

Why Did Labour Create the Department for International Development?

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Abstract

This is the first in a series of papers drawing on original interviews, data, and secondary sources to examine how the UK's Department for International Development (DFID) was born, functioned both internationally and domestically, and was in 2020 merged with the diplomatic service to form the Foreign, Commonwealth and Development Office (FCDO). By examining this history, we aim to illuminate the UK's contribution to international development over the last quarter century, and to draw out lessons for other bilateral donors, and the global aid and development architecture more generally.

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Prologue

2 May 1997

In the early hours of the morning, the vote count in the Birmingham, Ladywood constituency confirmed what everyone knew: Clare Short would be returned to Parliament with a massive majority.¹ But before long, fuelled by a story in *The Sun*, rumours were swirling about whether or not she would be included in the new Prime Minister Tony Blair's first cabinet. In order to avoid calls from journalists, Short turned off her phone. She went back to London, attending a birthday party for her brother in the evening.²

The Sun was wrong: later that night, phone back on, she saw missed calls from 10 Downing Street. Calling back, she was asked to come in the next morning, a Saturday. On the way, she spoke to John Vereker, then Permanent Secretary for the Overseas Development Administration (ODA), the aid wing of the Foreign Office. His advice was simple: don't leave the room without agreement to a new department covering international development. At the end of the meeting—attended by Blair, Short, and Blair's Chief of Staff Jonathan Powell and media chief Alistair Campbell, Short climbed into a government car for the short journey to meet her new senior officials in their Victoria Street offices. Meanwhile, Vereker took a call from Number 10: "It's a separate department, but everything else is a bit of a muddle." Vereker and Richard Calvert, Short's new Principal Private Secretary, were tasked with resolving the details with Number 10. That included agreeing the name, which turned out to be rather difficult. Campbell wanted to avoid the media headaches a department abbreviated or pronounced as "DID" (Department of International Development) or "DIED" (Department of International Economic Development) would present; Vereker's concern was that "DFID" would be pronounced "Dyffyd," like the Welsh region (Dyfed), as he put it; not the sound of a serious arm of government.³ Campbell won that argument, and DFID was born. The name was the least of its early worries. Facing hostility from the Foreign Office in its early days, the new department needed quickly to set out its stall—its purpose and role in the Whitehall machinery. It made a claim for important government functions, fighting the Treasury for the right to provide the UK's Executive Director to the World Bank, and soon secured agreement to publish a White Paper setting government policy.⁴

1 In the end, she would tally 28,134 votes, nearly 75 percent of total cast in the constituency. See: [https://en.wikipedia.org/wiki/Birmingham_Ladywood_\(UK_Parliament_constituency\)#Elections_in_the_1990s](https://en.wikipedia.org/wiki/Birmingham_Ladywood_(UK_Parliament_constituency)#Elections_in_the_1990s)

2 Clare Short, "An Honourable Deception?", Free Press (2004), 55.

3 Since in the British convention "of" is not included in the abbreviation of a name, a Department of International Development would be D-I-D, or DID (which was the acronym used in a 1996 Labour party policy document setting out the intent to create a new department). "For" is included, and with D-F-I-D being cumbersome Vereker worried people would pronounce the department's name like a word. For the record, one of the authors of this paper pronounces the department's name in the style of the Welsh region; the other tends to spell out the letters ("D.F.I.D.").

4 White Papers are presented to Parliament to promulgate government policy, and sometimes then get embedded in legislation. In this case, the 1997 White Paper made eliminating global poverty the overarching goal of Britain's contribution to development.

From the vantage point of 2023, the creation of DFID and the form it took seems like it was bound to happen, but this wasn't the case. It is true that Labour usually created development departments and that there was a commitment from mid-1996 onwards that they would do so again. But the fight to make sure it happened, and the work to turn the "bit of a muddle" which was agreed in that meeting in Number 10 into a functioning department, was critical in setting up what was to become one of the world's most important development actors over the next two decades. Creating a Department for International Development with the form and function it eventually developed was not remotely inevitable—the ODA, which it replaced, was, though very small, with only around 1,600 staff, generally considered effective;⁵ and there were no immediate plans to greatly increase its budget beyond the £2 billion (roughly 0.2 percent of GNI) it inherited, so the extent of the reconfiguration eventually achieved was much beyond what might have otherwise been the case. The effort to create an effective and powerful development organisation was intentional, and hard-won. And much of that itself stemmed from why and how the Labour Party came to the decision to establish a standalone department, headed by Clare Short as a Cabinet Minister reporting directly to the Prime Minister, from day one of their time in power.

Previous accounts addressing this question have tended to focus on the history: Labour governments, going back to 1964, had tended to elevate the priority given to international development, while Conservative administrations had consistently subjugated it. Labour in 1997 were indeed conscious of the history. But in itself, that weighed little in their thinking. They were acutely aware that the responsibilities, form, and structure of what would become DFID needed to be decided, and a wide range of outcomes was possible. Three crucial considerations, beyond a history of independent development departments, played an important role in determining all this: the signal Labour wanted to send by creating the new department; the politics around its creation and Clare Short's appointment; and the strategy key players in DFID's creation were pursuing, both for international development and across Whitehall. We argue that this last issue was the biggest factor: Clare Short had a thought-through strategy, the successful pursuit of which she judged much more likely if she could lead it from a position in the Cabinet while running her own department. Much of what became DFID followed from this; indeed, as we will see in future papers, Short's initial vision influenced how DFID worked (and its challenges) well beyond her tenure or even the Labour party's time in government.

