Working Paper Number 70
October 2005

Reforming Development Assistance: Lessons from the UK Experience

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Abstract

The establishment of the UK Department for International Development in 1997, and the evolution of the UK's foreign aid policies, has provoked international interest as a possible model for other countries to follow.

The UK now combines in a single government department not only the delivery of all overseas aid, but also responsibility for analyzing the impact on developing countries of other government policies, such as trade, environment and prevention of conflict. The department is led by a Cabinet-level minister. It has a remit to articulate the UK's long-term security, economic and political interests in helping to build a more stable and prosperous world, and to ensure that this long-term goal is considered alongside the more immediately pressing concerns of political, security and commercial interests. It has benefited from a sharp focus on its long-term mission to reduce poverty overseas. Within a few years, the new Department has established a reputation for itself, and for the UK Government, as a leader in development thinking and practice.

This paper describes the institutional changes in more detail, and considers how they came about. It also considers the steps that will be needed to consolidate its early success.

The Center for Global Development is an independent think tank that works to reduce global poverty and inequality through rigorous research and active engagement with the policy community. This Working Paper was made possible in part by funding from the William and Flora Hewlett Foundation.

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Reforming Development Assistance
Lessons from the UK Experience

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Acknowlegements
The author is grateful to Sir Brian Barder, Sally Ethelston, Tony German, John Hicklin, Ruth Levine, Mark Lowcock, Lawrence Macdonald, Richard Manning, Simon Maxwell, David Mepham, Todd Moss, Grethe Petersen, Judith Randel and Sir John Vereker for comments on an earlier draft. The views expressed, and all errors and omissions, are my own. This paper does not necessarily reflect the views of the Center for Global Development, or the Department for International Development.

1. Introduction

"It is one of the proudest achievements of the Government that we have not merely introduced the International Development Bill, but have increased aid and development money as a proportion of our national income. …. I believe that our obligations do not stop at these shores. Indeed, it is not merely right, but is in our long-term interest to offer a helping hand out of poverty to the poorest regions of the world."
Tony Blair, House of Commons, 7 March 2001.[2]

In 1997, the incoming Labour Government established a new Department for International Development (DFID), with responsibility for the $6bn aid budget and other aspects of UK development policy, led by its own Cabinet Minister.[3]

In the subsequent eight years, the new Department established a reputation for itself, and for the UK Government, as a leader in development thinking and practice. A 2005 study for the Canadian Government found that, "*Ten years ago, DFID was considered a middle-of-the-pack development agency. Today it is generally considered to be the best in the world.*"[4] DFID was described by The Economist as "a model for other rich countries."[5] The non-governmental organisation Oxfam described DFID as the "best bilateral development agency." More new recruits to the management track of the civil service now apply to join DFID than to the traditional first choices, the Foreign Office and Treasury, combined. The overhaul of foreign assistance institutions and policies has been described by Tony Blair as one of the Labour Government's proudest achievements, and may be seen in time as one of its greatest legacies.

This paper summarises the institutional changes and policies that led to the establishment of the Department for International Development and its reputation as a global leader in development since 1997. It considers the objectives of policy-makers in establishing the new structure, the extent to which these have been met, and the challenges in the years ahead. It draws lessons for other countries considering similar reforms.

2. Development assistance and the colonies 1929-1961

2.1 Before World War II

The British aid program is rooted in colonial history. Until the 1920s, the British Government took the view that colonial administrations were responsible for maintaining law and order and that they should meet the costs of administration and such social services as were provided from any revenues that could be raised locally. Colonies were not encouraged to look to the UK government for financial or economic aid, and there were no programs for colonial development. Any aid to colonies was voted by Parliament annually, and was generally limited to temporary emergencies.

It was not until 1929 that the British Government accepted any legal responsibility for providing financial assistance to the colonies. The Colonial Development Act of 1929 was intended mainly to reduce unemployment in the United Kingdom by promoting industry and trade.[6] It established a Colonial Development Fund which was not to exceed £1 million (about $70 million in 2004 prices) in any one year to support agriculture and industry in the colonies and in so doing promote *"commerce with or industry in the United Kingdom*." Funds were allocated by Colonial Development Advisory Committee after a systematic examination of all schemes and projects put forward by colonial governments. The Committee generally felt that the Act did not permit aid for social services, for recurrent expenditure or for projects that would not result in any gains for the UK.

Between 1935 and 1938 a wave of social unrest rippled across the Colonies. The Colonial Office became convinced that the rapid succession of disturbances in Trinidad, Barbados, and Jamaica were the result of low wages, high unemployment and poor housing and sanitary conditions, and feared similar disturbances in other colonies which had similar problems. It became clear that the restrictions in the Colonial Development Act of 1929 were not sustainable. The result was the Colonial Development and Welfare Act of 1940, passed in wartime by a coalition government, which increased funds to £5 million a year (about $300 million in 2004 prices) and extended the purposes of the Colonial Development Act to include the welfare of the subjects of the colonies.

2.2 Post-war development policy

The post-war Labour Government took the view that the UK Government should play a substantial role in assisting the development of the colonies. The Colonial Development and Welfare Act of 1945 replaced the two previous Acts, and increased aid to £120m (about $6 billion in 2004 prices) over ten years. This longer commitment was intended to allow colonial governments to plan long-term schemes of public works, social services and agriculture.[7] Each Colonial Government was required to prepare a Ten Year Plan, in consultation with representatives of the local population. A large proportion of the money that went into each Ten Year Program was provided out of local revenues and loans: the British Government sought to minimize the amount funded by aid *"so as to prevent even a suggestion of political pressure from the United Kingdom."* [8]

The Overseas Resources Act of 1947 established two Development Corporations, a Colonial Development Corporation, to operate in the Colonies, and an Overseas Food Corporation, to function anywhere in the world. The objectives of the Corporations were to bring about a *"speedier and more widespread development of our territories overseas for the benefit of the Colonial peoples, whose low standard of living can only be raised by greater use of their natural resources…"* The Colonial Development and Welfare Act and the Overseas Resources Act established the United Kingdom's first systematic aid programs to be operated not mainly in the interests of the donor.

3. The evolution of policy 1960-1997

3.1 Changed thinking about the role of aid

After World War II, there was a significant change in thinking about the role of foreign aid. The success of the European Recovery Program (the Marshall Plan[9]) generated optimism that the combination of capital and technical assistance could transform economies in a very short time.[10]

Though it is popular today, it is worth recalling that it took some time and a considerable effort by President Truman and his colleagues to secure US public support for the Marshall Plan. The State Department organized a large-scale and well-funded public education program, including providing trips to Europe for many members of Congress to see for themselves the need for U.S.-sponsored reconstruction. In the end, it was increasing Soviet intransigence and the communist take-over of Czechoslovakia in February 1948 that eventually persuaded Congress to approve the original Marshall Plan appropriation.[11]

The break up of the British, French and other European empires created a number of poor, independent countries, and it became increasingly unsustainable for them to restrict development aid only to the remaining colonies. The UK Government declared in 1958 that aid would be extended to former colonies that were members of the Commonwealth, and some non-Commonwealth countries. The British began to offer a combination of budgetary grants and technical assistance grants, concessionary loans, and loans under the Export Guarantee Act. The Colonial Office, which was responsible for managing the colonies and the process of decolonisation, worked under a guiding principle of the '*paramountcy of interests of the colonial peoples*,' under which it had a duty to press for these interests within Government even against Britain's other interests. Many officials who joined the Colonial Office were idealistic, supportive of aid and in favor of multilateral institutions.

As well as increasing support for the idea of foreign aid, the Marshall Plan also led directly to the establishment of an important international development institution. The Organisation for European Economic Co-operation (OEEC) had been formed in 1948 by the recipients of aid from the Marshall Plan, and in 1960 a Development Assistance Group was established within OEEC as a forum for consultations among aid donors on assistance to less developed countries. In March 1961, the Development Assistance Group agreed the *Common Aid Effort* (see Box 1 below). Later that year, the OEEC became the Organisation for Economic Co-operation and Development (OECD); its new emphasis on promoting development was epitomized by the rapid establishment within its structure of the Development Assistance Committee (DAC), which grew out of the Development Assistance Group.

The Marshall Plan therefore had a strong influence because it promoted the idea of economic cooperation and illustrated its possible effectiveness, but also because it left an important organizational legacy in the DAC. The US Government played an important leadership role continuously from the Marshall Plan to the establishment of the Development Assistance Committee, which was chaired by US Ambassadors from its creation until 1999.

Box 1: Resolution of the Common Aid Effort [12]

RESOLUTION OF THE COMMON AID EFFORT

(adopted by Development Assistance Group, 29 March 1961, London)

The Development Assistance Group:

Conscious of the aspirations of the less-developed countries to achieve improving standards of life for their peoples;

Convinced of the need to help the less-developed countries help themselves by increasing economic, financial and technical assistance and by adapting this assistance to the requirements of the recipient countries;

Agree to recommend to Members that they should make it their common objective to secure an expansion of the aggregate volume of resources made available to the less developed countries and to improve their effectiveness;

Agree that assistance provided on an assured and continuing basis would make the greatest contribution to sound economic growth in the less-developed countries;

Agree that, while private and public finance extended on commercial terms is valuable and should be encouraged, the needs of some of the less-developed countries at the present time are such that the common aid effort should provide for expanded assistance in the form of grants or loans on favourable terms, including long maturities where this is justified in order to prevent the burden of external debt from becoming too heavy;

Agree that they will periodically review together both the amount and the nature of their contributions to aid programmes, bilateral and multilateral, keeping in mind all the economic and other factors that may assist or impede each of them in helping to achieve the common objective;

Agree to recommend that a study should be made of the principles on which Governments might most equitably determine their respective contributions to the common aid effort having regard to the circumstances of each country, including its economic capacity and all other relevant factors;

Agree that the Chairman, assisted by the Secretariat, shall be invited to give leadership and guidance to the Group in connection with the proposed reviews and study.

Against this background in the early 1960s, a more coherent aid policy was beginning to develop within the UK. In 1960, a Treasury White Paper argued that the best way to lift poorer nations out of poverty was through economic development.[13] It argued that the provision of private capital would be the main catalyst for this but money from the United Kingdom Exchequer would continue to provide aid. A 1963 White Paper took an optimistic view of the prospects for developing countries, and described aid as a transitory concept. It supported aid both as a good in itself, but also because it encouraged trade.[14]

In 1961 the Conservative Government established the Department for Technical Cooperation, to consolidate in one place the technical expertise for the colonies that had been spread across several government departments. The Colonial Office was being reduced in size as a result of decolonisation, and many of its staff transferred to the Department for Technical Cooperation, helping to preserve the expertise that had been acquired during the colonial period.

3.2 The Ministry of Overseas Development 1964-1970

In 1964, the incoming Labour Government kept a manifesto promise to establish a Ministry of Overseas Development (ODM). The ODM brought together the functions of the Department of Technical Co-operation and the overseas aid policy functions of the Foreign, Commonwealth Relations and Colonial Offices and of other government departments. The intention was that this should develop and execute all aspects of development policy (not just aid); that it should be separate from the Foreign Office (so that development policies were not subordinated to other foreign policy interests); and it was to have a planning staff of economists (at a time when economists were rare within Government).[15] The first three Ministers of Overseas Development were members of the Cabinet.[16]

A new White Paper in 1965 made a case for aid based both on moral duty and on the long-term interest of the United Kingdom.[17] Aid was not to be given as a response to requests from developing countries, but as a result of a joint effort to identify the needs of recipients. The goal of the new policy was to get the most development effect from aid, and so the 1965 White Paper shifted policy towards project-tied aid, with financial terms linked to economic conditions in the recipient country.

