model cannot be simply transplanted to the United States; there are limits to how it can fit within the U.S. political landscape. But many aid analysts continue to study and promote the DFID model because they are attracted by the UK approach. Poverty reduction and global development are core values of the UK government. The commitment to use the development budget to reduce poverty is enshrined in law by an Act of Parliament. The DFID model of development aims to put the aid recipient or “partner” country in the driver’s seat, align the UK aid program with recipient government plans and harmonize UK aid programs with those of other donors to reduce transaction costs. Overall, this approach has been well received and the status and profile of development work are quite high with the UK government.

DFID was created as an independent ministry in 1997 by the then-new Labour Government under Prime Minister Tony Blair. The previous development agency had been based in the Foreign Office. The first Minister was Clare Short, acknowledged by many as a strong – at times strident – minister who injected DFID with an equally strong sense of mission. The Prime Minister and the Chancellor of the Exchequer, Gordon Brown, shared her interest in promoting international development. Three ministers have subsequently served as Secretary of State for International Development under Blair and his successor Gordon Brown: Valerie Amos, Hilary Benn, and Douglas Alexander.

DFID has come to be recognized as one of the leading development agencies in the world. A report of the OECD’s Development Assistance Committee states, “the UK is currently seen by many aid practitioners and donors as one of the bilateral models for today’s evolving world of development co-operation.”<sup>1</sup> DFID was ahead of other bilateral and multilateral donors in a ranking by aid practitioners from 27 recipient countries, scoring well in terms of efficiency, flexibility, speed of disbursement and alignment with recipient country priorities.<sup>2</sup> Closer examination of the DFID model reveals that a serious study of aid effectiveness is taking place at DFID. These lessons are ripe for consideration by the Obama Administration and those members of Congress contemplating foreign aid reform. Box 2 describes the top dozen characteristics that together make up the “DFID model” of an international development department.

Over time, Clare Short’s original vision for DFID has evolved somewhat in response to changing times and changing needs, and the list of DFID features reflects this evolution. Short had wanted DFID to operate independently and had gone so far as to keep the Union Jack flag or any symbols of the UK government off staff business cards. Hilary Benn decided that DFID should take steps to acknowledge it was part of Her Majesty’s Government, recognize the linkages between development, security and diplomacy, work more closely with other departments, and adopt joint strategies. “Pooled funds” have been created to fund cross-government work to prevent and respond to conflict; funding is allocated after deliberations involving decision-makers at DFID, the Foreign Office, the Ministry of Defence, and the Cabinet office. Overall budgets are set by ministers who have oversight and approval for all country strategies and for major (or high risk) aid programs. The aid strategy is developed by officials looking at regional needs. Once aid is allocated to countries in each region, overseas posts have great influence over which projects to fund.

With UK military involvement in wars in Afghanistan and Iraq, by 2002-2003 conflict, the “drivers of conflict” and ways to address them were recognized as a necessary part of the dialogue about development.<sup>3</sup> The Foreign Office’s Conflict Prevention Pool was created and, in April 2008, shifted to DFID (with the Stabilisation Aid Fund for Afghanistan and Iraq transferred to the Ministry of Defence). The Stabilisation Unit (established as the Post-Conflict Reconstruction Unit in 2004 and renamed in 2007) was created “to facilitate cross-government assessment and planning” and deploy civilians into hostile environments (over 250 in the last three years) to stabilize countries emerging from war. This office was created largely in response to the Iraq and Afghanistan wars and is somewhat analogous to the Office of the Coordinator for Reconstruction and Stabilization (S/CRS) in the U.S. State Department. It is “jointly owned” by DFID, the Foreign Office and the Ministry of Defence.