This paper considers each of these four factors (history, signal, politics, and strategy) in turn, and how they each shaped the creation of DFID and the UK's role in international development. Future work will consider how this form and these beginnings helped determine DFID's influence globally and within the UK government, the good it did and the mistakes that were made. The whole picture tells us something both about how the challenges of international development have changed over time, how countries can organize their support and response to these challenges, and how the wider institutional architecture for international development functions, and sometimes doesn't.

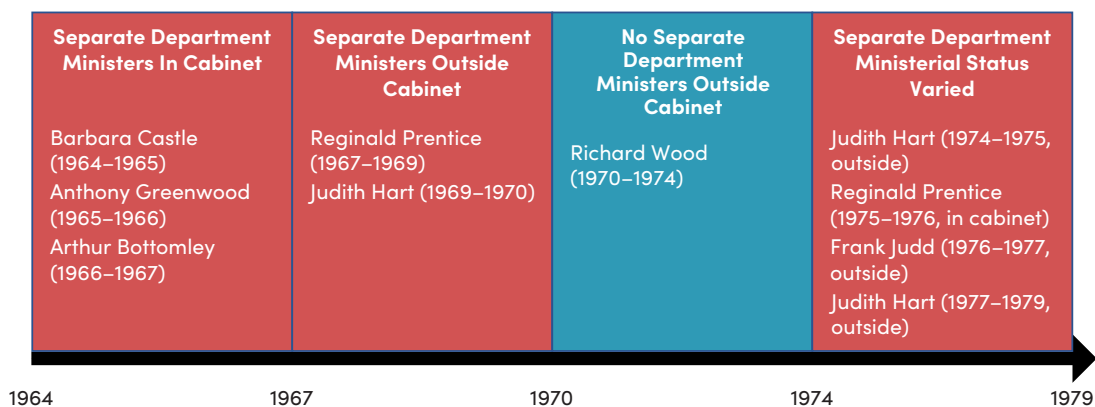
5 Tim Lankester, *The Politics and Economics of Britain's Foreign Aid*, Routledge (2013), 13.

The history

Looking back on the run up to the creation of DFID in 1997, those involved tend now to tell two somewhat conflicting stories: first that it was simply “in Labour’s DNA” to uplift development and give it a separate voice in government, and second that the creation of DFID was very much about the circumstances of the moment. Both seem true, and are less of a contradiction than it appears at first sight.

In the 50 years from the early 1960s, Labour governments tended to have independent development departments, while Conservative governments consistently made development subsidiary to foreign policy, answerable to, or part of, the Foreign Office.⁶ However, there is more nuance to this story than a pendulum swinging between binary points of “independent” and “not” (See Figure 1). Both Labour and Tory governments appointed Ministers responsible for international development; variation was found in the specific institutional form development work was organised in, and the specific standing of the Ministers responsible.⁷

FIGURE 1. Timeline of overseas development arrangements, 1964–79



Under Labour, the first three Ministers of Overseas Development in the 1960s—Barbara Castle, Anthony Greenwood, and Arthur Bottomley—were all part of the Cabinet. But none were long in post. The first served for less than a year and the last just over two years; none were particularly influential in the role.⁸ Subsequent Labour Ministers up to 1970 were not in the Cabinet (though the Overseas Development Ministry remained a separate government department). With a Tory government in 1970 came the further demotion of the role: Richard Wood, holding the post of Minister for International Development for four years, did not attend Cabinet and the development function of government was once again brought under the Foreign Office.

6 The pattern was decisively broken in 2010, when the incoming Cameron government stood on a manifesto of retaining DFID (and reaching the 0.7 percent UN target).

7 There were less than five years between 1964 and 1997 when the Minister with day-to-day responsibility for development was either a member of, or attended, Cabinet (all under Labour administrations), in the periods 1964–67 and 1975–76.

8 Though Barbara Castle was to become an influential figure in Harold Wilson’s Cabinet from 1974–76.

With the return of Labour to power, a separate department was again created in 1974.⁹ Four different Ministers headed it over the next five years: but only one, Reg Prentice, sat in the Cabinet. In 1975, the development department was again made answerable to the Foreign and Commonwealth Office: Prentice sat in the Cabinet as Minister for Overseas Development, but the Foreign Secretary was Minister of Overseas Development and hence exercised the Parliamentary powers of that office.

Frank Judd, Minister for Overseas Development briefly from December 1976 to February 1977, reported through the Foreign Secretary. His successor, Judith Hart, served three different terms as Minister for Overseas Development but never, in that role, in the Cabinet. Described as a “firebrand,”¹⁰ she was charismatic and driven but of questionable lasting influence: she was regarded as a security risk and antagonised some of her colleagues (for example, by visiting Mozambique and establishing an aid programme there and telling the Foreign Secretary only after she returned).¹¹ She championed more help for the poorest (on which, as noted below, a White Paper was published in 1975) but also established the Aid and Trade Provision, a ring-fenced fund linking aid to UK exports.

It is also important to recognise that the impact of the Labour government on global development in the mid-1970s was inevitably affected by the domestic situation. Acute economic and fiscal pressures affected Britain’s international role and reputation, most visibly when in 1976 a balance of payments crisis forced the country to seek assistance from the IMF.

