

Blazing the Trail: Eight Years of Change in Handling International Development

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Rarely do serving senior civil servants speak in public or write for the record: that has tended to be the prerogative of the ministers whom they support. Until February 2002, Sir John Vereker was Permanent Secretary of the UK Department for International Development (DFID). He was invited to address an audience of politicians and development experts, at the All-Party Parliamentary Group on Overseas Development, on his unique experience of serving for equal periods as head of the former Overseas Development Administration and DFID, at a time of intense policy change. He secured the assent of his Secretary of State and the Editors of Development Policy Review judged that his contribution deserved to be read by a wider audience.

Adrian Hewitt

This is a retrospective address. I feel I can speak with some authority about what has already happened. I am much more cautious about what will – or should – happen. I will say just a little at the end about my personal view of the way ahead. But that will be about institutional change, rather than development policy.

First, a word about my credentials. I am a civil servant. Even though I am about to depart on what I see as a three-year sabbatical from international development, I shall remain a civil servant. So there will be no indiscretions, criticisms of government policies, revelations about personalities, even if I had them.

But I have also devoted most of my working life to international development. For the last eight years I have been running the Department for International Development, and its predecessor, the Overseas Development Administration. Eight years is two or three times as long as most Permanent Secretaries spend in their jobs. So perhaps I have an advantage. I have had long enough both to witness and, I hope, to contribute to a quite startling change in the collective international approach to development, and in the role of my Department. I have also worked in a number of very different bureaucratic environments, including the World Bank, 10 Downing Street and a large government Department, the then Department for Education and Science. So I may have, or at least I ought to have, a reasonable perspective on institutional change. And if there is an element of arrogance in the imagery of the title of this talk, I am unrepentant. I am proud of what DFID has achieved, and I am in no doubt that we have indeed been blazing a trail.

It is particularly appropriate on this occasion to begin with an acknowledgement of the supportive parliamentary environment in which we have been working. While my

* Permanent Secretary, UK Department for International Development, 1994-2002. This article is an edited version of an address to the UK All Party Parliamentary Group on Overseas Development (APGOOD) on 23 January 2002.

American and Japanese colleagues spend a fair proportion of their working year in a barely disguised series of hostilities with their legislators, I have seldom encountered from our Parliament anything other than instinctive support, a willingness to try to understand, and a constructive approach to criticism. The All Party Group on Overseas Development itself has symbolised that approach ever since it was started under Adrian Hewitt's guidance in 1984; successive Chairs of our Select Committees – David Howell, Bowen Wells and Tony Baldry – have invariably carried forward that tradition; and our Ministers and ex-Ministers in the House of Lords – particularly Frank Judd, Lynda Chalker and now Valerie Amos – have been an enormous source of strength. I am even prepared to say that we have had a pretty fair deal at the hands of the National Audit Office and the Public Accounts Committee. The PAC is probably not every Permanent Secretary's favourite Committee before which to appear, but I would be the first to acknowledge the dynamic effect on departmental behaviour of our direct accountability to Parliament.

The A to D of institution building

This talk is structured in three parts, reflecting three concurrent moves: the strategic transformation, encapsulated as the shift from Aid to Development; the institutional transformation, from an Agency to a Department; and the transformation in the expectations of our political leaders, which I would summarise as being from Administration to Delivery. In shorthand, the A to D of institution building as I experienced it. I shall also try to draw out one or two lessons.

From aid to development

The transformation of the Overseas Development Administration into the Department for International Development did not, of course, take place in a policy vacuum. By the early 1990s the international development system was overdue for a fundamental change. At the risk of giving more coherence to the model than it actually possessed, I would characterise it as follows. Donors ran 'aid programmes': their focus was on the resources they transferred, their central skill was investment appraisal, their bible was Little and Mirlees.¹ Well-organised donors, such as the UK, set out in Country Strategy Papers how they proposed to use the resources, but nobody ever knew this because they were classified documents, prepared and held in donor capitals. The core aid instrument was the project. Projects were usually seen as enclaves, decontextualised from their political environment. The symbols of this period were the unmaintained road, the empty hospital, the unsold crop. Even the aspirational goal was an input target, the 0.7% ratio of Official Development Assistance to GNP.

Many people, including me when I returned in 1994 after a five-year period of exile in the Department for Education and Science, harboured some fundamental doubts about all this. The intellectual grounds for change had been well prepared, since the Berg report on Africa in 1981,² and the inception of the Special Programme for Africa,

1. I. Little and J. Mirlees, *Project Appraisal and Planning for Developing Countries*. London: Heinemann Educational, 1974.