### Top 10 Development Aid Recipients: UK

UK	
Country	Amount (USD mil.)
Nigeria	1773
India	538
Afghanistan	258
Ethiopia	228
Tanzania	225
Pakistan	214
Bangladesh	213
Sudan	211
Uganda	191
Ghana	161

*Top 10 Recipients of Gross Bilateral ODA, 2006-7 average, OECD data.*

## Analysis: How does the DFID Model differ from the U.S.?

The primary obstacle to importing the DFID model to the United State is the difference in **government systems**. Under the UK’s parliamentary system, the head of DFID is part of high-level deliberations with the Prime Minister and other top government ministers. This includes attendance at weekly Cabinet Meetings and membership in Cabinet subcommittees that tackle major issues of the day.

The Prime Minister’s party controls the Parliament and can ensure that policies are debated and supported through a vote of the majority. Under the U.S. system, even when the White House and both houses of Congress are led by the same party, there is a division of responsibilities and no guarantee that Congress will endorse the President’s proposals. The Prime Minister is in a strong position to ensure follow up on international commitments. U.S. representatives at international meetings often must return to Washington and request funds

Top 10 Development Aid Recipients: U.S.	
U.S.	
Country	Amount (USD mil.)
Iraq	4266
Afghanistan	1459
Sudan	725
Colombia	562
Egypt	541
Nigeria	514
DR Congo	486
Pakistan	465
Ethiopia	344
Kenya	304

*Top 10 Recipients of Gross Bilateral ODA, 2006-7 average, OECD data.*

from, first, the White House and Office of Management and Budget and, second, the Congress before funds are appropriated. This process can take months. DFID also controls nearly all development aid, bilateral and multilateral. In Washington, programs are managed by a fractured aid bureaucracy, USAID controls only a share and U.S. contributions to multilateral efforts are the responsibility of the U.S. Treasury (development banks) and the State Department (UN development agencies).

DFID’s **targeted focus** on reducing poverty is matched by a discipline to stick to it. Before a funding decision is made, DFID staff must ask themselves if proposed programs are likely to achieve DFID’s “primary purpose” of poverty reduction. The U.S. government (Congress and Executive branch) has not made the fight against poverty the primary focus of development aid, the way, for example, the fight against Communism served as a central organizing theme for the foreign aid budget during the Cold War.

DFID has enjoyed the support of the Chancellor of the Exchequer and seen its **aid funding increase**. Most of the political parties in the UK endorse the goal of reaching the UN target of 0.7% of national income dedicated to ODA by 2013.<sup>4</sup> While the number of Congressmen and women who favor a “smart power” approach to U.S. foreign relations and foreign aid is growing, U.S. politicians do not support spending on international development anywhere near the levels backed by UK political parties. The

Obama presidential campaign had pledged to double aid but the new administration may have to scale back its ambitions in light of the global economic crisis and uncertain levels of support in Congress.

The use of **tied aid**, or requiring that aid funds be used to purchase goods and services from the donor country, was eliminated in the UK by the International Development Act of 2002. A relatively large proportion of U.S. aid (47%) is tied or partially tied.<sup>5</sup> The practice of spending aid dollars in the United States for goods and services helps ensure an American constituency for foreign aid, but can make procurement of these goods and services more costly and less effective for the recipients. Studies suggest tied aid is worth 10-to-20% less to the recipient than untied aid and undermines “country ownership.” Adoption of the DFID practice of zero tied aid would represent a major shift from how the United States currently manages its aid program.

**Control over development aid** has given DFID greater influence in working with other departments. Foreign aid has increased in the United States, too, but primarily for reconstruction in Iraq and Afghanistan, for allies in the “war on terror” and for a handful of White House initiatives.<sup>6</sup> Paradoxically, DFID administrative expenses at headquarters are slated for 5% cuts annually, and there is pressure to become more efficient in order to absorb the cuts. The result is that DFID will have fewer people to oversee a large aid budget – the exact formula that has weakened USAID over the past few years and led to calls to rebuild the USAID workforce.

DFID posts in developing countries enjoy a significant degree of **influence over aid projects in the field**. Can the U.S. government adopt (or return to) a model that pushes authority away from Washington, DC and out to USAID missions? Certainly USAID mission directors would endorse this approach, but currently the large number of U.S.

aid agencies, budget accounts, directives and earmarks limits the uses to which most development aid can be put by the time it reaches the field.