Margaret Thatcher’s election in 1979 saw a resurrection of the ODA, again answerable to the FCO and led by a Minister outside of Cabinet. From 1979 to 1997 Britain’s contribution to global development was progressively eroded, both through years of real-terms budget cuts but also through the choices made over what to use the limited remaining budget for.¹²

In short, the Conservatives consistently demoted international development institutionally; though Labour usually gave it greater standing, what “greater standing” actually meant varied considerably. Critically, it has been historically rather rare (before 1997) that the UK’s development arrangements have benefited from both a separate institutional form, with specific development objectives and expertise, and being headed by a Secretary of State in the Cabinet (or even a Minister of State attending Cabinet). In the UK system the precise status of a Minister has particular importance in the setting of broader policy: a Secretary of State in the Cabinet can effectively advocate for their portfolio, and can be overruled only by the Prime Minister. A Minister of State (whether they attend Cabinet or not, and whether or not they notionally run their own institution) must typically first

9 Owen Barder, *Reforming Development Assistance: Lessons from the UK Experience*, Center for Global Development, 2005.

10 John Vereker, “The search for the silver bullet,” *Commonwealth Journal of International Affairs*, 2020.

11 Rachel Reeves, *Women of Westminster*, I B Taurus, 2019, 143-4; Vereker, “The search for the silver bullet.”

12 While aid tended to increase in nominal terms, for most of the Thatcher years it declined or stagnated when adjusted for inflation, and failed to keep pace with economic growth, resulting in a steady, gentle decline in the official development assistance-to-GNI ratio away from the UN’s 0.7 percent target, according to the UK’s Statistics on International Development.

make representations to the Foreign Secretary and then depend on them to make the case to the Prime Minister in Cabinet, while the Foreign Secretary is balancing competing priorities.

In his personal reflections on the history of the UK's international development efforts, John Vereker points out that while Labour's early efforts signalled a seriousness to its work on international development in the form of an independent department under Castle, Greenwood and Bottomly, it was really more a vestige of the old Colonial Office, with the attitudes and paternalistic approach this suggests. It is worth quoting him extensively:¹³

"My first boss had been a District Officer in Kenya. My first Permanent Secretary had spent the previous five years governing Uganda. And the already minuscule budget was under constant threat, thanks to the UK's recurrent economic crises of the 60s and 70s. So the Department developed a touching faith in the effectiveness of dreaming up in London a range of small interventions regardless of the wider economic and political circumstances of the recipient. At the top of the office there was a strong sense that London knew best, that self-determination would probably prove disastrous, and that while we could help countries develop, there really wasn't much we could do about poverty... Aid was almost invariably tied to the purchase of British goods and services. Sometimes this descended into farce. I recall being instructed to use my budget to supply British instruments for a brass band in Guayaquil so they could perform during Princess Anne's honeymoon in Ecuador, on her way to the Galapagos. No one could pretend that this was a model form of development aid."

The arrangements were less clearly delineated between Labour and Conservative governments than is commonly supposed; and it is clear that much was imperfect throughout the 1964–97 period. An equally mixed picture emerges when we look at the ethos and strategic approach of the government with respect to development. A great deal of effort and ink was used in establishing the intellectual and political foundations of the UK approach to aid and development.¹⁴ The policy direction under Conservative governments tended to focus on UK interests and the economic development of developing countries (which was seen as an economic and commercial opportunity for the UK, and not restricted to the poorest places). In 1960, before the establishment of a separate department, a Treasury White Paper was published arguing that economic development in poor countries was the best way of lifting people out of poverty; a 1963 White Paper argued that aid was both a good thing in and of itself, and would help the UK increase its global trade. After 1979, in the Thatcher years, no White Paper was published, but the policy direction—stated in Parliament—was for a stronger

13 Vereker, "The search for the silver bullet," *Commonwealth Journal of International Affairs*, 2020.

14 See Barrie Iretton, *Britain's International Development Policies*, Palgrave Macmillan, 2013, esp. 18–39.

focus on UK interests, greater use of the Aid for Trade Provision,¹⁵ and the pursuit of UK commercial interests.

By contrast, under Labour, a 1965 White Paper argued that aid was a moral necessity and in the long-term UK interest. And in 1975, a new White Paper argued for a focus on the poorest places, where aid would have the greatest impact on alleviating poverty—a genuinely new commitment to poverty reduction and effectiveness judged against this objective, according to Owen Barder.¹⁶

The historical argument that Labour was bound to create DFID is thus too simple; 1997 was effectively the first time the UK had a separate government department for development, headed by a Secretary of State in the Cabinet, with a clearly-stated focus on reducing global poverty. Even if it was to be expected that Labour would change the Thatcherite arrangements that had stood since 1979, history provided no clear guide as to what the new arrangements would look like. We argue that the political signal Labour sought to send, the narrow politics and personalities of the moment, and the strategy that Clare Short began developing from mid-1996 were the determining factors, and in forthcoming work we will argue that the form eventually adopted was critical for the success of UK development policy over the following two decades.

The signal

By 1995, most observers thought that Labour would win the forthcoming general election. The polls predicted a landslide victory; senior officials (who, in the UK system, are generally not political appointees and so tend to remain in post when political leadership changes) suggest that Lynda Chalker—the Minister with responsibility for international development from 1989 to 1997—herself expected a Labour government.¹⁷ Some of Labour’s attention shifted in the year before the election to how they might govern, and how they would distinguish themselves from the unpopular Government they were hoping to replace.