2. *Accelerated Development in Sub-Saharan Africa*. Washington, DC: World Bank, 1981.

with its emphasis on collective support for agreed programmes, in the late 1980s. The fall of the Soviet empire and the collapse of communism had removed any remaining ambiguity about certain fundamental preconditions for sustained economic growth: accountable government, efficient markets, open economies. Enclave development was simply not working where the environment was wrong. The mixed motives of donors, some of whom still saw developing countries as the board on which the Great Game was played, and most of whom thought it made economic sense to use aid programmes to subsidise exports, became exposed. Donors and international organisations were constantly tripping over each other on their way into the Ministries of Finance across Africa, Asia and Latin America.

Given all that, it is remarkable what *was* achieved. Life expectancy in the least developed countries rose from 44 years in the early 1970s to 51 years in the late 1990s; during the same period the mortality rate for under-fives fell by a third, from 240 to 160 per thousand.³ Most developing countries' economies grew steadily except when they lost the plot on sensible economic management or fell into the hands of a predatory government interested only in lining its own pockets. But levels of poverty remained stubbornly high: the number of people living on a dollar a day or less was the same in the mid-1990s as it had been a quarter of a century earlier.⁴

That was the era of aid. The question we were trying to answer was how best to use our budgets. By the mid-1990s, some of us had started to ask a rather different question: what would have to happen to eliminate poverty? When we asked that question, we did not always find focusing directly on reaching the poor, or indeed aid itself, to be the answer. In fact, as the Accounting Officer for the last eight years of a budget now approaching £3.5 billion, 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 co-operation 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 elections.

The aspirational goals of this new model are outcome targets, in particular, the International Development Targets for 2015 adopted by the United Nations Millennium Assembly as the Millennium Development Goals. I declare an interest, in that I was a member of the OECD's small 'Groupe de Réflexion' which published the proposed targets, which originated in the UN, in 1996.⁵ The centrepiece was to halve by 2015 the proportion of people living in absolute poverty. That report, a mere 18 pages, became the turning point between the old model and the new.

Thus the symbols of this new model are the pledge cards on which the targets are written. If I had to identify a defining moment of the last eight years it would be when I

3. Data from successive UNDP *Human Development Reports*.

4. F. Bourguignon and C. Morrisson, *Inequality among World Citizens*. 2001; C. Chen and M. Ravallion, *How Did the World's Poorest Fare in the 1990s?* 2001.

5. OECD, *Shaping the 21st Century*. Paris: OECD, 1996.

accompanied the four 'Utstein Ministers' – Clare Short, Evelyn Herfkens, Heide-Marie Wiecezorek-Zeul and Hilde Johnson – to call on Michel Camdessus in 1998 to persuade the IMF to adopt the International Development Targets, only to be presented by him with the IMF pledge card as proof that he had already been persuaded. The power of an idea whose time had come, in the hands of some of the most forceful and committed Ministers in the world, was irresistible.

The events of September 11 2001 reinforced the case for managing globalisation so as to create a more equal world. Whatever may be the causes of international terrorism, it appears to breed most readily in the culture of resentment that reflects the global inequality of opportunity for a decent life. Nonetheless, the collective international development effort is not yet shorn of shorter-term self-interest. Our experience in turning the Overseas Development Administration (ODA) into the Department for International Development (DFID) casts some light on reasons for this.

From Agency to Department

In less than five years, DFID has achieved an astonishing degree of national and international recognition. In Parliament in 2001, the Prime Minister described our work as one of the government's proudest achievements.⁶ The OECD's peer review of the Department,⁷ measuring us against accepted global best practice, praised us fulsomely for our international leadership. Our White Paper on Globalisation,⁸ published ten months before September 11, still stands as the standard analysis of why and how the forces of globalisation must be made to work for the poor. A leader in the *Financial Times* of 12 December 2000 described it as a breath of fresh air in a debate clouded by misguided waffle, setting a standard for other countries to live up to. And the market signals are strong: we are easily the most popular department for fast stream entries to the Civil Service.

None of this was achieved easily. There is perhaps a tendency in Whitehall and Westminster to see power as a zero-sum game: if it grows in one place, it is presumed to shrink in others. DFID threatened an order which had been established since 1979. That was encapsulated in the announcement in 1980 that the government would give greater weight in the allocation of British aid to political, industrial and commercial considerations.⁹ It was taken as an invitation to export subsidy and to the use of the programme for short-term political gain, an invitation which was eagerly accepted. Drawing the line between an acceptable project that happened to promote exports and a useful export that could be dressed up as aid, became harder and harder – and ended up in the courts with the Pergau judgement.