DFID and other European governments appear to require fewer audits and red tape and accept higher levels of risk in aid projects – although DFID is pressured by Parliament to achieve and show overall results. Even though the UK’s National Audit Office carries out a risk assessment before **budget support** is expended, DFID’s practice of giving budget support to developing country governments would be controversial in the U.S. The U.S. Congress wants guarantees that taxpayer dollars will be spent for stated purposes and not siphoned off by corrupt officials. Congress seeks good audits, better measurement of results, oversight of projects, and assurances that aid is making a difference. Congress is more comfortable working through U.S.-based international non-governmental organizations rather than foreign governments.

DFID’s relations with **non-governmental organizations (NGOs)** have also evolved. In 1997, DFID saw NGOs as chiefly important in terms of advocacy with domestic constituencies. Today, DFID provides 90 million pounds per year in unrestricted funds to 27 NGO partners under Partnership Programme Agreements (PPAs). The PPAs are three-to-six year agreements and aim to help NGOs work collaboratively with DFID to achieve the MDGs and eliminate poverty. In return, DFID asks that the NGOs measure their performance against their own plan. The U.S. government would not normally give large grants to private entities to build their capacity and support their operations. Instead, NGOs can compete for grants for specific purposes. NGOs that qualify as charities are tax-exempt and can raise tax-exempt contributions from the public.

DFID leads the UK’s response to **humanitarian disasters** working with international organizations such as the United Nations, with nongovernmental organizations, other donors, and with the governments of the countries affected. In the U.S., civilian humanitarian response is split between USAID (food and disaster aid, responsibility for internally displaced people) and the State Department (aid to refugees and support, through the refugee bureau, for UNHCR, ICRC, UNRWA). In the UK, humanitarian programs and contributions are housed centrally in DFID. From the DFID perspective, the division of responsibility and funds between State’s refugee bureau and USAID leads to imbalances in assistance and these are hard to explain or rationalize in the real world. For example, Iraqi refugees in Syria and Jordan get a different level of support than Iraqis who have been displaced within Iraq. This split may be limiting efforts to reform the international humanitarian system, where strong funding levels for the UN’s refugee agency funneled through the State Department insulates it from pressures to undertake changes.<sup>7</sup>

DFID also has a couple of programs that USAID does not have. DFID runs a strong **public outreach** and education effort about the importance of global development targeted at the UK public and schoolchildren. U.S. government departments are expected to provide information to the public and meet with key stakeholders, but Congress is not likely to fund a wide-scale campaign intended to build demand for increased foreign aid. Similarly, DFID undertakes a **research** program that is well-funded and has no counterpart at USAID.

Finally, DFID staff enjoys **high morale**. DFID is sought out as a place to work by the graduates of top universities. DFID’s staff is very motivated and knowledgeable and seems to enjoy the credibility and weight that comes from working in a Cabinet department. They see themselves as a different breed from civil servants in the traditional government departments. Meanwhile, over the same time period, the staff of USAID has seen their numbers shrink and new aid offices created outside of USAID.<sup>8</sup>

## Conclusion: Consider Many Models

The alignment of a new Administration supportive of foreign aid, a new Congress, and growing interest in revising the foreign assistance act means that it is time to give development issues a fresh look in Washington. In addition to conversations centered in Washington, policymakers should consider models that have been successfully employed elsewhere. While not all aspects would be adopted by the U.S. government, the DFID model is worth studying and some features could be implemented as part of foreign aid reform. U.S. aid groups and experts may want to advocate for those aspects of the DFID model that can be shown to be effective yet are not likely to be adopted in the near term. Other major donors – especially the UK – and recipient governments will welcome the U.S. embarking on this path, even if it will take time to modernize the U.S. foreign aid bureaucracy.