The ODM did not live up to the high expectations that had been created. Aid spending rose only slightly during the Labour Government’s term of office, partly because of balance of payments and fiscal constraints. From August 1967 the ministerial office was demoted out of the Cabinet, which greatly reduced its leverage within the Government. Though the ODM remained a separate government department, it was no longer represented in Cabinet. The ODM was always an aid ministry rather than a development ministry – it did not have any impact on trade policy or political relationships with overseas governments, and even on aid the most important decisions were taken by an interdepartmental committee. It was not able to define a coherent policy agenda: a further White Paper in 1967 was largely a progress report, consisting mainly of a detailed account of the complexities of the British aid program.[18]

3.3 The Ministry of Overseas Development 1970-1974

Following the re-election of a Conservative Government in October 1970 the Ministry of Overseas Development was incorporated into the Foreign Office, and renamed the Overseas Development Administration (ODA). The ODA was overseen by a Minister of State in the Foreign Office,[19] who was accountable to the Foreign Secretary.[20]

In practice, there was little change as a result of this institutional shift. Though it was now a section of the Foreign Office, the ODA was relatively self-contained with its own Minister, and the policies, procedures and staff remained largely intact.

3.4 Re-establishment of the Ministry of Overseas Development 1974-1979

When it was returned to office in 1974, the Labour Government announced that there would once again be a separate Ministry of Overseas Development, with its own minister, though, as in the period 1967-1970, the minister would not be a member of the Cabinet.

The new Government proposed a significant change in aid policy, set out in the 1975 White Paper, *The Changing Emphasis of Britain's Aid Policies: More Help for the Poorest*. British aid was to be focused on the poorest countries, many of whom had been hard hit by the rise in oil prices, the food crisis, and a deterioration in their terms of trade. Aid was to be allocated to have "*the most effect in alleviating the worst poverty over the long term*." The priorities would be:

> "(a) to give an increasing emphasis in our bilateral aid to the poorest countries, especially those in the group most seriously affected by the rise in the price of oil and other commodities;"
>
> "(b) to give special emphasis to programmes oriented towards the poorest groups within these countries, and especially to rural development;"
>
> "(c) to promote situations in which British concessional aid funds can best serve to stimulate matching contributions from other governments, and to encourage the deployment of such aid through both multilateral and bilateral channels towards the poorest countries."[21]

Though the White Paper played down the extent of the change that this entailed, this was a genuinely new focus on poverty. The White Paper adopted a 'basic needs' approach, identified the rural poor as the main group to be brought out of poverty and committed the UK to increasing the resources devoted to the agricultural sector. The White Paper also recognized the importance of international institutions, including a substantial section on Europe, and it discussed the importance of international trade policy decisions and investment as well as aid.

Once again, the evolution of the aid program did not live up to the policy aspirations set out in the White Paper. An important weakness of the 1975 White Paper was that it did not lift the constraint that UK aid could not, in general, be spent on meeting local costs. Aid projects often had to be selected not for their development benefits, but because they could be designed in such a way as to have a high proportion of UK content. For example, the Indonesia program had to concentrate on groundwater projects because these were the only identifiable rural development activities that would use UK goods and services (such as consultants, drilling equipment and pumps.) The problem of local costs was not solved until exchange controls were abolished in 1979.

From June 1975 the powers of the Minister for Overseas Development were formally transferred to the Foreign Secretary.[22] From December 1976, after the resignation of Reginald Prentice, the Minister for Overseas Development was no longer a member of the Cabinet. Though the Overseas Development Ministry remained technically a separate government department, administratively distinct from the Foreign Office, this meant that in practice development was not given a separate voice within the government.

In 1977, partly to shore up its difficult relations with UK business, the government introduced the Aid and Trade Provision (ATP). This enabled aid to be linked to non-concessionary export credits, with both aid and export credits tied to procurement of British goods and services. Pressure for this provision from UK businesses, and the Department of Trade and Industry, arose in part because of the introduction of French mixed credit programs, which had begun to offer French Government support from aid funds for exports, including for projects in countries to which France had not previously given substantial aid.[23] Though the amounts were initially capped at five percent of aid spending, the effect of ATP was to bias aid toward higher-income countries and more capital-intensive projects, and the developmental impact criterion for project approval was only superficially applied.

During the 1974-1979 Labour Government, the ODA had institutional independence, an ambitious policy agenda, and high-level political support. There was a reasonably generous increase in aid resources during this time, from 0.37% to 0.51% of national income, despite the government's precarious fiscal position. Yet the department failed to establish itself firmly within government, could not protect the aid program from being distorted by commercial objectives, and was unable to influence broader government policies that impacted on poor countries. To a large extent this was because the department was not working within a supportive Whitehall environment, and was not able to create one.[24] At the same time, chronic pressure on the balance of payments prevented the adoption of policies that separated aid from the promotion of UK exports.

3.5 Development policies under the Conservatives 1979-1997

Following the election of the Conservatives under Margaret Thatcher in 1979, the ministry was transferred back to the Foreign Office, as a functional wing again named Overseas Development Administration (ODA). The ODA continued to be represented in Cabinet by the Foreign Secretary while the Minister for Overseas Development, who had day-to-day responsibility for development matters, held the rank of Minister of State within the Foreign Office.

New legislation, the Overseas Development and Cooperation Act 1980, changed little, affirming the Government's broad powers to use aid funds for a wide variety of purposes.

While the new Government did not publish a new White Paper on overseas development, there was nonetheless a significant shift in aid policy under the Conservatives. According to one writer, "*Few things so quickly symbolized Mrs. Thatcher's victory in the 1979 general election as the changes that were soon made to government overseas development policy and spending.*"[25] The new Minister for Overseas Development, Neil Marten, announced in February 1980 that the Government would "*give greater weight in the allocation of our aid to political, industrial and commercial objectives alongside our basic developmental objectives*".[26] The result was a significant expansion of the Aid and Trade Provision, and a number of bilateral aid projects designed to support British businesses including steel mills, Leyland buses, Hawker-Siddeley aircraft, and Westland helicopters.[27]

The statement also set out the Government's preference for bilateral aid over assistance provided through multilateral institutions such as the European Commission. In practice, however, the difficulty of renegotiating international commitments meant that multilateral contributions were harder to reduce in the short term than bilateral aid. This meant that as the aid budget fell, the burden of reduction actually fell on the bilateral portion rather than the multilateral portion, and so aid provided through multilateral institutions actually rose as a share of a declining total.

The new Government was more candid about its willingness to promote such foreign policy objectives as maintaining the UK's leadership role in the Commonwealth and its permanent seat on the UN Security Council.[28] Thus although developmental concerns were still accorded considerable weight and Conservative ministers responsible for aid were held in good regard within development circles, there was a real shift of emphasis in the conduct of development policy.

During the 1980s, the balance of payments gradually lost its political significance, partly as a result of the abolition of exchange controls in 1979, and partly because of what became known as the "Lawson Doctrine" that a current account deficit was not a cause for concern if it was the counterpart of a private sector deficit.[29] This reduced the Government's macroeconomic interest in using the aid program to promote British exports. Whereas during the 1980s nearly half the British aid program was restricted to goods and services originating in the UK, this was gradually reduced in the 1990s and applied to only about 15% of bilateral aid by 1996.

With the fall in the Berlin Wall and the end of the Cold War, the British Government felt able to reduce the weight of foreign and economic policy considerations in its aid allocations, and instead to link aid more directly to democracy and good governance. In June 1990 the Foreign Secretary, Douglas Hurd, said that: "*Economic success depends to a large degree on effective and honest government, political pluralism and observance of the rule of law, as well as freer, more open economies.*" He called on donors to redirect aid towards better governed countries: "*While countries tending towards pluralism, public accountability, respect for the rule of law, human rights and market principles should be encouraged, those which persisted with repressive policies, corrupt management, or with wasteful and discredited economic systems should not expect aid donors to support their folly with scarce aid resources which could be used better elsewhere.*"[30]

The pressure to break the link between aid and commercial considerations was further increased in 1994, by a High Court ruling that there was no legal basis for the Government to use development funds for primarily commercial purposes. (The Pergau Dam affair is explained in detail in Appendix 1.) Douglas Hurd wrote afterwards, "*the Pergau episode vexed me greatly at the time. It spoiled what was otherwise a creditable record which Lynda Chalker with my support had built up on aid.*"[31]

Throughout the whole of its existence, the Overseas Development Administration was staffed mainly by home civil servants, although some members of the diplomatic service have spent parts of their careers there. At its peak in 1979, it employed 2,300 staff, which fell to 1,500 in 1987 as aid budgets were progressively reduced during the Thatcher administration. The rundown of staff numbers was complemented by a reduction in overseas manpower. In the mid-1960s there were about 16,000 British staff working on contract to developing countries, receiving a salary supplement from the Overseas Development Ministry. By 1990, this had been reduced to almost none.

4. The establishment of the UK Department for International Development (DFID)

4.1 The policy context

Labour had been out of office since 1979, losing four consecutive General Elections. Tony Blair became Leader of the Opposition in 1994, and set about modernizing the Labour Party's image and policies, under the banner of *New Labour*. He removed the commitment to public ownership from the party's constitution. With Gordon Brown, who would become Finance Minister in the Labour Government, he neutralized the party's reputation for "tax-and-spend" by promising to spend no more than the Conservatives' planned to spend.

Under Tony Blair, New Labour described itself as being committed to a pragmatic, evidence-based agenda. The 1997 manifesto declared that *"New Labour is a party of ideas and ideals but not of outdated ideology. What counts is what works. The objectives are radical. The means will be modern."* [32] Labour presented itself as offering an end to ideological and class politics. Instead, modern policymaking would be driven by research evidence about what was effective in addressing social problems and achieving intended outcomes. In key policy areas such as crime, education and welfare, Labour officials talked about their commitment to finding out 'what works.'