By 1997, the Conservatives faced three severe political problems. The first was the fallout from Black Wednesday in 1992, when the UK crashed out of the European Exchange Rate Mechanism following a run on Sterling. It had two effects: first, it cratered the Conservatives’ reputation as the ‘safe stewards’ of the economy, making economic management genuinely contested political ground for the first time in a generation.

Secondly, John Major, the Conservative Prime Minister, was fighting an internal battle in his party. The Conservatives were riven by political divisions, most obviously on European issues. He was

15 Ireton, 2013, 185–210.

16 The preceding two paragraphs draw extensively on Ireton, 2013, and Barder, 2005.

17 Private interviews.

battling the Eurosceptic wing of his party, specifically over the Maastricht treaty and the UK's response to it.

Thirdly, the Conservatives were dogged by questions about their probity and fitness for public office. This happened on a personal level, as when Neil Hamilton, a prominent Conservative MP and former Minister, was found to have accepted bribes in exchange for asking questions in Parliament.¹⁸ But these concerns touched on formal government policy too, and in ways that were particularly pertinent for foreign and development policy. The Scott Inquiry into the sale of arms to Iraq—sales that breached government guidelines with knowledge of these contraventions running to the top of government—began in 1992, concluding in 1996. Its report was a damning indictment of the government's mode of operation: secretive, incompetent and willing to bend or break rules in support of short term commercial or political gain. It did not stand in isolation, either. The government had already lost a hugely damaging and embarrassing court case in 1994: the Pergau Dam case.¹⁹

Pergau Dam remains the most notorious use of aid in UK history.²⁰ The ODA, answering to then-Foreign Secretary Douglas Hurd,²¹ used £234 million of aid money to fund a hydroelectric dam on the Pergau river in Malaysia. It was not, broadly, considered an economically viable enterprise, and the money was linked to, and alleged to be a sweetener for, a £1 billion sale of arms from the UK to the Malaysian government—a consideration that a number of Ministers and officials objected to at the time.²² When the World Development Movement (now Global Justice Now) brought a case against the government, Hurd was found to have acted unlawfully in approving the project. Officials recalling this period have different views on precisely why it was unlawful: whether because the project was not economically viable and therefore not “developmental”; or because it was approved not on its development merits, as required by the 1980 Overseas Development and Co-operation Act, but because of the link to arms sales. Nevertheless, the key point is that there was apprehension about the project at the time, and the government's increasingly desperate attempts to extricate itself from the political and legal difficulties it created made for terrible press and the strong sense that the aid budget was being badly misused.²³

18 Hamilton subsequently lost his seat in 1997 to an independent candidate, Martin Bell. This signals the depth of feeling about the issue: independents rarely win Parliamentary seats in the UK.

19 Formally, *Regina v Secretary of State for Foreign and Commonwealth Affairs, ex parte World Development Movement Ltd.*

20 The best account is in Tim Lankester, *The Politics and Economics of Britain's Foreign Aid*, (Routledge, 2013). Pergau is the best-known abuse of the UK aid programme because it became a very public scandal. But it was not the worst. In 1987 the UK supplied 21 Westland helicopters to India for £65 million, effectively paying for them from the aid programme. They barely flew; after crashes in 1988 and 1989, in which a number of people were killed, they were sold for less than £1 million in 1993. At least Malaysia got a viable dam generating electricity.

21 Hurd was Foreign Secretary in the Thatcher and Major governments. His son, Nick, was later a Minister in DFID.

22 Indeed, Tim Lankester, then ODA's Permanent Secretary, requested a Ministerial direction from Hurd in order to proceed with the project. These were very rare at the time, demonstrating how controversial the project was.

23 Between October 1993 and July 1994 there was rarely a week in which the Pergau story was not in the news. *The Times*, not known for its support for aid, printed over 50 articles, editorials, and letters. It called the project “a monstrous exception to the generally taut, targeted and well monitored British overseas aid programme.” Lankester, 117.

In the run up to 1997, Labour were doing all they could to present themselves as a clean alternative to the Conservatives on each of these grounds: a party that could be trusted with the economy; a party united, with agreement on the biggest issues; and a party of probity, who would run the government effectively and in good faith. That all played a role in shaping the form that DFID would eventually take.

Though in fact the economy was recovering well by 1997, Labour were partly contesting the election on their ability to supplant the Conservatives as the party of sound economic management. That meant bending over backwards to avoid being painted as spendthrift. As part of this, Gordon Brown, the Shadow Chancellor, committed to maintaining for the first few years of any Labour government the very low planned levels of aid spending that the Conservatives had laid out in 1997. This meant that official development assistance as a percentage of GNI would hit historical lows in 1997–9, falling to 0.24 percent of GNI. Whatever Labour created as a development department could not simply spend its way to impact: it would need to operate very carefully and make the most of a small budget. We return to this issue in the final section.