## Chief Characteristics of the DFID Model

- **Cabinet membership, leadership and independence:** DFID is a separate cabinet-level government department under the strong leadership of a cabinet Minister. The Department is responsible for broad development policy (across the government) as well as management of bilateral and multilateral development aid.
- **Clear goal of reducing poverty and most aid is for that goal:** The overarching objective of aid and development policy is poverty reduction. This one clear goal has served as a “motivating, unifying and guiding force.”<sup>9</sup> The UK has increased the proportion of foreign aid that goes to poor countries. Since 2002, DFID has aimed to devote 90 percent of the bilateral aid program to low income countries. This is called the “90-10 rule.”
- **Development policy, not just development aid:** Aid is acknowledged as only one tool of development policy. Other development tools include trade, conflict prevention and foreign relations.<sup>10</sup> For these reasons, DFID developed the capacity to analyze policies dealing with “environment, trade, agriculture, investment, good government and human rights, conflict prevention, debt relief, financial stability, drugs, migration, and cultural links.”<sup>11</sup>
- **“Joined-up” government:** DFID works collaboratively with other government departments to promote consistency and coherence in policies affecting development. Interdepartmental committees come together to make decisions about spending pooled funds.
- **More aid:** The UK government is committed to increase the overall amount of official development aid (ODA). It has adopted the goal of reaching the UN target (0.7 percent of GDP devoted to ODA) by 2013. This goal is supported by the Labour government and the Conservatives.
- **Working as an international community:** DFID seeks to work closely with other donors as an international community in order to achieve maximum impact. DFID also seeks to have a growing share of its aid delivered through multilateral organizations and use bilateral mechanisms less. To reinforce this commitment, the UK government has adopted the **Millennium Development Goals** as its long-term targets. Because DFID has responsibility for both multilateral and bilateral aid programs, it can choose the best pathway or mechanism to achieve results. This also reinforces efforts to harmonize and align aid with other major donors.
- **Support for developing country governments:** DFID recognizes that the policies adopted by developing country governments can enhance prospects for economic development. In this respect, the UK government is aligned with the thinking behind the U.S. creation of the Millennium Challenge Corporation (MCC), which seeks to reward governments that adopt political and economic reforms and invest in their own people. The UK government is a proponent for giving budget support to recipient governments. This means providing “funds directly to a partner government’s own financial system to support their poverty reduction” programs, which might include money to pay teachers and doctors or improving the government’s financial management systems. Between 12-to-20 percent of DFID’s bilateral aid is expended in the form of budget support. DFID recognizes that this approach is not appropriate for failed or very fragile states.
- **Three year funding cycles, ten year agreements, no tied aid:** DFID grants cover multiple years and agreements can run for up to ten years; so DFID grant recipients can rest assured that support for projects will continue beyond the end of the fiscal year. Tied aid was eliminated by the International Development Act of 2002. The UK Government has decided not to use aid to pursue short-term commercial interests.
- **Evidence-based policymaking:** DFID strives for a development policy based on evidence and focused on outcomes rather than inputs. For this reason, independent monitoring and evaluation is built into projects. Performance is measured in terms of contribution to meeting the Millennium Development Goals. DFID also must show results to the British public under Public Spending Agreements (PSAs). PSAs are official documents through which the government commits itself to achieve certain priorities.<sup>12</sup>

- **Decentralized and flexible management:** Overseas posts influence the uses of aid and the design of aid projects. Different aid approaches are employed to deal with different circumstances. For example, when violence broke out in Kenya after elections in December 2007, DFID was able to provide quick support to mediation efforts led by former UN Secretary General Kofi Annan.
- **Communication with the public:** DFID expects and facilitates public scrutiny of aid allocation decisions. DFID publishes Country Assistance Plans and makes project documents available on its website. DFID also supports an ambitious public awareness/education campaign, including with British schools and, in 2004, a partnership with Rough Guide travel books to publish and distribute a “Rough Guide to a Better World.” DFID now enjoys high levels of support from UK political parties and some segments of the public. A majority of respondents (74%) surveyed by the UK government believe that the UK should not stop aid to poor countries. However 47% of people agreed or strongly agreed with a statement that most aid to developing countries is wasted. Less than half (44%) agree that it is in the UK’s interest to increase the amount spent on aid.<sup>13</sup>
- **Research:** DFID funds research into development topics. It carries out direct research and also supports research of international organizations.