One feature of the modernizing agenda was "joined-up government." New Labour had concluded that seemingly intractable problems such as social exclusion, drug addiction and crime could not be resolved by any single government department. Instead, such problems had to be made the object of a concerted attack using all the arms of government - central and local government and public agencies, as well as the private and voluntary sectors.[33]

New Labour had a less well-developed foreign policy agenda (except on relations with the European Union). It did, however, have a distinctive foreign policy message that it would bring an end to what it called "sleaze," as it described a number of connections between businesses, especially arms exporters, and foreign policy. This line of attack was boosted by the Pergau Dam case in which aid was linked to commercial contracts in a way which was subsequently found to be unlawful.[34] In February 1996, Sir Richard Scott published the results of his inquiry into the sale of arms to Saddam Hussein's government in Iraq, contrary to the UN sanctions régime then in force. Robin Cook, Labour Foreign Affairs spokesman, enhanced his parliamentary reputation, and nearly brought down the Conservative Government, with his charge that the Government had sought to cover up its involvement in the illegal arm sales.[35]

For three decades, foreign assistance programs had been influenced by the Cold War, during which strategic and security interests had affected the governments' choice of which countries to support and how; and by the need to support the UK's balance of payments, which had encouraged governments to link overseas aid to British exports. By the mid-1990s, these pressures had largely disappeared, creating an opportunity for Labour to say that it would pursue a foreign policy "with an ethical dimension."[36]

4.2 The Labour Party's policy on development

The publication in 1980 of the Brandt Report had led to renewed thinking about the role of rich countries in international development. The report argued that aid budgets should be increased, focused on the poorest countries, and provided through multilateral institutions; and that poor countries should have more influence over the decisions of those institutions.[37] During the 1980s and 1990s, independent NGOs and consortiums such as the *Independent Group on British Aid* argued that British aid should be more focused on poverty, de-linked from commercial contracts, and part of a broader government strategy for international poverty reduction.[38] The *Reality of Aid* reports, published from 1993 onwards, set an agenda for both improving and increasing aid.[39]

Internationally, a new consensus was forming on development policy. In May 1995, Development Ministers and Heads of Aid Agencies adopted a statement, *Development Partnerships in the New Global Context*, which identified poverty reduction as the central challenge and endorsed a comprehensive strategy for tackling it.[40] Furthermore, they asked Jim Michel, the American who chaired the Development Assistance Committee, to produce a forward-looking reflection on "strategies looking to the next century." The result was a set of concrete, medium-term goals, all based on the recommendations of major United Nations conferences, to be pursued on the basis of agreed principles: people-centred development, local ownership, global integration and international partnership. These goals were presented in the report *Shaping the 21st Century* which was approved by Development Ministers at the DAC High Level Meeting in May 1996.[41] The objectives agreed in this report became known first as the International Development Targets and, after the UN Millennium Summit in September 2000, as the Millennium Development Goals.[42]

In 1994-1996, while Labour was in opposition, a Labour Party Policy Commission, *"Britain in the World,"* reviewed Labour's policies on a broad range of international issues, including foreign policy, security, and development. The Commission, chaired by Robin Cook, recommended the creation of separate government department responsible for the broad range of international development issues across government, a focus on the poorest countries, and giving less weight to commercial and strategic considerations in overseas aid.

These recommendations were a natural fit with the New Labour agenda of policy-making based on evidence of what works, and joining-up policy responsibility for difficult problems across a number of Government departments. They had the political benefit of illustrating how the conduct of foreign policy would change to reduce the influence of commercial considerations. They also responded to the agenda for reform of overseas aid being advocated internationally, by NGOs, academic and others. In practice, the Policy Commission did not consider the recommendations in detail, and there had been little discussion of the proposals by the time they were hardened into party policy. The recommendations passed into the Labour Party policy statement on foreign affairs for the

1997 General Election, *A Fresh Start for Britain*, and in summary form into the manifesto:

> **Labour Party 1997 Manifesto commitment**
>
> Labour believes that we have a clear moral responsibility to help combat global poverty. In government we will strengthen and restructure the British aid programme and bring development issues back into the mainstream of government decision-making. A Cabinet minister will lead a new department of international development.
>
> We will shift aid resources towards programmes that help the poorest people in the poorest countries. We reaffirm the UK's commitment to the 0.7 per cent UN aid target and in government Labour will start to reverse the decline in UK aid spending.
>
> We will work for greater consistency between the aid, trade, agriculture and economic reform policies of the EU. We will use our leadership position in the EU to maintain and enhance the position of the poorest countries during the renegotiation of the Lomé Convention.
>
> We will support further measures to reduce the debt burden borne by the world's poorest countries and to ensure that developing countries are given a fair deal in international trade. It is our aim to rejoin UNESCO. We will consider how this can be done most effectively and will ensure that the cost is met from savings elsewhere.

In the months before the election in 1997, Foreign Office officials suggested to Robin Cook and senior Labour Party officials that it would be a mistake to transfer control of the development budget and policy away from the Foreign Office.[43] But at the same time, Sir John Vereker, the most senior civil servant at the ODA, was in close contact with Clare Short, the Labour Party Shadow Secretary of State for Overseas Development; they agreed to argue for the proposed structures and policies of the future department.[44]

Immediately following Labour's victory in the General Election, the new Prime Minister, Tony Blair, offered the aid portfolio to Clare Short. She was clear that she would not accept the job unless she was given a Cabinet post with overall responsibility for development policy generally, and not just aid.[45] Ms Short, as Secretary of State for International Development, was not only a member of the Cabinet, but also a member of several interdepartmental Ministerial Committees. As the scope of the Department's work was expanded to cover development policy she became a member of Government committees on the environment, drug abuse, women's issues, health, and export credits including arms sales. One example of the department's expanded role was that it was consulted on the approval of arms export license applications before they were issued.

4.3 The main changes to development institutions and policy in 1997

There were three related changes to the structure of UK aid institutions and policy in 1997:

- An independent ministry, the **Department for International Development**, was created, headed by a member of the Cabinet, with responsibility for aid and development. Like its predecessors, the new department had responsibility for bilateral aid and the funding of multilateral development institutions; but it was also given responsibility for ensuring a joined-up development policy across the Government as a whole.

- **Poverty reduction** - broadly defined - was identified as the overarching objective of aid and development policy; and quantifiable and measurable global targets were identified by which to track progress towards this objective, based on the International Development Targets (which later became the Millennium Development Goals).[46]

- The concept of development **policy coherence** was introduced, which acknowledged that managing aid spending was only one (and arguably not the most important) part of development policy, and that the new department had a legitimate voice in the formulation of government policy in other areas (e.g. trade, conflict and foreign relations) for which other government departments had primary responsibility.

5. The new policies 1997 – 2005

5.1 White Papers in 1997 and 2000

DFID came into existence at a time of considerable change in international thinking about development. Market economic reforms in Africa had been necessary, but they had been painful for the poor and had not always delivered economic growth. While macroeconomic adjustment continued to be an important part of the policy prescription, there was a growing focus on poverty reduction, governance reform and debt relief.

Within six months, the new department had drafted a new Government White Paper, *Eliminating Global Poverty*, which (as the title suggests) set out an ambitious agenda for UK development policies. [47]

In 2000, the Government published a further White Paper, looking specifically at the relationship between globalization and development.[48] It argued that globalization provided an opportunity to reduce poverty by making poor people and poor countries more productive through better access to markets, imported inputs, finance and new technologies; but that this opportunity would not be realized without supporting actions: some from rich countries and international organizations, and some within developing countries.

The main policy goals set by the UK Government in the two White Papers were:

- **Poverty reduction as the goal of development policy, with output targets**
  The announcement of clear mission for poverty reduction: "W*e shall refocus our international development efforts on the elimination of poverty and encouragement of economic growth which benefits the poor."* The 1997 White Paper shifted the department's measure of success from spending targets (e.g. ODA as a share of national income) to the achievement of the International Development Targets (which later became the Millennium Development Goals).[49]

- **An explicit focus on social sectors**
  The 1997 White Paper put special emphasis on investment in social sectors as a means to poverty reduction; this seemed to shift the emphasis away from investment in productive sectors such as agriculture and infrastructure (although in practice this shift was already underway before 1997).

- **Economic growth and liberalization as a means to poverty reduction**
  The 2000 White Paper proclaimed the importance of economic growth as a means to reduce poverty. This shifted the balance back a little from the focus on social sectors following the 1997 White Paper. Coming as it did in the year following the 1999 Seattle protests, the 2000 White Paper set out the Government's commitment to supporting trade liberalization, and to helping poor countries to benefit from, rather than resist, globalization.[50]

- **Development policy not aid policy**
  The White Papers announced that, in addition to managing the aid program, the new department would develop capacity to analyze a broad range of policies affecting development, such as on environment, trade, agriculture, investment, good government and human rights, conflict prevention, debt relief, financial stability, drugs, migration, and cultural links.

- **Pursuing long-term poverty reduction rather than short term commercial interests**
  The government was clear that the aid program should **not** be used to pursue short term commercial interests, as this was thought to be at the expense of the effectiveness of the development budget. The Aid and Trade Provision program was abolished in the 1997 White Paper, albeit replaced by the possibility of continuing to use "mixed credits" which met development criteria but which still allowed aid to be tied to British contracts. In practice, mixed credits were not used, and they were formally ended by the 2000 White Paper which announced that UK aid would be completely untied.

- **New partnerships**
  The White Papers heralded a new way of working with other UK Government Departments, other donors and development agencies, developing countries, and with the private and voluntary sectors. In particular, a new aid relationship between Britain and the governments of developing countries was envisaged, in which developing countries which committed themselves to poverty reduction and good government could in return expect a longer-term commitment from DFID, more money and greater flexibility in the use of resources. Where possible, DFID would move away from supporting stand-alone projects and dictating exactly how resources were to be used: "*where we have confidence in the policies and budgetary allocation process and in the capacity for effective implementation in the partner government, we will consider moving away from supporting specific projects to providing resources more strategically in support of sector-wide programmes or the economy as a whole*."

- **A more realistic assessment of Britain's role in the international system**
  The White Papers acknowledged that Britain could make only a modest difference on its own; but that there was much that the international community could do by working together. This led to a much more positive view of the need to work closely with other donors. Together with a raft of policy papers on particular topics, embracing collaboration with others helped DFID to become extremely influential throughout the development community after 1997.

- **A new view of the role of the state in developing countries**
  The 1997 White Paper criticized previous models of the role of the developing country governments as being either too statist, or wrongly believing in a "minimalist" state. It said: "*there is now an opportunity to create a new synthesis which builds on the role of the state in facilitating economic growth and benefiting the poor … .. The state is responsible not only for providing the right economic framework, but also for ensuring social justice: which means access to services such as health and education and respect for human rights.*"

- **Devolution of aid management**
  The new partnership relationship was supported by increased decentralization of DFID's management, in which strong field offices, operating with significant delegation of authority, would promote dialogue with recipient countries.

The White Papers were important not only because of what they said, but also because they put on the public record clear statements of the Government's approach to international development. This had a considerable impact in an environment in which there had not been a White Paper for 22 years. Both White Papers were accompanied by a well organised publicity and communications effort to explain the new policies, both within the UK and abroad.

5.2 Increased inter-departmental cooperation on conflict

An example of effective joining-up across government, and DFID's growing role in development policies and not just aid, was the establishment in 2001 of the **Global Conflict Prevention Pool** and the **Africa Conflict Prevention Pool**.[51] The purpose of these pools was to bring together the resources of the Ministry of Defence, the Foreign Office and the Department for International Development, to permit a more strategic approach to conflict reduction. The two pools had a budget of about $300m a year between them. Each was governed by a cabinet committee of Ministers from the three departments, chaired by the Foreign Secretary (Global Conflict Prevention Pool) and the Development Secretary (Africa Conflict Prevention Pool). Each department spent money allocated to it under its own arrangements for accountability, once the strategy had been approved by the interdepartmental committee.