Some people have suggested that Labour’s attempt to present themselves as a clean alternative to the scandal-hit Tories directly affected the nature of the development department they proposed. Certainly Robin Cook, Labour’s foreign affairs spokesman, was forensic and persistent in Parliament in criticising the government for presiding over scandals and pledging that Labour would be different, and, as noted in the next section, he played a significant role in the creation of DFID. Similarly, David Miliband²⁴ recalls that “we ran a lot harder on ‘no more Pergaus’ than on ending world poverty,” suggesting that one of the reasons behind the creation of an independent, development-focused DFID with a strong professionalised approach to its work was to draw a line under the murky past of British foreign aid.²⁵

All of this meant that Labour were trying to signal clear differences with the Tory party they were seeking to replace as government. The form, content, and leadership of their development arrangements might be seen as a direct part of this signalling operation.²⁶

The politics

By 1992, the scandals affecting the Conservative approach to international development were breaking; and Labour’s manifesto for the election that year made it clear that they would take a

24 Then Tony Blair’s head of policy, and later an MP and Foreign Secretary. He is now the head of the International Rescue Committee.

25 In its first term, Labour both introduced new legislation clarifying the acceptable uses of British aid and abolished the Aid and Trade Provision through which Pergau had been funded. We will return to these issues in later work.

26 Robin Cook’s famous speech setting out the new government’s “ethical foreign policy” on 12 May 1997 was a manifestation of how that intent was brought into government.

different approach. Two key paragraphs in the manifesto were a clear riposte to the Conservative arrangements:

“Under the Tories, Britain’s aid budget has been cut to its lowest ever. The Labour government will aim to meet the United Nations aid target of 0.7 per cent of GNP within five years—the lifetime of a full Parliament. Labour will establish a separate Department of State for International Development, whose Minister will be in the Cabinet.

Tackling poverty will be the top priority of our aid programme. We will make aid more effective, work more closely with non-governmental agencies, put women at the heart of our programme and, in co-ordination with other donors, reduce the share of tied aid. Labour will promote environmentally sustainable development and encourage new approaches to reduce Third World debt...”

Labour here outline a completely different approach to international development. The reduction in tied aid takes aim at the more commercially minded projects and spending; the prioritisation of poverty was a call-back to the pre-Thatcher years, but this time paired with a Cabinet Minister with their own department. And the emphasis on effectiveness implicitly suggests that the primary consideration for aid programmes will be how good they are at reducing poverty, not the political, economic, or commercial return to the UK.²⁷

It was clear, then, that Labour were by 1992 signalling a break with the Conservatives on the content of development policy, less concerned with commercial and economic self-interest and “cleaner.” The subsequent emphasis on a steady, medium-term increase in the budget (and Gordon Brown’s commitment to existing Conservative aid spending plans for the first years of a Labour government) were one political manifestation of the signal that they could be trusted on the economy. Beyond this, they also needed to signal a unity of purpose, and the efforts to this end were important for the creation of DFID.

When he became leader, Tony Blair used his annual set piece speeches to the Labour Party conference to set out key policy commitments. While there was little mention of international development in Blair’s party conference speeches between the two elections, the topic was picked up in other discussions.

As the 1997 election neared, Labour established a process through which to iron out its approach to international affairs—foreign policy, defence and security, and development. In 1996 a policy review was undertaken, chaired by Robin Cook as the shadow Foreign Secretary. The product was a published report, *Britain in the World*.

27 This might have been more in line with public sentiment: Live Aid and similar initiatives were still very much in the popular imagination of the time, certainly in the run up to the 1992 election.

The report committed Labour to “transform the Overseas Development Administration (ODA) into the Department of International Development (DID), to be headed by a Cabinet minister.”²⁸ A wide range of additional, in some cases quite detailed, policy commitments were set out, including some giving flesh to the intent to ensure a stronger focus on poverty reduction, many of which were later taken up by the Blair and Brown governments. Some of the key policy proposals then found their way into Labour’s manifesto for the 1997 election. The manifesto reiterated the commitment to spending more on poverty and in the poorest places, with language now bolstered by the World Bank’s new “dollar-a-day” poverty data.²⁹ It said Labour “affirm the UK’s commitment to the 0.7 percent UN aid target” and would “in government start to reverse the decline in UK aid spending.”³⁰

As always, personalities also played an important role. Between 1992 and 1997, Labour had four different Shadow Ministers for International Development: Michael Meacher, Tom Clarke, Joan Lestor, and Clare Short.³¹ In July 1996, Joan Lestor, a charismatic and popular figure on the left of the party, who had been in the Shadow Cabinet for three years and in the development brief for two, announced that she would not be standing at the next general election, and left the Shadow Cabinet.³² That created a vacancy. Tony Blair asked Clare Short, who had first been elected to the Shadow Cabinet the previous year and was initially appointed to the transport brief, to move across. Her initial reaction was negative. She was enjoying transport and thought she was being asked to move because the leadership were unhappy about some of her public statements (on legalising drugs, the desirability of wealthier people paying more tax, and tensions over whether to renationalise the railways).³³ But on reflection, she decided had she been offered international development over transport earlier, she would have taken it, so accepted the switch.³⁴

This proved momentous. Short was a darling of the party membership (partly because she took positions popular with them but less on-message with the centrist stance Blair and Brown were staking out for electoral reasons). She was also popular with Labour MPs. In the 1996 Shadow Cabinet elections she came third, ahead of many of the heavyweights, including Brown and Cook.³⁵ She was also exceptionally bright, with a strategic, inquiring mind, determined to pursue a strategy when she had decided upon it, and more than happy to fight her corner against all-comers. What’s more, with Blair and Brown keen to demonstrate that Labour were a party united (unlike the Conservatives,

28 *Britain in the World*, Labour Party, 1996. Several interviewees credit David Mephram, an adviser working in Labour HQ, who worked on the document and later became Short’s Special Adviser in government, for ensuring the reference to establishing a department was included. It was, however, signed off by Cook, who had an eagle eye for detail and is unlikely to have allowed something substantial he had reservations about to slip through. (Private interviews).