2007 Official Development Assistance (ODA)		
	UK	U.S.
ODA (in millions of US \$)	9,849	21,787
ODA as % Gross National Income	0.36%	0.16%
Share of aid that is bilateral	57%	87%
(source: OECD)		
2008 Personnel Figures		
	DFID	USAID
Staff in Headquarters	1394	1750
Staff based overseas	434	1330
Local hires	843	4720
<b>Total</b>	<b>2671</b>	<b>7800</b>
(source: DFID, USAID)		
UK headquarters number includes London and East Kilbride staff. UK local hire number is Staff Appointed in Country.		
USAID estimates based on USAID Human Capital Development Plan (FY 2009 - FY 2013).		
<a href="http://www.usaid.gov/policy/hcsp2009/usaid_hcsp_0913.pdf">http://www.usaid.gov/policy/hcsp2009/usaid_hcsp_0913.pdf</a>		

Control of Development Assistance	
	UK 2007
DFID	86%
Others	14%
(source: DFID)	
	U.S. 2007
USAID	47%
State Department	14%
Defense Department	16%
Treasury Department	7%
Health and Human Services	10%
U.S. Department of Agriculture	1%
Peace Corps	1%
Millennium Challenge Corporation	1%
Other	3%
(source: USAID)	

## Citations

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3. It should be pointed out that DFID's work on conflict, its effect on poverty and the drivers of conflict began in earnest in 2000. For example, DFID's Strategic Conflict Assessment methodology was developed in 2001.
4. The UK's International Development Reporting and Transparency Act calls for reporting on progress towards 0.7% GNI dedicated to ODA.
5. Center for Global Development, 2008 Commitment to Development Index, [http://www.cgdev.org/doc/2008/country\\_reports/US\\_2008.pdf](http://www.cgdev.org/doc/2008/country_reports/US_2008.pdf)
6. In the U.S., aid has not increased across the board and has not been concentrated in the hands of the Administrator of USAID. Even the Bush Administration decision to have a single leader "dual-hatted" as Administrator of USAID and Director of Foreign Assistance at the State Department did not mean that this person controlled all development aid. Large parts of the development budget – notably, the President's Emergency Plan for Aids Relief (PEPFAR), and the Millennium Challenge Corporation (MCC) – were left out of the Administrator's remit.
7. Personnel in the State Department's refugee bureau believe that working side by side with diplomats helps their efforts to seek political solutions to crises and provide international protections for refugees. They also run a sizable program to resettle refugees in the United States; there is no large UK corollary.
8. A 2007 ranking of the best places to work in the Federal government ranked USAID 21st out of 31 small agencies; the MCC was ranked fifth. The State Department was ranked sixth out of 30 large departments. <http://www.bestplacestowork.org/BPTW/about/index.php>
9. Sir John Vereker, "Blazing the Trail: Eight Years of Change in Handling International Development," Development Policy Review, Volume 20, Issue 2, Overseas Development Institute, 2002, p. 137.
10. Regarding trade, there is a joint minister for trade policy between DFID and the Department for Business, Enterprise and Regulatory Reform (BERR), and a trade policy unit that is also shared. See <http://www.dfid.gov.uk/aboutDFID/organisation/intertradedept.asp>
11. Owen Barder, "Reforming Development Assistance: Lessons from the UK Experience," Chapter 10 in Security by Other Means, Lael Brainard, ed., Brookings Institution Press and Center For Strategic And International Studies 2006, p. 293.
12. Two PSAs are related to DFID's work: number 29 to "Reduce Poverty in poorer countries through quicker progress toward the MDGs" and number 30 to "Reduce the impact of conflict through enhanced UK and international efforts."
13. Public Attitudes Toward Development, TNS Report prepared for CIO on behalf of the Department for International Development, October 29, 2008, <http://www.dfid.gov.uk/pubs/files/public-attitudes-to-development-2008.pdf>



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