Initiatives under the pool arrangements included development of new governance and justice systems; disarmament, demobilisation and reintegration of fighters into society and development of alternative livelihoods for them; small arms reduction programs; training for police, armed forces and other parts of the security sector in democratic and accountable systems which respect human rights. Most of the money was spent on consultancy and other non-capital support for these objectives.[52]

In Sierra Leone, for example, the Africa Conflict Prevention Pool coordinated a program to retrain and re-equip both the army and the police, the creation of a Ministry of Defence with civilian oversight, funding for an anti-corruption unit, and support for a truth and reconciliation commission. The pools were especially successful in promoting coordinated activities in the Balkans, Afghanistan, the Middle East, North Africa, Nepal and Indonesia.

An evaluation found that the pools promoted significantly better cooperation between the Departments concerned, especially in London. The expanded pooled funds acted as an incentive for cooperation. Across the areas of policy, both in country and in Whitehall, regular formal and informal coordination and information sharing has improved.[53] However, a large part of the spending on these objectives of all the participating departments remained outside the pools.

Following the success of the two pools in improving interdepartmental coordination and joining up development policy across government, the Government also established an interdepartmental unit to coordinate work on post-conflict reconstruction, which would help countries to put in place quickly the civilian capabilities needed for a stable environment in the aftermath of war, so that reconstruction could begin.

5.3 The International Development Act 2002

In 2002, Parliament passed the International Development Act 2002, foreshadowed in the 2000 White Paper. The Act replaced the Overseas Development and Co-operation Act 1980. It enshrined in law the single purpose of aid spending: every development assistance project or program must by law either further sustainable development or promote the welfare of people and be likely to contribute to the reduction of poverty.[54] Exceptions were aid to UK Overseas Territories, humanitarian assistance, and contributions to Multilateral Development Banks. The 2002 Act made it illegal for UK aid to be tied to the use of British goods and services. It clarified the purposes for which aid could be given to UK Overseas Territories, gave clearer legal authority for DFID's development awareness work, and provided a wider range of mechanisms through which financial assistance could be provided.

5.4 Better aid allocation to increase value for money

DFID sought to increase value for money by increasing the proportion of its resources going to very poor countries and by increasing public scrutiny of aid allocation decisions.

The new Department's focus on helping countries to achieve the Millennium Development Goals required a greater focus on poor countries because these were furthest from reaching the goals. Analysis by the economists at World Bank of the impact of aid on economic growth implied that aid would have more impact if more of it were spent in countries with large numbers of poor people (as well as in countries with better governments).[55] During the 1990s, however, there had been a significant increase in the proportion of global aid going to richer countries, away from poorer countries (within a roughly constant total for global aid). DFID decided to address this not only by changing the allocation of UK aid toward the poorest countries, but also by drawing attention to the allocation of global aid resources, which were not well targeted to reaching the Millennium Development Goals. In 1998 DFID set itself an objective of reversing the trend of EC aid spending, an increasing proportion of which was going to better off countries.[56]

In 2002, DFID agreed with the Treasury[57] a public target that it would increase the proportion of DFID's bilateral program going to low income countries from 78% to 90%.[58] This commitment, which demanded a significant shift in resources to the poorest countries, became known as the "90 – 10 rule."

In 2003, DFID published a technical analysis which looked at the results of studies of aid effectiveness to predict where aid spending would have the most impact in terms of lifting people out of poverty, based on the recipients' income, population, extent of poverty, and the quality of governance.[59] This created a publicly available benchmark allocation of aid spending, optimal in its effect on poverty reduction, from which deviations would have to be justified.

5.5 Development and security: policy since 9/11

Following the terrorist attacks of September 11, 2001, UK foreign policy increased its focus on identifying and supporting "weak and failing states" and on removing the conditions that create the circumstances in which terrorists could recruit and organize.

DFID set out its approach in a policy document in 2005.[60] It argued that lack of security was a significant obstacle to achieving the Millennium Development Goals, and that poverty and fragile states created fertile conditions for conflict and the emergence of new security threats including international crime and terrorism.

Under the International Development Act 2002, DFID could not use development assistance to finance programs whose primary objective was tackling threats to the UK or global security. The policy document explained the relationship between aid resources and security: "*Nor will DFID open programmes in countries on the basis of UK or global security considerations alone – there would have to be a prior and compelling poverty reduction case. But we and other development agencies can support programmes that enhance the human security of the poor in developing countries and, in so doing, benefit everyone's safety, whether rich or poor.*"

Under the new strategy, DFID committed itself to pay greater attention to regional conflict and insecurity; and to countries that were pivotal to regional security; expand safety, security and access to justice programs; refocus governance work to promote accountability which promotes security; increase efforts on conflict reduction through the conflict prevention pools; and encourage transparency of payments for the extraction of natural resources.

There was considerable pressure within the UK Government to increase DFID spending on reconstruction in Afghanistan and Iraq. However, the 90-10 rule (see above) prevented allocations to the poorest countries from being reduced in order to accommodate increases in Iraq (which counted as a middle income country). In order to increase spending in Iraq without breaching the 90-10 rule, DFID decided to accelerate planned withdrawal from other middle income countries such as Anguilla, Bulgaria, Croatia, Honduras, Macedonia, Peru and Romania, and reduce spending in Albania, Bolivia, China, Jamaica, Kosovo, Russia, South Africa and Sri Lanka.[61]

5.6 A New Whitehall Environment

Other government departments were predictably nervous at first about the establishment of a new department with a broad remit. Both the Foreign Office and the Department of Trade and Industry had in the past been skeptical of the development agenda, and their policies had reflected lower political priority on Britain's long-term interest in reducing poverty in favor of shorter term commercial and political objectives. The Department of Trade and Industry was distrustful of the establishment of a trade policy department within DFID; and there were early disagreements with the Ministry of Defence over military training programs in Africa.[62]

There was inevitably some friction between the new department and the Foreign Office. Ms Short wrote afterwards "*The Foreign Office wanted us to run projects and not interfere in political issues such as the ending of conflict in Africa. Africa came low down the list of Foreign Office priorities but they certainly did not want DFID poking its nose in.*"[63] These disagreements mainly took the form of low-intensity bureaucratic warfare on issues such as the sharing of classified documents, the clearing of drafts of UN Security Council Resolutions, and policy documents, although there were some important disagreements, especially relating to the conduct of policy in Africa.[64]

Relations with the Foreign Office improved over time. In April 2002, a joint Foreign Office and DFID unit was established to manage the UK's relations with Sudan. In May 2004, this team won an award for best Central Government team in the Public Service Awards. There was effective collaboration, especially on conflict and post-conflict reconstruction. In 2004 the two departments agreed an *Action Plan for Collaborative Working* mainly on logistical issues, such as sharing services in the UK and overseas; [65] estates issues, especially co-location overseas; security; and IT systems, but also on country-level collaboration and the joint planning and delivery of shared government targets.[66]

The new Department worked closely from the outset with the Treasury. The independence of the Bank of England in 1997 had liberated senior Treasury officials from short term worries about the conduct of monetary policy; and they were convinced that progress towards the reduction of world poverty was in the long-term economic interest of the UK. At ministerial level, there was an especially good relationship between the Secretary of State for International Development (Ms Short) and the Finance Minister (Mr. Brown).

Though relations with the Treasury were generally good, there were some early battles. In 1997, DFID argued that the UK Executive Director of the World Bank should be appointed by DFID, separately from the UK Executive Director of the IMF. (The two posts were combined in a single appointment made by the Treasury). A hard-fought compromise was eventually reached: the Secretary of State for International Development was designated as the UK Governor of the World Bank, in place of the Finance Minister who would remain Britain's Governor of the IMF; but the roles of Executive Director of the World Bank and the IMF were not split and remained a Treasury appointment.[67]

The new Department was given the task of changing attitudes and policies across Whitehall, to bring development policy concerns into the mainstream of UK Government policy-making. This proved easier than had been expected: other Government departments increasingly saw the need to build support among developing countries and civil society organizations for their own policies with an international dimension, and regarded DFID as a potentially useful ally in building international support. In 1999, following the failure of the WTO Ministerial Meeting in Seattle, Clare Short proposed that DFID should publish a second White Paper, on the impact of globalisation. Although this touched on many areas of other departments' responsibilities, they gave strong support to the idea, in part because they saw that they could better pursue their policy priorities if the government built a broader consensus for its approach to international affairs.

The new Department built a good network of relationships across Whitehall, and established increasing respect for its effectiveness and for the quality of its thinking. Especially through the process of developing the 2000 White Paper on Globalisation, it formed good working relationships with the Department of Trade and Industry, Foreign Office, Ministry of Defence, and the Department for the Environment, Food and Rural Affairs. These relationships made a significant contribution to the evolution of policy. For example, the Department of Trade and Industry championed the designation of the new trade round, launched in Doha in November 2001, as a Development Agenda. In July 2004, it published a White Paper, "Making Globalisation a Force for Good," which set out a trade policy agenda concentrated on helping the poor.[68]

6. The aims of the changes and assessment

This section identifies the government's aims in making its institutional changes, and discusses whether they have been achieved.

6.1 Focus on the reduction of poverty

The Labour Party decided in opposition that the new Department should have as its single purpose the reduction, and eventual elimination, of world poverty; and Ms Short determined in opposition that the immediate objective should be to harness the global effort to meeting the 2015 targets.

There were two significant motives for insisting on this focus. The first was to improve value for money: using aid to support British exports or other strategic interests over the years had reduced the effectiveness of the aid program. The second was managerial: by setting a single clear mission, Ministers and senior officials could increase the focus and motivation of staff. Sir John Vereker wrote afterwards, "*This clarity of purpose, rapidly transmitted through the organisation, has been a powerful motivating, unifying and guiding force over the last five years.*"[69]

The government was successful in narrowing the focus of development on the reduction of poverty, and eschewing the use of aid for commercial or strategic objectives. The White Papers scaled back and then abolished tied aid; and the International Development Act 2002 made it illegal for aid to be used for any purpose other than poverty reduction.

However, there was some confusion about the meaning of the focus on poverty reduction. Some stakeholders, including some of DFID's own staff, officials from other government departments and other donor countries, misunderstood it to mean that DFID would be focused on poverty relief – that is, addressing needs arising from poverty, rather than tackling the underlying causes. DFID Ministers and senior officials always understood that long-term, sustainable poverty reduction involved addressing the causes of poverty, and they interpreted this broadly, to include investing in economic growth, conflict reduction, improving governance, fighting corruption, and long-term investments such as R&D and human development. Nonetheless, it was some years before it was widely understood, including within Whitehall, that the focus on poverty reduction extended beyond purely humanitarian objectives.

An instructive example of the impact of limiting the department's resources to poverty reduction occurred in May 2002, when the Home Office drew up proposals to reduce the number of asylum seekers in the UK, which was (and remains) a very sensitive political issue. One proposal was that aid to some developing countries should be made conditional on accepting the return of asylum seekers. The Prime Minister attached particular importance to cutting asylum numbers, and Downing Street advisers supported tying bilateral British and EU development aid for countries such as Somalia, Sri Lanka, Turkey to commitments to take back rejected asylum seekers.[70] Clare Short opposed using aid funds to *"try to blackmail governments into facilitating the early return of failed asylum seekers."*[71] She attended a Cabinet Meeting chaired by the Prime Minister to consider the proposals, and argued – successfully – that using aid funds in this way would be a breach of the new act.[72] She told the BBC, *"In terms of British aid, it is illegal, because under law we can only spend it for development."*[73] The proposal was dropped.