Opposition to the ending of such a regime, and to the establishment of an independent Government Department to assert a different one, was to be expected, even though the government elected in May 1997 had a manifesto commitment to the new

6. Hansard, 7 March 2001, Col. 294.

7. OECD/DAC Press Notice, 16 October 2001.

8. DFID, *Eliminating World Poverty: Making Globalisation Work for the Poor*. Cmnd 5006. December 2000.

9. Parliamentary Statement by the Minister for Overseas Development, 20 February 1980.

Department.¹⁰ This Department was to be independent of certain earlier ties – the interest groups that still hold influence in many other OECD capitals: the big project contractors, the high-profile NGOs, the over-exposed bankers, the under-exposed consultants, all of whom played a valuable part in transferring know-how to developing countries but all of whom had grown accustomed to a share of the cake. Indeed, there was an implicit bargain: they would support our budget, provided we gave them a share of it. The turning point came with the incoming government's commitment to the Department's writing its first White Paper on international development, published six months later and still the international reference point on the need for rich countries to formulate internally consistent policies for the elimination of global poverty.¹¹

How, against that background, did we do it? The following is the eight-point plan, pretty much as we followed it.

- (i) **Preparation.** There was a high probability of a change of government in 1997. The discussions I had with Clare Short before that election established that there would be a new Government Department, independent of the Foreign Office and headed by a Cabinet Minister. We were therefore able to disentangle the old ODA from the Foreign Office in a reasonably planned and controlled manner.
- (ii) **Purpose.** Secretary of State Clare Short and I agreed on day one that the mission of the Department was the reduction, and eventual elimination, of world poverty; and that our immediate objective was to harness the global effort to the International Development Targets for 2015. This clarity of purpose, rapidly transmitted through the organisation, has been a powerful motivating, unifying and guiding force over the last five years.
- (iii) **Leadership.** Every government department, however well-run, lives and breathes in the world of politics; and the smaller the department, the stronger, more self-confident and more durable is the political leadership needed. When that is combined, as it is in DFID, with a mastery of the subject that can leave most officials standing, the department can be truly effective.
- (iv) **Transparency.** Another early decision was that we would develop all our policies and strategies participatively with those affected by them, and use modern technology to make the products publicly available. All our country-strategies, however critical of the individual countries, are therefore now in the public domain. This has massively improved both the quality and the effectiveness of the strategies, and I have never regretted it for a moment. In a pilot for true open government, my Management Board has also now agreed that virtually all our unclassified internal papers, including the papers for the Management Board itself, will be available on our website.
- (v) **Expertise.** We were embarking on some novel areas and we needed to know what we were talking about. We built up teams of talented individuals to think through how some tricky issues, such as trade, conflict, debt, intellectual property, public-private partnerships, could be managed for the benefit of poor

10. 'A Cabinet Minister will lead a new department of international development', Labour Party Manifesto, April 1997.

11. *Eliminating World Poverty: A Challenge for the 21st Century*. Cmnd 3789, November 1997.

people. We are now recognised as among the world leaders in these areas of expertise.

- (vi) **Structures and skill mix.** My own instincts are evolutionary rather than revolutionary because I do not think radical change overnight is feasible in government departments. But over five years we have extensively decentralised, with nearly half our staff working in some 50 offices overseas; delegated, with greatly increased levels of responsibility on the ground; restructured, to reflect the new tasks; changed the core skills of our staff from project administration to analysis, communication and persuasion; and moved our London headquarters to a modern, team-working environment.
- (vii) **Early results.** Even a long-term business like ours needs to show results. The latest data show that the proportion of the world's population living in absolute poverty fell from 29% in 1990 to 23% today.¹² Something must be going right, for which the international effort is entitled to some of the credit.
- (viii) **Patience.** You can pick some of the low-hanging fruit first. Two of our most successful early policies were to abandon the practice of mixing aid and export credit, and to link debt relief to poverty reduction. But it takes longer to build a consensus for the tougher policies, such as the untying of aid from national procurement, or the collective funding of budgets. And there is a long way to go before the reduction in poverty in Africa matches that in Asia.

Underlying all these eight points is our willingness to subsume our bilateral effort into a more effective international one. This has meant that we can at last start to tackle some of the world's most intractable problems, where poverty is embedded in a matrix of conflict, corruption, disease and disempowerment.

From administration to delivery

Let me now turn to setting into the Whitehall context the way in which this transformation of policy, matched by the transformation of the institution, took place. If there is one word which encapsulates the emphasis of Whitehall over the last few years, it is 'delivery'. Delivery seems to be to the twenty-first century what policy-making was to the twentieth. The two are, of course, not separable. It would be as difficult to deliver the outcome Ministers want, if the underlying policy were incomplete, as it would be fruitless to construct wonderful policies without giving a thought to implementation.