29 The dollar-a-day poverty line was first established in 1990 but had not fully entered popular discourse by 1992.

30 Labour party manifesto, 1997. Consistent with the emphasis on fiscal prudence, the 1997 manifesto notably did not repeat the 1992 pledge to reach the UN target within the term of a single Parliament.

31 The main posts in the Labour Shadow Cabinet at that time were filled following elections among Labour MPs. Meacher had the shadow development role from 1992–93; Clarke from 1993–4; Lestor from 1994–6.

32 She was unwell, with motor neurone disease. She died in March 1998.

33 Clare Short, “An Honourable Deception?”, *Free Press* (2004), 47–49.

34 *Ibid.*, 50.

35 Election result: <https://web.archive.org/web/20100714134916/http://www.election.demon.co.uk/shadow.html>

in the midst of pitched battles over Maastricht), putting Short in the development brief made a last-minute renegotiation much more difficult: alienating her would make conflict between the left and centre of the party much more likely.

To recap, successive manifestos and a report fronted by the future Foreign Secretary committed Labour to giving greater priority to international development; and a popular, energetic and capable figure of the Labour left was now the shadow Minister for development, one who could not easily be side-lined or ignored. These politics—peculiar to 1997—pointed heavily towards the creation of a new department.

The strategy

Clare Short had followed foreign affairs since being elected to Parliament in 1983, and had attended meetings on the review which led to the publication of *Britain in the World*.³⁶ She now rapidly immersed herself in the topic, reading and consulting widely. She quickly became passionate and knowledgeable about her new brief. And she quickly decided what she wanted to do. She read a new report by the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD), “Shaping the 21st Century”³⁷ and decided to make achieving its proposals the focus of her efforts.

The DAC report took as its starting point agreements reached in UN conferences since 1990 (“the great UN conferences of the 1990s”³⁸). They covered education (Jomtien, 1990), children (New York, 1990), the environment (Rio de Janeiro 1992), human rights (Vienna, 1993), population (Cairo, 1994), poverty and social development (Copenhagen, 1995), and women (Beijing, 1995). Each adopted goals and targets for global progress. The fact that the DAC started with UN agreements was important to Short: the UN provided legitimacy and universality and the goals reflected “broad agreement in the international community, arrived at with the active participation of developing countries.”³⁹

Short also liked the fact that the DAC had boiled down the agenda in a highly specific and precise way, focused on the extreme poverty of the poorest people.⁴⁰ The DAC proposed a first, overarching goal should be to reduce by at least one-half the proportion of people living in extreme poverty in developing countries by 2015. Similar precise quantitative targets were included on primary

36 She resigned from Neil Kinnock’s front bench team over the first Gulf war. Clare Short, *An Honourable Deception?*, Free Press (2004), 21–34.

37 “Shaping the 21st Century: The Contribution of Development Cooperation”, OECD, Paris May 1996. At just 20 pages, it was one of the DAC’s shorter contributions. Few of its others have achieved a higher ratio of influence per page. Much of the report found its way into the UN Millennium Development Goals, arguably the most successful collaborative international initiative in history to improve the average human life experience.

38 Short, 2004, 53.

39 “Shaping the 21st Century: The Contribution of Development Cooperation”, OECD, Paris May 1996, 9.

40 Facilitated, as we have noted, by the World Bank’s pioneering work on poverty measurement, applying a clearly defined, universal standard for the first time.

education, gender equality in education, infant and maternal mortality, and reproductive health services.

The DAC was also clear that developing countries themselves held the main responsibility for their own development. International support was important but this was not merely—or even mostly—a matter of aid (which nevertheless needed to be more generous and more effective): wider policies needed to be improved to support and facilitate poverty reduction in the poorest countries. All this resonated with Short and became central to her approach.

In summary, what appealed to Short about the DAC approach was that it was legitimate in its origin, precise in its focus, comprehensive in how to achieve it, and balanced in who was responsible for doing so—but also that it was ambitious. It:

“suggested that a great advance was possible if we focused on the systematic reduction of poverty, built on past successes and drew the international system together to work in partnership to deliver clear targets in each country. . . . I decided that I would work to make this the framework for our development efforts.”⁴¹

There were echoes in Short’s thinking of the philosophical approach developed in the Fabian Society in the early 1960s. In early 1964, the Fabian Society started work on a blueprint for the new ministry Labour leader Harold Wilson had announced he would create, stressing a minister of Cabinet rank and sufficient independence to resist pressures from other ministries to arrange its programme according to non-development criteria. The ministry should not be about aid but about development, independent of foreign policy, or trade or the economy. The recipients must believe that the Labour government was entering into a partnership and not dispensing charity.⁴² In February 1964, speaking in Parliament after a visit to Africa, Barbara Castle, who later that year would enter the Cabinet as the Minister for the new department, landed the point in language redolent of the view Short herself came to more than 30 years later:

“Every country is giving its dollops of help for motives which have nothing to do with the prime purpose of securing the economic development of the recipient countries of the world. They are giving help for reasons of national prestige, or for political motives to sustain certain régimes as against others, or for reasons of rivalry in the cold war, or for reasons of their own internal economic self-interest. Because the motives are wrong, the help bears no relationship to the results in terms of maximum economic development.”⁴³

41 Short, 53–54.

42 Fabian Society Working Papers, May and July 1964, cited in Ireton, *Britain’s International Development Policies*, 31.