6.2 A development policy, not just an aid policy

The Government had decided that the new department should not only be responsible for aid, but that it should also have a role in all the development aspects of UK policy, including the environment, trade, conflict, political relationships, international economy, and migration. This had been an aspiration of the first Ministry of Overseas Development as long ago as 1964.

The motive for including all aspects of development policy in the department's remit was the recognition that there were important limits on what aid alone could achieve. A great many other policies pursued by rich nations have as much, or more, impact on the reduction of poverty.

Five years later, the then DFID Permanent Secretary wrote of the responsibilities of the department:

> As the Accounting Officer for the last eight years of a budget now approaching £3.5bn [$6bn], and directly responsible to Parliament, I have to say that I spend surprisingly little of my time transferring resources to developing countries. That's the easy bit; but unthinking aid can do more harm than good. Most of the contents of my in-tray now consist of complex policy issues, spanning different government departments and involving many different international collaborations designed to improve the economy and governance of poor countries. These are areas as diverse as civil-military cooperation in conflict, the developing country voice in international trade negotiations, the coherence of European Union policies towards developing countries, the sustainability of debt, the impact of the global environment on poor people, or the ways of encouraging free and fair election.[74]

One example of DFID's expanded role within Government was that it was consulted over the issue of arms exports licences for sales to developing countries, as were the Department of Trade and Industry, Foreign Office, the Ministry of Defence. This did not mean that development interests were always placed above commercial or strategic decisions. In December 2001, DFID unsuccessfully opposed an arms export application from British Aerospace for a £28m ($48m) military radar system for Tanzania, on the grounds that it was unnecessary, and breached the terms of Tanzania's debt relief. Following a considerable debate within Government, some of which spilled into the press, the Prime Minister decided in favor of the Department of Trade and Industry, and the sale was allowed.

6.3 More aid

One of the incoming Labour Government's policy commitments was to reverse the decline in total aid spending, with the aim of moving towards the UN target of 0.7% of Gross National Income. In practice, since the UN General Assembly agreed in 1970 the aspiration of increasing aid to 0.7% of GDP, [75] successive UK Governments have committed themselves to move towards this figure without setting a date by which it would be reached.[76] For example, in its February 1974 Manifesto, the Labour Party said: *"the next Labour Government will seek to implement the United Nations Development Target of 0.7 per cent of GNP in official aid and will increase the aid programme to meet it."* In the period since 1970, the target acquired considerable political significance as a measure of the willingness of governments to commit resources to development.

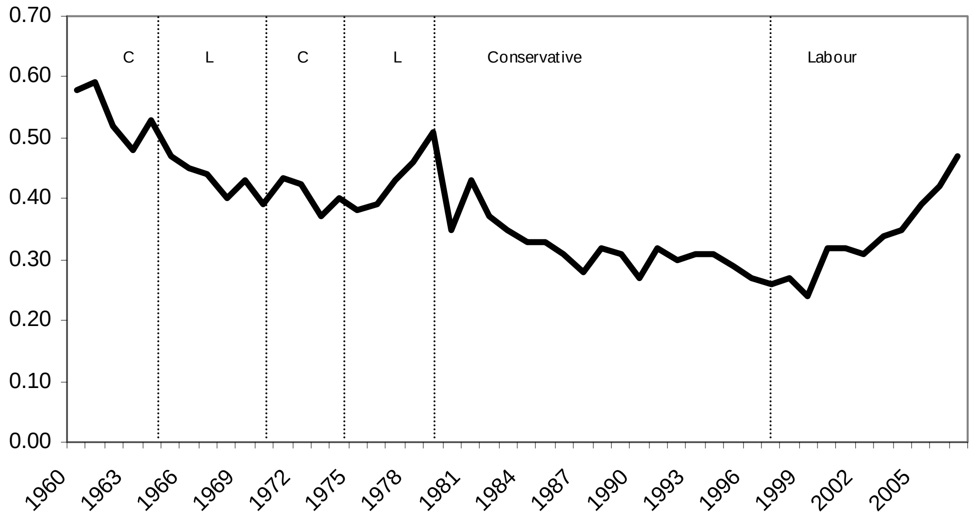
However, the new Government was also committed to maintaining the public expenditure plans of its predecessor, which constrained its ability to increase aid spending. As a result, progress was slow in the early years, and in 2001, the DAC peer review of the UK aid program noted that the Government's rhetoric had got ahead of reality:[77]

> *The government recognises that a more substantial ODA/GNI performance is necessary to demonstrate the United Kingdom's commitment to tackling world poverty and has reiterated its commitment to the United Nations' ODA/GNI target of 0.7%. Although the United Kingdom is one of the few DAC Members committed to raising its ODA volume and lifting its ODA/GNI ratio, it remains far from reaching this target.*

Partly as a result of commitments given by the EU in advance of the International Conference on Financing for Development in March 2002, in Monterrey, Mexico, to reverse the decline in aid, the Government budgeted for a more rapid rise in aid from 2002.

In 2004, Hilary Benn as Secretary of State for International Development and Gordon Brown as Finance Minister agreed future increases in aid at a rate which would reach the target of 0.7% of GDP by 2013, and budgeted for those increases up to 2007-08.[78] As the chart below shows, this would represent the most sustained increase in aid as a share of national income for at least 40 years, and it was the first time that any British Government had set a timetable for meeting the 0.7% target.

Chart 1: ODA as percent of GNI [79]



6.4 Focus on the UK's long-term interests

An important motivation for the establishment of a separate department was to increase the attention paid within Government to the UK's long-term strategic interests, so that these might be properly balanced against short term pressures. For example, it was recognized that it was in the UK's long-term commercial interests that Africa should emerge as an economically strong trading partner; and in the UK's security interests that there should be reductions in poverty and inequality and improvements in governance in developing countries. But these long-term interests had not always been given weight alongside short-term commercial and strategic concerns. By creating a department with a long-term agenda for global poverty reduction, the intention was to create institutional pressures within government to ensure that the UK's long-term interests were taken into account alongside short-term pressures.

Eight years later, it was apparent that UK policy has been substantially realigned, partly as a result of the collaborative work across Whitehall of drawing up the two White Papers. For example, both trade policy and environment policy have changed significantly to take account of the UK's long-term interests in shared economic prosperity and in halting the degradation of the environment.

In 2005, the UK Prime Minister Tony Blair chose two key objectives for the UK Presidency of the G8: the development of Africa, and the impact of Climate Change.

That he chose to focus on these two long-term objectives was a testament to the extent of the change that had occurred in the priorities and time horizons of UK policy-makers.

6.5 Improve the poverty impact of aid

The reforms of development assistance were intended to improve the poverty impact of aid, both by improving the allocation of aid – especially by targeting aid on countries with poor people – and by improving the effectiveness with which it was used.

The government untied aid completely, which was estimated to increase the effectiveness of aid by between 15 and 30%.[80] The government also sought to improve the poverty impact of aid by shifting resources towards poor countries, with the introduction of the target that 90% of aid should go to low income countries, and by the use of an explicit aid allocation model.

By 2003, DFID estimated that the poverty reduction impact of a marginal dollar of aid had quadrupled since 1990, though some of this was due to changes in aid levels and improvements in governance in developing countries. As a result of improvements in aid allocation, DFID's own estimates showed that it raised more people out of poverty for an extra $1m than the donor average (it ranked third highest among bilateral donors).[81]

However, the effectiveness of aid depends not only on where it is used, but also on how it is spent. Changes in development assistance which were intended to make aid more effective also had the effect of making it more difficult to measure the cost-effectiveness of those aid programs. For example, the move away from supporting individual projects and providing financial support more generally to governments committed to poverty reduction, and increased collaboration and pooling with other donors, were based on evidence that aid could be more effective when delivered this way. However, these same changes also made it more difficult to attribute particular outputs and outcomes to the UK aid program, so reducing the availability of direct evidence for the effectiveness of aid.

6.6 Focus on the causes of poverty and not just the symptoms

The new department decided to focus on the causes of poverty and not just its symptoms, in order to take a long-term view of achieving its mission. This brought the new department explicitly into new policy arenas, such as conflict prevention, trade, environment, governance and security, with a view to identifying and addressing the causes of poverty. In one sense, the change was less pronounced than it might appear: the previous Overseas Development Administration had been engaged in many of these issues. However, the department's explicit broad responsibilities for development and not just aid, and its representation in Cabinet, changed government and public perceptions of its role, and enabled it to act with considerably greater confidence and effect in these areas.

An example of the way in which DFID began to look at the causes of poverty was the strategy of considering Drivers of Change, which sought to ground development programs in an understanding of the economic, social and political factors that either drive or block change within a country.[82] The goal of tackling the causes of poverty also led DFID to expand its work on institution-building and governance reform, security and access to justice and governance programs. DFID and the Department of Trade and Industry together argued for a “development round” for the Doha trade talks, and for reform of the EU Common Agricultural Policy. With the Ministry of Defence and Foreign Office, it greatly expanded work on preventing and ending conflict, and on investment in post-conflict societies.

6.7 Increasing leverage to increase impact

The Government made a deliberate effort to work with and through other bilateral and multilateral donors, to leverage the impact of the UK’s contribution to development.

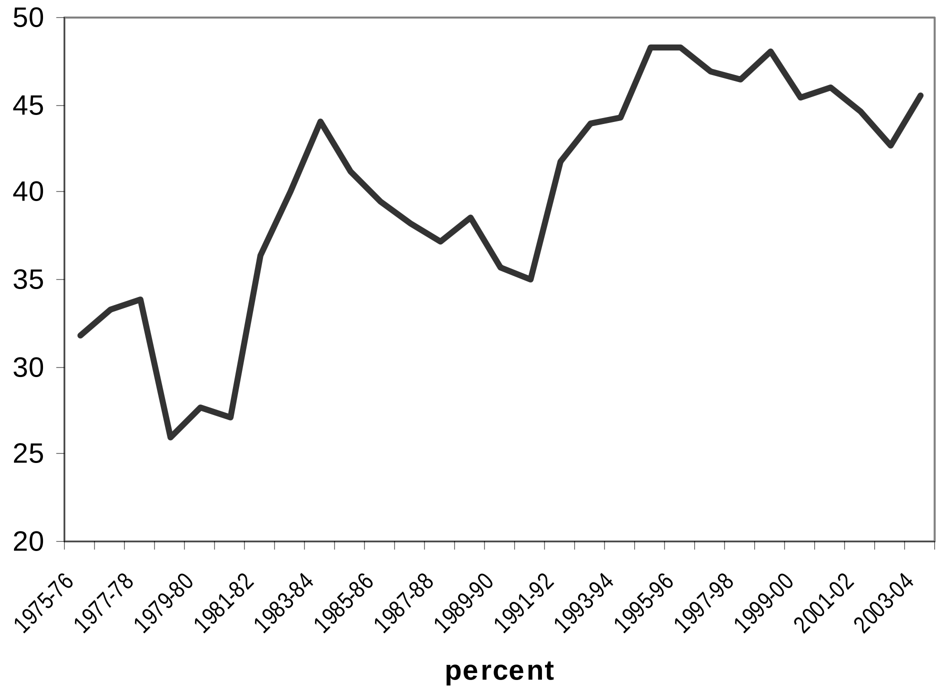
From 1997, DFID consciously moved away from highlighting UK contributions to particular programs (for example, the Union Flag was no longer stencilled on to bags of food aid). In part, the intention of this change was that it would give it more opportunities to work across the international system as a whole, with other like-minded donors, the European Community and the international financial institutions. Seeking publicity for the UK’s own contribution internationally, it was felt, had been a distraction from, and in some cases an obstacle to, effective collaboration with partners. This was accompanied by an increased effort within the UK to explain the purpose and effectiveness of the aid program, to sustain support as it became less visible on the ground.