The focus on delivery has generated a process of change in Whitehall that has already brought many benefits, though the process is incomplete. Departments, including my own, are better managed as a result of initiatives such as 'Investors in People'. But we need to be careful not to reach for managerial or organisational solutions to problems that sometimes need a clearer policy framework. The relationship between departments and the new units at the centre of Whitehall, some of which have not yet been in place long enough to establish their value-added as catalysts for change, is work in progress.

12. DFID, *Statistics on International Development*. London: DFID, 2001 edition. p.11. East Asia (including China) fell from 28% to 16% but there were significant falls also in South Asia (45% to 40%) and Latin America (17% to 12%).

Nonetheless, if there is one thing a lifetime working on international development does teach one, it is to appreciate the qualities of British public administration. Even the most mature bureaucracies in other countries have serious weaknesses, usually manifest in a failure to communicate effectively across departmental boundaries, or the expectation that public office will lead smoothly into well rewarded private sector employment. The developing country public services with whom I have spent my working life are characterised not so much by corruption and incompetence, though neither is uncommon, as by a dismaying lack of capacity. The Ministry of Education in a typical medium-sized African country is trying to run an education service with no reliable budget, only a handful of competent officials, limited means of communication, and no reliable data.

So let us recognise that the British Civil Service has some deeply embedded strengths.

- It has probably the most effective **horizontal co-ordination** of any public service. My American colleagues have been known to telephone me, rather than each other, to find out what their President is saying to my Prime Minister, even though I am nowhere near the conversation.
- There is a presumption of **collegiality**: as long as their self-interest is not threatened, departments and senior officials share intellectual property freely, in the knowledge that they are all working for the same government.
- There is, unfashionable though it may seem, a strong public service ethic of **professionalism**. When my department moved its London headquarters recently, no one complained to me about the inconvenience and sheer hard work involved; what they most objected to was having their telephones and screens out of action for a few hours, so that they could not get on with their work.

For any organisation, there are always both opportunities and threats. The Civil Service has had the opportunity to show the virtues of a non-political executive, selected right up to the top on the basis of ability rather than allegiance. If we are to have the complete confidence of our political masters we need to show that we can adapt to the demands of delivery without having to be energised from the centre; that we are alert to the risk of owing more loyalty to a department than to the policies of the government as a whole; and that we can modernise our working methods at the same pace as the private sector.

I would not want to make much of the threats. The Civil Service I am leaving has preserved many of the strengths of the Civil Service I joined 35 years ago, and has responded well to the steady increase in power at the centre and at the top of government. We do need to continue to work hard to preserve our collegiality, and our ability to work effectively across departmental boundaries, both to reflect and reinforce the collegiality of ministerial decisions.

We also need to avoid an over-enthusiastic response to whatever may be the organisational fashion of the moment. Every reform is assumed to be beneficial and every change for the better. Much of it is. But for the current reform programme to succeed, it cannot be supply-driven from central units seeking to prove themselves: they will have to work closely with departments, on reforms which are rooted in what

departments see as necessary to put their policies into practice. Management should not be seen as an alternative to policy-making. We need to talk less, and hear less, about management theory and more about the operational realities of the organisation. We may actually be better managers as a result. The current emphasis on targets on which to focus the delivery effort needs to be handled carefully if they are to have the desired effect. The targets not chosen are seen as lower priority: we need to be more aware that target-setting is actually priority-setting.

We need therefore to maintain the desirable pressure for more effective implementation of policy without losing the inherent strengths of Whitehall. Departments such as mine would benefit from:

- a limited number of high-level objectives, less obsessively quantified, set and owned by Ministers collectively, reflecting the real priorities of the government. This is indeed the direction in which my Department, and I believe others, will be moving as we enter the next spending review;
- Permanent Secretaries made responsible to their Secretaries of State for meeting those objectives, with the presumption of a rather longer-time scale, of three to five years, before judgements can be made; and
- a reform programme which is closely tailored to what needs to be done to enable individual departments to meet their objective.

Conclusion

I believe there are some general lessons from my experience on how to build effective institutions in the public sector. I would pick out four, by way of concluding thoughts:

- **The power of the single, uncluttered purpose.** An organisation that knows what it is for can develop effective policies and motivate its staff. An organisation that cannot articulate its purpose clearly, limit its activities accordingly, and show results convincingly, is never going to be effective.
- **The need for a strongly supportive political environment,** to see off the entrenched opposition; and the value, both domestically and internationally, of high-profile and durable political leadership.
- **The importance of patience.** In the public sector it takes time to change the skill mix and build up expertise; without that expertise there can be little influence or authority.
- **The need to focus sharply on outcomes.** We have greatly benefited from the resonance of the target of halving global poverty. I am enormously fortunate to have been able to play a part in it; but the trail has largely been blazed by the large number of talented colleagues with whom I have been privileged to work.