43 Hansard, 3 February 1964 (Second Reading of International Development Association Bill).

In the period running up to a general election in the UK, it is the convention for the Prime Minister to authorise the civil service to hold private discussions with the leading members of the opposition parties to help both sides prepare for the possibility of the opposition taking office. An election had to be held by the spring of 1997. Short was therefore soon able to meet John Vereker, who had been the ODA Permanent Secretary since 1994. Their backgrounds were different: Vereker was from an establishment family, educated at a famous public school and had worked closely with Margaret Thatcher at 10 Downing Street.⁴⁴ It was not obvious that they would hit it off, and Short was therefore “delighted”⁴⁵ to find that Vereker had been a key author of the DAC proposals and was a strong advocate for them.

Having established the strategic and policy goal Short wanted to focus on, their discussions also covered the institutional structures best suited to implement them—not just the establishment of the new department, but its form. From the outset, Short and Vereker discussed the key features of the department of international development Labour had said it would establish. Short was “determined to make my new ministry an exemplary player and to use UK influence to drive the international system forward.”⁴⁶ Three major conclusions followed from this.

First, the new department would need to organise its staff and financial resources very explicitly on poverty reduction and the other DAC targets. The ODA, while small and lacking influence, did have committed, well-trained technocratic staff who were keen to justify each proposed project in terms of its developmental benefit.⁴⁷ A senior Projects Committee, which reviewed all major proposals before they were signed off, and its own Accounting Officer—a senior civil servant responsible for the quality, propriety, and regularity of its spending—policed that effectively. It had a reasonably well-developed overseas network and some strong technical cadres, with specialists in the economics, governance, social sectors and natural resources of developing countries. And the UK aid programme, even if modest in size, did at least focus more on the poorest countries than was common across the DAC as a whole. However, the approach was transactional: to the extent that the ODA internally had a strategic approach to its resource allocation in the years up to 1997, it did not have a serious focus on reducing poverty, as opposed to broader, more nebulous concepts of “development” (under which pretty much any project that was economically viable, well-designed and did not cross governance or human rights red lines could be justified).⁴⁸ But it was worse than that: the ODA’s experience of the years between 1979 and 1997 was of struggling, not always successfully, to see off pressures from the Foreign Office, the Department of Trade and Industry, and others to use the aid budget, modest as it became through those years, not just for

44 His father was a naval commander, his brother a diplomat and a distant ancestor a viscount. But Vereker, as well as being clever and ambitious, had an independent streak. After school at Marlborough College, he spurned Oxbridge for a scholarship at the new university in Keele. He enjoyed challenging orthodoxies.

45 Short, 54.

46 Short, 54 and private interviews.

47 As John Vereker has put it, this provided the embryo from which DFID was later able to flourish.

48 This is not to say that ODA had absolutely no strategic influence beyond the transactional: it worked constructively on issues ranging from the end of apartheid in South Africa to economic reform in the former Soviet Union.

a broadly understood concept of development but also to lubricate relationships in the pursuit of other diplomatic or commercial objectives.⁴⁹ Every year a Joint Aid Policy Committee of Whitehall officials debated how to allocate the available resources: these pressures were constantly exposed, and ODA officials were perpetually in a defensive crouch trying to see them off.⁵⁰ Lip service was paid to poverty, but it was far from the driving focus and determinant of how resources were allocated. A new department with its own Cabinet minister would be much better able to resist such pressures and allocate money based solely on how it would reduce poverty.

Second, a new department could engage differently with the rest of government on non-aid policies—from the rules on arms sales, to the EU’s trade policy, to international discussions on debt and a host of other issues—which affected the development prospects of poorer countries. Short and Vereker were alive to this from the outset. The DAC focus on outcomes for the extreme poor meant they were interested in development overall, not just aid. A development department with its own seat at the table in wider Whitehall discussions contrasted sharply with the ODA’s experience: ODA staff had learned that they might be welcome in Whitehall meetings where others thought their money could be of use, but ignored (or simply not invited) in broader discussions of the implications for developing countries of non-aid policy choices the UK might make.⁵¹ They might brief their more powerful FCO counterparts to speak to these issues, but were under no illusions about the difference that would make. The FCO was responsible for weighing the gamut of foreign policy objectives, of which development was just one, before deciding what line it would take in Whitehall debates.

Third, Short understood from the outset that Britain on its own was not going to move the dial on global poverty. Hence her wish to “use UK influence to drive the international system.” The UK economy by the mid-1990s was significantly stronger than 20 years earlier. That and Britain’s status as a nuclear power, in the G7, as a permanent member of the UN security council, a holder of its own seat on the boards of the IMF and World Bank, and at the head of the Commonwealth, meant that it could credibly claim, in Douglas Hurd’s phrase, to punch above its weight—a view held across party lines. As a Cabinet member with her own ministry, Short would be the UK’s representative in a wide range of international negotiations affecting development. She thought she could use that to get others on board to advance the DAC agenda.