One example of the effort to increase leverage was the Government’s willingness to channel resources through multilateral institutions where they are effective, such as through the World Bank. The UK gave a higher share of aid as multilateral assistance than the DAC average. Over 1996-2000 DFID provided on average 41% of its aid through multilateral organizations compared with 36% for all DAC donors and 25% for the US. (There is no clear relationship between size of donor and the multilateral share.) An increased willingness to work with others also led to a very large number of policy collaborations with the World Bank.

In another example, from 2001 DFID’s Vietnam program was established with a complete ban on purely bilateral aid projects. All aid was provided in support of projects or programs conducted by or with other development partners, especially the World Bank. This approach was perceived to leverage other resources, help to focus other organisations on the achievement of the Millennium Development Goals, discipline project design by requiring all interventions to secure the support of other agencies, and reduce transactions costs for the Government of Vietnam.

However, as the chart below shows, although the share of aid going to multilateral institutions remained relatively high, it fell at a time when the department was advocating working through multilateral institutions where possible.

Chart 2: Multilateral aid as a share of total aid [83]



6.7 Evidence-based policy making, focusing on outcomes and transparency

In line with a new approach across the UK Government, DFID set itself the task of basing policy on evidence, focusing on outcomes rather than inputs, and increasing the transparency of policy making and use of resources. Arguably, it was one of the more successful government departments at ensuring that policies were firmly based on evidence.

DFID employed a large number of technical specialists, from economists to anthropologists, and experts in health, engineering, education, statistics, trade, conflict, environment, population and governance. One important result of DFID's commitment to using evidence was a consistent attention since 1997 to supporting the important, but politically unglamorous, process of building capacity for the collection and analysis of statistics in developing countries.

In line with the aim of basing policy on evidence, both White Papers were the result of extensive consultation with experts outside government, including academics and non-governmental organizations, and were backed by an array of specially-commissioned analyses.

The 1997 White Paper shifted the department's measurement of its performance towards the UK's contribution to meeting the Millennium Development Goals, rather than on input-based measures of the UK's contribution. However, in common with other organizations, DFID did not satisfactorily resolve the tension, on the one hand wanting to increase the importance of measuring outcomes, and on the other hand needing evidence to attribute those outcomes to the UK's own contribution. (It was easier to attribute the

UK's contribution to inputs, such as total aid given, or to outputs such as schools built, than it was to outcomes which are the effect of the country's own efforts as well as the combined effects of all the donors.) [84]

Development policy became markedly more transparent. Country Assistance Plans – which formed the basis of DFID country programs – were published for the first time. Most project documents were made available online through the AIDA database;[85] and from 2005, all project documents were opened to public scrutiny under the UK's Freedom of Information Act.

6.9 Greater public awareness and political focus

Finally, it was an explicit aim of the reforms of UK development assistance to increase the political focus on development, by appointing a high-profile Cabinet Minister to lead the department.

The 1997 White Paper called for increased public understanding of global mutual dependence and the need for international development. It called for every child to be educated about development issues, so that they could understand the key global considerations that would shape their lives. DFID began a low-key but effective public awareness campaign. This included, for example, working with the Department for Education to include "global citizenship" in the new national curriculum, and providing materials and support for teacher training colleges to enable teachers to incorporate development into their teaching. In 2004, the UK Government teamed up with the Rough Guide, publishers of travel books, to produce a Rough Guide to a Fairer World, which explained what members of the public could do if they wanted to become more involved in supporting developing countries.[86]

One effect of these efforts was a steady rise in the proportion of the British public who said that they were "very concerned" about development, from 17% in 1999 to 26% in 2004.[87]

Once consequence of the move to greater collaboration with other donors, and greater use of resource transfer to recipient governments rather than project aid, was that UK aid was less directly visible, and so less likely to generate a strong sense of ownership in the United Kingdom. To avoid a decline in support for aid, the Government considered it important to explain carefully the rationale for the policy change and highlight the increased impact of British aid that it was expected to bring.

The Labour Government had, at least at first, an unexpectedly testy relationship with many of the Non Governmental Organizations (NGOs). Clare Short as Secretary of State for International Development felt that the development and environment NGOs had an agenda that would not help developing countries to take advantage of globalization, and that funding British NGOs was a "short term political distraction." She wrote: "All of these groups were well intentioned by the most generous possible funding for the best possible UK NGOs was not capable of bringing about the massive reductions of poverty that were needed."[88] Relationships with NGOs improved over time, in part because of the introduction of Partnership Programme Agreements (PPAs) to fund NGOs on the basis of their strategic objectives. PPAs are long-term funding agreements that do not restrict the use of those funds to particular projects or activities.[89]

7. Future challenges for DFID

By 2005, enormous progress had been made by the new Department for International Development, but considerable challenges remained. In the 2005 edition of the Center for Global Development's authoritative, quantitative annual study of the how the policies of rich countries help or hinder poor countries, the United Kingdom ranked about half way, 10th out of 21 countries, equal to Canada, just below Germany and well behind the Scandinavian countries and Australia and New Zealand.[90] A relatively strong performance on aid, trade and investment was undermined by weak and deteriorating performance on policies such as migration and security. (The United Kingdom was, however, with Spain and Sweden, the joint fastest improver since the index began in 2003.)

The Department for International Development faces a number of continuing challenges, which will require it to:

- **Maintain a tight focus** on the department's core strengths, and limit the number of countries to which Britain gives bilateral aid. Prioritization is more difficult at a time of rapid increases in the aid budget; and arguably one of DFID's weaknesses is that it tries to do too much.

- **Lock in the improvements** in development policy made following the end of the Cold War, which enabled aid to be allocated to the poorest countries where it would have most impact, and reduced the distortion of aid by short-term strategic, political and commercial interests. Since 9/11 and the increased focus on security, there will be increasing pressure to use all the Government's resources in the fight against terrorism. DFID has, so far, been largely successful in sustaining the argument that the UK's longer term interests, including its security interests, are best served by preserving the focus of aid on poverty reduction.[91]

- Restrain, and perhaps reverse, the **growth in bilateral aid**, by ensuring that the bulk of the anticipated increases in aid are channeled through multilateral institutions, which is more efficient both for donors and for recipients; and also by increasing investments in global and regional public goods, such as scientific research, early warning systems, and regional infrastructure, which are currently under-funded.

- Within bilateral aid, make more progress on implementing DFID's rhetorical commitments to **increasing program aid**, which increases the recipient's control of resources, so enhancing effectiveness and accountability, and reduces the administrative burden of projects.

- Improve the department's approach to **the transfer of knowledge and skills**, based on evidence about what works; and so reduce the proportion of spending on technical cooperation and consultants (which, although declining since the late 1990s, remains high by international standards).

- Expand DFID's influence on **sensitive areas of policy** which have a significant effect on poor countries, including migration policies, corruption and lack transparency by transnational corporations, the configuration of armed forces for humanitarian relief and conflict prevention.

- Build **stronger public support** for the Government's role in international development. In an annual survey of UK opinion, fewer than a fifth of people identify the governments of rich countries as making a major contribution to the reduction of international poverty, compared with two thirds who think that international charities do so.[92] This remains a precarious basis for DFID's long-term survival and weight within Government.

8. Lessons from the UK experience

This final section contains some personal reflections on the main components of the reforms, which I see as having been largely successful.

8.1 What were the components of success?

The main ingredients in the successful reform of UK development assistance have been:

- Combining **responsibility for all aid in a single Government department**. This has been the case in the UK since 1964 and has made an important contribution to both the coherence and cost-effectiveness of British aid that other countries would do well to emulate.

- The establishment of an **integrated development ministry**, with influence over a range of government policies that affect development, has had a significant effect on the conduct of policy. While development interests will not always take precedence over other government objectives, they should at least be identified and taken into account in the design and execution of broader government objectives.

- Setting a **clear purpose and focus on outcomes**. DFID has been able to resist short-term political pressures from changing its long-term strategy. This is easier said than done: it requires powerful political leadership to prevent aid budgets being diverted to other priorities. The appointment of a separate Cabinet Minister, and legislation about the use to which aid resources could be put, has enabled the department to resist other pressures.

- Building an understanding among policy-makers and commentators of the **relationship between long-term interests and short-term interests** of the country.

- Recognising that development is impossible without security; and **security is impossible without development**. This mutual interdependence has profound implications for Government institutions and priorities.

- Acceptance that more can be achieved through **partnerships with others**, and through leverage of the multilateral system, even if this means a less distinctive high profile for the development program. This includes integrated management of bilateral and multilateral aid to secure the synergies and ensure coherence.

8.2 How did it happen?

As with most successful revolutions, the changes succeeded in part because they found resonance in a long evolution of thinking, and in part because they captured a the mood of the moment. The unified management of aid by a single government department has been a long-standing virtue of the UK system, dating back to 1964, which has been unusual internationally. The UK has also consistently argued over many years the importance of assistance to the poorest countries, although its own aid program did not always reflect that priority. Many of the changes that the UK introduced in 1997 and afterwards were in line with a new international mood that while increases in aid were an important part of the development agenda, it was essential also to pay attention to the broader set of policies that affect developing countries.

Other elements that enabled these changes to happen and to be sustained were:

- High profile **political leadership** for a new approach to development. The Prime Minister and Chancellor of the Exchequer were willing to back the new Department, and Clare Short provided a strong focus for it. One external commentator wrote: "*What drove the difference? In a word, leadership. Short imposed focus and drive on her organizations. She believed that DFID should – and could – make a real difference. She recruited the best and the brightest from the UK and abroad. She encouraged discussion and debate. She demanded excellence.*"[93] Subsequent Cabinet Ministers have ensured that DFID retains a high political profile.

- A supportive **political environment** for improvements in the use of aid, buttressed by investment in public education and development awareness campaigns.

- A supportive environment within the rest of government, including a recognition that reorganising responsibilities and powers between government agencies is **not a zero sum game**. British government departments learned that they could be more effective and influential if they worked together to deliver coherent policy objectives than if they spent their time and resources fighting for turf. Other government departments were persuaded that they had something to gain from the emergence of a strong, confident agency with responsibility for development assistance.

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October 5, 2005

Appendix 1: The Pergau Dam

The Pergau Dam is a hydroelectric dam in Malaysia, near the border with Thailand. The dam is the largest aid project ever financed by the United Kingdom.

In March 1988, the then Defence Secretary, Sir George Younger, signed a "defence export Protocol" with Malaysia which committed the UK government to *"bring to bear the resources of its MOD [Ministry of Defence] in order to grant certain facilities, including: - aid in support of non-military aspects under the programme."* Lord Younger agreed that Malaysia would receive 20 per cent of the value of the arms sales in the form of aid.

In November 1988 an application for aid through the ATP for the Pergau dam was made to the Department of Trade and Industry (DTI) by a consortium of British companies, led by Balfour Beatty, which had close connections to the governing Conservative Party. In March 1989, the Malaysian Prime Minister, Dr Mahathir Mohamad, visited Downing Street. The consortium and the British Government wanted to make an aid offer on the dam during this visit. In order to meet this timetable, the ODA had to rush through a two-person, two-day project appraisal and telephone an initial report on which Prime Minister, Margaret Thatcher could make an oral offer of a £68.25 million grant, based on a contract price of £316 million.

An offer of ATP assistance was made on the Pergau project in April 1989 (on the £316 million price) and renewed in October 1989 and April 1990 while commercial negotiations continued. But in October 1990 it was not renewed, as the ODA and DTI had sent a joint mission to survey the Malaysian power sector and the possibilities for other projects which might attract British companies. That review concluded that completing the Pergau project in 1997, as proposed, would mean a significant cost penalty for Malaysian electricity consumers because electricity could be produced much more cheaply by gas turbine power stations. By the time the contracts for the dam were signed in July 1991, the price had risen to £417 million. Nevertheless, on a further visit to London, in December 1990, Dr Mohamad confirmed that the Pergau project would go ahead. Officials at the ODA and DTI continued to work on alternative power projects.

In February 1991, Sir Tim Lankester, the most senior civil servant in the ODA, formally advised the Minister for Overseas Development that funding the Pergau Dam project "*would not be consistent with policy statements by ministers to Parliament about the basic objectives of the aid programme"*.

Ministers at the two departments responsible for the ATP program, Lynda Chalker and Trade Minister, Tim Sainsbury, were opposed to providing support for the dam. But others, including Britain's High Commissioner to Malaysia, Sir Nicholas Spreckley, and Alan Clark, then Minister for Defence Procurement, argued that to withdraw support for Pergau "would have an adverse impact on UK relations with Malaysia in general and on the defence sales relationship in particular". The Prime Minister, John Major, agreed with their assessment. In July 1991, the then Foreign Secretary, Douglas Hurd, overruled the objections and authorised expenditure from the aid budget of £234 million (about $400 million).

Once the aid offer had been made, the cost to the ODA more than doubled because the ATP budget of about £100 million per year could not fund the £70 million for Pergau's second year without crowding out other ATP projects. So, instead of £108 million in grants over five years, the project was financed by a 14-year, very low-interest loan, at a cost of £234 million.

At the time, officials denied any link between British aid and arms sales to Malaysia. The Prime Minister's office described the timing of the arms sales as "merely a coincidence". In January 1994 Sir Tim Lankester gave evidence to a House of Commons Public Accounts Committee enquiry, and it was clear that there had in fact been a link between the decision to give aid and the arms sales. As a result of this evidence, Douglas Hurd admitted that there had been a "brief entanglement" between aid and arms sales from March to June 1988. He claimed that this had been ended by Sir George Younger's letter of 28 June 1988 to the Malaysian Finance Minister saying that "the linking of aid to projects" would not be possible. On the same day, the British High Commissioner in Kuala Lumpur also wrote to the Finance Minister, offering up to £200 million in ATP and export credit support for future contracts. This amount was the same as the aid expected to accompany the £1 billion of arms sales.

A judicial review brought by an NGO led to a High Court ruling in November 1994 that aid for Pergau was in violation of the Overseas Development Act 1980, which allows the Foreign Secretary to make payments "for the purpose of promoting the development or maintaining the economy of a country or territory outside the UK or the welfare of its people.". The High Court ruled that the project was not of economic or humanitarian benefit to the Malaysian people.

Following the ruling, the Foreign Secretary announced that the Government would meet its contractual obligation to pay for the three-quarters-built dam. On 13 December 1994 he told the House of Commons that he would not appeal against the Court ruling, but the ODA would not be reimbursed for the £24.37 million unlawfully spent on the Pergau project between July 1991 and March 1994.

Sources:

Memoirs, Douglas Hurd (2003)

The Association for International Water and Forest Studies (FIVAS) (http://www.fivas.org/rettsskr/pergau7.htm)

House of Commons Report (Hansard), 13 December 1994, Cols 773-774 http://www.publications.parliament.uk/pa/cm199495/cmhansrd/1994-12-13/Debate-1.html

Notes

[1] The author worked at the Department for International Development from 2000-2004. He is currently on unpaid leave while working at the Center for Global Development in Washington DC.

[2] House of Commons Official Report (Hansard) 7 March 2001, Column 294 http://www.publications.parliament.uk/pa/cm200001/cmhansrd/vo010307/debtext/10307-04.htm

[3] Cabinet Ministers are at the top of the three rungs on the ministerial ladder. Ministers immediately below Cabinet rank are "Ministers of State"; below which there may be one or more "Parliamentary Under-Secretaries of State". Ministers below Cabinet rank are collectively known as "junior ministers". Junior ministers usually report to a Cabinet Minister. All ministers are in effect appointed by the Prime Minister, and are usually, but not always, members of the House of Commons or the House of Lords. Ministers in charge of large government departments are usually Cabinet Ministers; there are also other members of the Cabinet – such as the Chief Whip and the Leader of the House of Commons – who do not run government departments. The Treasury has two Cabinet Ministers (the Chancellor of the Exchequer and the Chief Secretary). The designation "Secretary of State" dates back to before the establishment of Cabinet government. It originally meant a minister to whom some of the functions of the monarch were delegated, specifically related to the functioning of the Privy Council. Today the title "Secretary of State" is generally given to ministers in charge of departments (although not, for much of the twentieth century, the Minister for Agriculture), and the term is used almost interchangeably with "Cabinet Minister". The designation Secretary of State does not denote seniority within Government, as some very senior members of the Cabinet are not Secretaries of State – such as the Prime Minister, the Chancellor of the Exchequer and, until recently, the Lord Chancellor.

[4] Robert Greenhill, *Making a Difference: External Views on Canada's International Impact – the interim report of the Global Voices Project.* January 2005 http://www.ciia.org/XVoices_Int_Report.pdf

[5] The Economist, *Aid Policy*, October 31st 2002

[6] The Colonial Development Act 1929 was passed by a minority Labour Government in 1929. Baron Passfield – the former Sidney Webb – was Secretary for the Colonies and for Dominion Affairs when it was passed.

[7] "Planning" was a buzz-word in the UK immediately after the Second World War.

[8] Memoirs of the Earl of Listowel, Minister of State for the Colonies: 1948-1950 http://www.redrice.com/listowel/index.html

[9] A speech given by United States Secretary of State, George C. Marshall at Harvard University on 5 June 1947 initiated the post-war European Aid Program, more commonly known as the Marshall Plan. http://www.oecd.org/document/10/0,2340,en_2649_201185_1876938_1_1_1_1,00.html

[10] For example, see the inaugural address of President Harry S. Truman on January 20, 1949: *Almost a year ago, in company with 16 free nations of Europe, we launched the greatest cooperative economic program in history. … Our efforts have brought new hope to all mankind. … We are moving on with other nations to build an even stronger structure of international order and justice. …. More than half the people of the world are living in conditions approaching misery. … For the first time in history, humanity possesses the knowledge and the skill to relieve the suffering of these people. … With the cooperation of business, private capital, agriculture, and labor in this country, this program can*

*greatly increase the industrial activity in other nations and can raise substantially their standards of living. (*http://www.bartleby.com/124/pres53.html)

[11] John Bledsoe Bonds *Bipartisan Strategy: Selling the Marshall Plan*. By. (Westport: Praeger, 2002)

[12] Helmut Führer, *The Story Of Official Development Assistance A History Of The Development Assistance Committee And The Development Co-Operation Directorate In Dates, Names And Figures* (Paris 1996). http://www.oecd.org/dataoecd/3/39/1896816.pdf

[13] H M Treasury *Assistance from the United Kingdom for Overseas Development*. Cmnd.974. (London: HMSO, March 1960).

[14] H M Treasury, *Aid to developing countries,* Cmnd.2147. (London: HMSO. September 1963).

[15] See Adrian Hewitt, (1978). *British Aid: policy and practice,* ODI Review, 2, 51-66.

[16] Barbara Castle (October 18, 1964 - December 23, 1965), Anthony Greenwood (December 23, 1965 - August 11, 1966) and Arthur Bottomley (August 11, 1966 - August 29, 1967) were members of the Cabinet. Subsequent Ministers of Overseas Development under this administration, Reg Prentice (August 1967 – October 1969) and Judith Hart (October 1969 – June 1970) were not members of the Cabinet, though the ODM remained a separate department, independent of the Foreign & Commonwealth Office.

[17] Ministry of Overseas Development (1965) *Overseas Development: the Work of the New Ministry*. London: HMSO.

[18] Ministry of Overseas Development (1967) *Overseas development: the work in hand*. London: HMSO.

[19] Technically called the Foreign and Commonwealth Office (FCO) from October 1968. Referred to as the Foreign Office throughout this paper for convenience.

[20] See footnote 3 for an explanation of ministerial ranks

[21] 1975 White Paper, quoted in Adrian Hewitt, (1978). *British Aid: policy and practice*, ODI Review, 2, 51-66

[22] The Foreign Secretary formally became Minister of Overseas Development, and hence exercised the powers invested in that office by Parliament; while the junior Foreign Office Minister with day-to-day responsibility for ODA was given the courtesy title of Minister for Overseas Development. Reginald Prentice, who became Minister for Overseas Development from June 1975 until his resignation in December 1976, was a member of the Cabinet. His successors, Frank Judd and Judith Hart, were not, and the Foreign Secretary spoke on development issues in Cabinet on their behalf.

[23] French support for the export of railway equipment to Kenya was the case that eventually led the British Government to adopt its own program of concessionary export credits.

[24] Judith Hart was regarded as having an agenda to the left of the party, and there were tense relations with the Foreign Secretary, David Owen. Her successor, Reginald Prentice, sat in the Cabinet, but he was becoming increasingly disaffected by the political direction of the Labour Party, from which he resigned when his constituency party de-selected him. His successor, Frank Judd, who was not a member of the Cabinet, held the post for only a few months before moving to the Foreign Office.

[25] Mitchell, John (1991), "Public campaigning on overseas aid in the 1980s," *Britain's overseas aid since 1979: Between idealism and self-interest,* Eds. Anuradha Bose and Peter Burnell, Manchester University Press, Manchester. P 146.

[26] Hansard, 20 February 1980 Cols 464-465. The full text of statement is reproduced at: http://www.owen.org/musings/marten.php

[27] Adrian Hewitt, (2001) *Beyond poverty? The new UK policy on international development and globalization* Third World Quarterly, Vol 22, No 2, pp 291–296, 2001

[28] Tony Killick, "Understanding British aid to Africa: an historical perspective", http://www.odi.org.uk/RAPID/Projects/RAP0011/docs/Annex2_Killick.pdf

[29] The "Lawson Doctrine" is often known in the UK as the "Burns Doctrine", after Terry Burns, later Lord Burns, then the Chief Economic Adviser at the Treasury.