Notwithstanding what Labour had said in *Britain in the World*, it was not clear when Short took up her new role that an incoming Blair government would in fact create the new department. In the autumn of 1996, Blair asked Short to consider whether it was right that the commitment in the policy document should be retained. Short “agreed to survey examples in other countries and consult the

49 There are countless examples of this. One of us recalls an unedifying saga in which the ODA was prevailed upon to finance the construction of a road through the Mau forest in Kenya, a reservoir of valuable biodiversity and Kenya’s single most important water catchment area. The ODA’s environment advisers were against the proposal, fearing the effect would be accelerating deforestation. They were overruled because Kenya’s President Moi wanted the road and the UK’s High Commissioner in Nairobi thought it would damage relations to decline to pay for it.

50 Private interviews.

51 Private interviews.

Permanent Secretary at the Overseas Development Administration and get back to him.”⁵² Vereker was “adamant that the department needed its independence to fulfil the commitment laid out in Labour’s policy document” and to maximise its contribution to the agenda Short wanted to pursue.⁵³ Short wrote back to Blair accordingly.

Not everyone bought into her conclusion. Short wrote in 2004 that “I am pretty certain that, when Robin Cook consulted the Foreign Office in the six months before the election, they suggested he had made a major mistake in giving away his control over the policy and budget of the Development Department.”⁵⁴ In 2003, shortly after Short had resigned from the government over the Iraq war, John Kampfner similarly wrote that Blair came under pressure to water down the commitment in *Britain in the World* from Robin Cook, Jonathan Powell (Blair’s Chief of Staff, and a former diplomat), and Foreign Office diplomats.⁵⁵ Likewise, John Vereker recalls the Foreign Office being “pretty vigorously opposed to the proposal”; his Permanent Secretary counterpart there, Sir John Coles, told him “I don’t know why you are worrying about this, John. It’s not going to happen.”⁵⁶ It has also been suggested that Short threatened to resign unless the commitment was honoured.⁵⁷ Several people were interviewed for this paper who were close to Blair, however, cast doubt on this interpretation. Robin Cook (who had, after all, chaired the *Britain in the World* process) did not seek to backtrack; if Foreign Office officials were running a campaign, they omitted to convey that to those close to Blair who were advising him on this issue; and while it is true that Blair did not finalise the decision to create DFID and appoint Short until after the election, that was the case for all Cabinet appointments.⁵⁸ Nor should the story in *The Sun* immediately after the election that Short would not be included in the Cabinet be seen as part of these machinations. *The Sun* had been engaged in a war of words with Short for many years for entirely different reasons.⁵⁹ When Labour published its manifesto on 2 April 1997, the commitment that a Cabinet minister would lead a new department of international development was included. At that point it was effectively locked in.

DFID was brought into existence by a confluence of political circumstance, which meant that Labour wanted to draw a clear line on competence and effectiveness of international spending (as well as fiscal responsibility), the fact that it was Clare Short specifically—who may never have had the portfolio had Joan Lestor been in better health—who was “demoted” into the role, and the fact that she

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52 Short, 51.

53 Short, 52, and private interviews. It is perhaps surprising that there was not more consideration of what Labour could learn from other countries’ systems, but Short did at least look into the issue.

54 Short, 51. We have seen no evidence that Gordon Brown, later such a strong advocate for international development, was drawn into this discussion.

55 John Kampfner, *Blair’s Wars*, The Free Press, 2003, 64. Kampfner was a journalist at the time, and is now an Executive Director at Chatham House.

56 Private interview. Strictly, Coles was senior to Vereker. Coles was a full Permanent Secretary, and Vereker at this point a Second (i.e., junior) Permanent Secretary (so graded because the ODA job was smaller than that at the FCO).

57 Kampfner, 64.

58 Private interviews.

59 Since 1986 she had campaigned against their practice of publishing large photos of topless young women on page 3 of each morning’s paper. Years later, she won: the practice was finally discontinued in 2015. Short described it as “a victory for public dignity.”

had an unusually clear idea about what she wanted to achieve and got good help before taking office in developing a plan to deliver it. No other British development minister has assumed the role with such a strong grounding and clear vision.⁶⁰ DFID could have been very different. Our next paper will look at its early years, the institutional and strategic choices that were made, and what we can learn about the effective governance of development policy from them.

Postscript

Early on 5 May journalists gathered at the door of 94 Victoria Street to report on Clare Short's arrival.⁶¹ Among them was Peter Gill, with a BBC documentary crew in tow. He was barred from entry by the security guards. He replied that he had been invited in by Clare Short, to make a TV documentary—*Clare's New World*.⁶² A stand-off ensued, with the department's head of media relations eventually summoned to the front door. Rattled, he retreated to ring No 10 for advice. Alastair Campbell, unsurprisingly, was not happy to hear about a documentary he had no control over. But DFID officials let the camera crew and Peter Gill in anyway, and they filmed Short addressing staff on their first day in the new Department.⁶³

This was an early symbol of what was to follow: Short had the intellectual self-confidence and authority to get her way, and was willing to fight battles small and large in pursuit of her agenda. Over the following six years that sometimes landed her in hot water, but, as we shall see in further work we intend to publish over the next 18 months, it meant she and DFID played a disproportionate role in the fight against world poverty.

60 Andrew Mitchell is perhaps the closest.

61 3 May was a Sunday and 4 May a public holiday. 94 Victoria Street was the site of what was, until that day, the Overseas Development Administration

62 The BBC clearly believed that Short would be appointed, which was why they were willing to spend money in advance preparing the documentary, the plan for which Gill agreed with Short's team before the election.

63 Private interview.