[30] The Times, London, June 7 1990

[31] Douglas Hurd, *"Memoirs"*, Little Brown, 1993. Lynda Chalker was the Minister for Overseas Development from July 1989 to May 1997, and Minister for Africa.

[32] Labour Party Manifesto, 1997. Also see Tony Blair interviewed on the Dimbleby Programme, April 7 1997.
http://www.bbc.co.uk/election97/background/parties/panblair2.htm

[33] Vernon Bogdanor, *Joined Up Government* (Oxford University Press, 2005)

[34] The background of the Pergau Dam decision is described in Appendix 1. Labour's foreign affairs spokesman, Robin Cook, called the verdict "*an alarming glimpse into the private arrogance of a Government who have been there for so long that they no longer even ask whether there are limits to their personal authority"* – House of Commons Report (Hansard), 17 November 1994, Col 150.

[35] John Kampfner, "*Blair's Wars*", (London: Free Press, 2004), p. 7.

[36] Speech by Robin Cook, 12 May 1997, announcing the new Foreign Office "mission statement". http://www.guardian.co.uk/indonesia/Story/0,2763,190889,00.html

[37] Willy Brandt , "North-South: A programme for survival : Report of the Independent Commission on International Development Issues" (Pan Books, 1980)

[38] Independent Group on British Aid , "Real Aid: a Strategy for Britain", (1982)

[39] Randel, J. and German, T., *The Reality of Aid*, (1993) London: ActionAid, ICVA and EUROSTEP. Reality of Aid reports also published in 1997, 1998, 2000, 2002, 2004.

[40] Jim Michel, *The birth of the MDGs*, DAC News, Sept-Oct 2005.
http://www.oecd.org/document/34/0,2340,en_2649_33721_35295778_1_1_1_1,00.html

[41] OECD Development Assistance Committee, *Shaping the 21st Century* (Paris 1996).
http://www.oecd.org/dataoecd/23/35/2508761.pdf

[42] United Nations Millennium Declaration, UN A/RES/55/2, 18 September 2000.
http://www.undp.org/mdg/99-Millennium_Declaration_and_Follow_up_Resolution.pdf

[43] Clare Short (2004) *An Honourable Deception? New Labour, Iraq and the misuse of power.* London: Free Press. P51.

[44] Sir John Vereker, 'Blazing the trail: eight years of change in handling international development', *Development Policy Review* 20: 2, 2002.

[45] John Kampfner, "*Blair's Wars*", (London: Free Press, 2004), p. 64.

[46] The ODA Permanent Secretary, Sir John Vereker, had been a member of the committee which drew up *Shaping the 21st Century* in 1996.
http://www.oecd.org/dataoecd/23/35/2508761.pdf

[47] Department for International Development (1997) *Eliminating world poverty: a challenge for the 21st century*, Cm. 3789. London: The Stationery Office.
http://www.dfid.gov.uk/pubs/files/whitepaper1997.pdf

[48] Department for International Development (2000) *Eliminating World Poverty: Making Globalization Work for the Poor*. Cm. 5006. London: The Stationery Office.
http://www.dfid.gov.uk/pubs/files/whitepaper2000.pdf

[49] The International Development Targets were set out in *Shaping the 21st Century* (Paris: OECD. 1996) http://www.oecd.org/dataoecd/23/35/2508761.pdf

[50] Between 50,000 and 100,000 people demonstrated at the World Trade Organisation Ministerial Meeting in Seattle in December 1999

[51] Department for International Development (2004) *The Africa Conflict Prevention Pool: An Information Document*. London: DFID.
http://www.dfid.gov.uk/pubs/files/acppinfodoc.pdf

[52] Hansard Written Answers *12 Mar 2004 : Column 1792W*
http://www.publications.parliament.uk/pa/cm200304/cmhansrd/vo040312/text/40312w12.htm#40312w12.html_wqn5

[53] Austin et al., Evaluation. of Conflict Prevention Pools (London: DFID, 2004)
http://www.fco.gov.uk/Files/kfile/ev647s.pdf

[54] The full act is at http://www.legislation.hmso.gov.uk/acts/acts2002/20020001.htm

[55] The research included:
- Burnside, C. and Dollar, D. (1997), *Aid, Policies, and Growth*, Policy Research Working Paper 1777, Development Research Group, World Bank, Washington, DC, June
- Collier, P. and Dollar, D. (1999), *Aid Allocation and Poverty Reduction*, Policy Research Working Paper 2041, Development Research Group, World Bank, Washington, DC, January.
- Collier, P. and Dollar, D. (1999b), 'Aid Allocation and Poverty Reduction', Development Research Group, World Bank, Washington, DC, 11th April, mimeo.

[56] Department for International Development: "E U Institutional Strategy Paper", December 1998.

[57] Her Majesty's Treasury (H M Treasury) is the name for the UK Finance Ministry, which combines the functions of an economic ministry and a budget ministry. The Finance Minister is known as the Chancellor of the Exchequer.

[58] Department for International Development, July 2002 *Public Service Agreement.* http://www.dfid.gov.uk/pubs/files/publicserviceagreement03-06.pdf

[59] Dyer, N., J. Beynon, M. Butler, S. De, P. Landymore, C. Porter, S. Richards, M. Smart, M. Speight and R. Turner (2003), *Strategic Review of Resource Allocation Priorities*, Department for International Development Discussion Paper, London, January 2003. http://www.dfid.gov.uk/pubs/files/resourceallocation.pdf

[60] Department for International Development (2005) *Fighting Poverty to build a sustainable world.* London: DFID. http://www.dfid.gov.uk/pubs/files/securityforall.pdf

[61] Department for International Development (2004) *2005-2008 Middle Income Country Strategy.* London: DFID. http://www.dfid.gov.uk/pubs/files/achievingmdgmidincome.pdf

[62] Tom Porteous (2005) *British Government Policy in sub-Saharan Africa under New Labour*. International Affairs 81, 2 (2005) 281-297. Clare Short (2004) *An Honourable Deception? New Labour, Iraq and the misuse of power.* London: Free Press. pp78-80.

[63] Clare Short (2004) *An Honourable Deception? New Labour, Iraq and the misuse of power.* London: Free Press. P79.

[64] Tom Porteous (2005) *British Government Policy in sub-Saharan Africa under New Labour*. International Affairs 81, 2 (2005) 281-297.

[65] Unlike other bilateral donors, DFID offices in country were separate from the local British Embassy, and the staff reported directly to DFID Ministers in London.

[66] Department for International Development *Annual Report* 2005. Chapter 7, pp150-1. http://www.dfid.gov.uk/pubs/files/departmental-report/2005/CHAP-07.pdf

[67] Clare Short (2004) *An Honourable Deception? New Labour, Iraq and the misuse of power.* London: Free Press. P78.

[68] Making globalisation a force for good, Cm 6278, (2004). The Stationery Office, London. http://www.dti.gov.uk/ewt/whitepaper.htm

[69] Sir John Vereker, 'Blazing the trail: eight years of change in handling international development', *Development Policy Review* 20: 2, 2002.

[70] Seamus Milne "*Blair's secret plan to crack down on asylum seekers*", The Guardian, 23 May 2002. http://www.guardian.co.uk/uk_news/story/0,3604,720608,00.html

[71] Clare Short (2004) *An Honourable Deception? New Labour, Iraq and the misuse of power.* London: Free Press. P130-131.

[72] Clare Short (2004) *An Honourable Deception? New Labour, Iraq and the misuse of power.* London: Free Press. P134.

[73] Reported on BBC News website, Friday, 24 May, 2002. http://news.bbc.co.uk/1/hi/uk_politics/2005605.stm

[74] John Vereker, ‘Blazing the trail: eight years of change in handling international development’, *Development Policy Review* 20: 2, 2002; p135.

[75] “Each economically advanced country will progressively increase its official development assistance to the developing countries and will exert its best efforts to reach a minimum net amount of 0.7 per cent of its gross national product … by the middle of the Decade” UN General Assembly resolution 2626 (XXV), paragraph 43, November 19, 1970.

[76] For an account of the history of the 0.7% target and a discussion of its rationale as an international goal, see Michael A. Clemens and Todd J. Moss, *Ghost of 0.7%: Origins and Relevance of the International Aid Target* – Center for Global Development Working Paper 68 http://www.cgdev.org/content/publications/detail/3822/

[77] OECD Donor Assistance Committee, United Kingdom Peer Review, 2001 http://www.oecd.org/document/33/0,2340,en_2649_34603_2460513_1_1_1_1,00.html

[78] H M Treasury Press Notice, 12 July 2004. http://www.hm-treasury.gov.uk/spending_review/spend_sr04/press/spend_sr04_press09.cfm

[79] Sources: Department for International Development, *Statistics on International Development,* (2004). H M Treasury Press Notice, 12 July 2004.

[80] H M Treasury (2002) *Spending Review 2002* http://www.archive2.official-documents.co.uk/document/cm55/5570/5570-05.htm

[81] Dyer, N., J. Beynon, M. Butler, S. De, P. Landymore, C. Porter, S. Richards, M. Smart, M. Speight and R. Turner (2003), *Strategic Review of Resource Allocation Priorities,* Department for International Development Discussion Paper, London, January 2003. P15. http://www.dfid.gov.uk/pubs/files/resourceallocation.pdf

[82] Department for International Development (2004), Drivers of Change http://www.grc-exchange.org/docs/doc59.pdf

[83] Department for International Development, *Statistics on International Development,* (2004). Table 2.2 http://www.dfid.gov.uk/pubs/files/sid2004/sid2004-table2-2.pdf

[84] See OECD Donors Assistance Committee (2004) *Development Cooperation Report* http://www.oecd.org/document/26/0,2340,en_2649_34447_34405978_1_1_1_1,00.html

[85] Available online at http://aida.developmentgateway.org/AidaHome.do

[86] See http://www.roughguide-betterworld.com/ for an online version

[87] Office of National Statistics (2004) *Public Attitudes Towards Development.* http://www.dfid.gov.uk/pubs/files/omnibus2004.pdf

[88] Clare Short (2004) *An Honourable Deception? New Labour, Iraq and the misuse of power.* London: Free Press. P81.

[89] See case studies on DFID website at: http://www.dfid.gov.uk/news/files/pressreleases/increase-ngo-support.asp

[90] Foreign Policy , September/October 2005 pp 76-83. Available at: http://www.cgdev.org/section/initiatives/_active/cdi

[91] An example of DFID's success in retaining a focus on poverty is the decision to preserve the 90-10 rule in the face of rising costs in post-war Iraq

[92] Maureen O'Brien, Office of National Statistics, *"Public attitudes for development (Knowledge and attitudes concerning poverty in developing countries)"*. Based on data from the National Statistics Omnibus Survey for The Department for International Development, July 2004. http://www.dfid.gov.uk/pubs/files/omnibus2004.pdf

[93] It should be noted that this view comes from a report based on interviews with several dozen world leaders, who have a tendency to ascribe most successful changes to leadership above all else.
Robert Greenhill, *Making a Difference: External Views on Canada's International Impact – the interim report of the Global Voices Project*. January 2005
http://www.ciia.org/XVoices_Int_Report.pdf