



House of Commons
Foreign Affairs Committee

**Merging success:
Bringing together the
FCO and DFID**

Second Report of Session 2019–21

*Report, together with formal minutes relating
to the report*

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The Foreign Affairs Committee

The Foreign Affairs Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Foreign and Commonwealth Office and its associated public bodies.

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Summary

Creating the Foreign, Commonwealth and Development Office from two Departments with their own cultures will require strong strategic direction and leadership from the beginning. With urgent responses needed to global challenges, the new Department will have no time to settle in. Responses to Covid-19, and the UK's leadership roles in 2021, including the G7 Presidency and hosting the COP26 climate conference, make this a particularly complex task. For the new FCDO to manage all these responsibilities effectively, a comprehensive strategy, effective leadership and clarity on the reasons behind key decisions are needed. In this report, we set out the main areas in which the FCDO should define and communicate its strategy and leadership structures.

The merger risks weakening the cultures of each Department and raises the possibility of the loss of highly-skilled staff who have helped to build the UK's reputation as a leading provider of aid. We ask for clarity on the ways in which staff will be assigned in the new Department, and on how the Government intends to retain staff with valuable expertise. We also recommend that in-country projects should continue to be led by in-Post staff with local expertise in order to maximise the effectiveness of both the UK's diplomatic activity and its development projects.

As well as staff retention, openness to outside expertise and transparency of aid spending will ensure the new Department is delivering on its purpose. We note historical disparities in the transparency scorings between the FCO and DFID, and recommend that the new Department aims to excel in international transparency. We ask for clarity on how the merger will lead to greater efficiency in terms of administrative costs and overseas spending. We also argue that the FCDO should coordinate Official Development Assistance (ODA) spending across different Whitehall departments, and that the excellent work of the Independent Commission for Aid Impact continues to inform parliamentary scrutiny of Government aid spending.

The complexity of requirement at this time makes political cooperation between Government and Parliament especially important. As the Government is preparing the Integrated Review, the findings of which this Department will be integral to delivering, the Committee also recommends that consideration be given to Parliament having a greater role in scrutinising the appointment of permanent secretaries to Government Departments.

Introduction

1. On 16 June 2020, the Prime Minister announced the merger of the Foreign and Commonwealth Office (FCO) and the Department for International Development (DFID).¹ The new Department will be called the Foreign, Commonwealth and Development Office (FCDO). The COVID-19 pandemic was cited as the key rationale for the merger, with the Prime Minister saying that “one cardinal lesson of the pandemic is that distinctions between diplomacy and overseas development are artificial and outdated.”²

2. In a letter to the Committee, Foreign Secretary Dominic Raab explained the role of the new Department:

The new FCDO’s guiding purpose will be to promote the UK’s national interest around the world. But ours is a broad view of the national interest, based on values as much as it is on our core interests of security and prosperity. Development work will therefore remain central to the new Department’s mission. We will continue to be guided by our responsibilities under the International Development Act, our commitment to spending 0.7 percent of our national income is enshrined in law.³

3. There are significant policy implications arising from both the merger and the ongoing Integrated Review.⁴ Our inquiry into the Integrated Review will address broader questions about the future direction of British foreign policy; this report focuses on some of the practical details of the merger. We make recommendations on the leadership and organisation of the new Department to help ensure that it delivers on the Government’s stated aim of furthering the UK’s national interest and values by combining foreign and development policy. We focus on three main areas:

- (1) The need for clear strategic direction from the outset; the skills, qualities and experience required of the Department’s new Permanent Under-Secretary; and clarity on the decision-making process that led to the merger.
- (2) The importance of communicating to staff what the future roles and responsibilities in the Department will be; the need to prioritise staff wellbeing and the retention of those with technical development knowledge; and the need to maintain in-country expertise for diplomatic and development projects.
- (3) The need for the FCDO to meet international transparency measures and to clarify the ways in which the Department is expected to deliver value on British taxpayer money, with respect to both costs and spending.

1 HC Deb, 16 June 2020, col [666](#)

2 HC Deb, 16 June 2020, col [666](#)

3 [Letter from the Foreign Secretary to the Chair](#), 1 July 2020

4 The Integrated Review is a planned overhaul of the UK’s foreign, development and defence policies intended to identify opportunities and weaknesses in the UK’s international engagement.

Administration and Leadership

Strategy

4. The timing of the merger means that careful planning and leadership are essential. In addition to the ongoing global response to the Covid-19 pandemic, 2021 will see the UK taking up the G7 Presidency and hosting the COP26 Climate Conference. The extent of the demands on the new Department means that both leadership and staff should be clear on its direction from the moment it begins operation.

5. Mergers are often lengthy processes which can lead to a significant reduction in productivity of the day-to-day functions of a Department. Giving evidence to the Committee, Tim Durrant, Associate Director at the Institute for Government, said:

We know that these changes take a number of years to bed in. It is often two-plus years until a new organisation or a new Department is fully up and running. In that time, there will be an inevitable distraction from the day job of the new FCDO. ... [The G7 Presidency and COP26] are two big, international high-profile events and the UK is in charge of making them a success, and its foreign affairs Ministry is going to be involved in a very comprehensive and complex rearrangement. That is inevitably going to distract from those international priorities.⁵

6. To mitigate this potential loss of productivity, a clear and deliverable set of objectives will be necessary to ensure that those responsible for implementing the UK's international policy have a thorough understanding of the Department's aims. However, when questioned on the objectives of the Department, Minister Nigel Adams said:

The objectives of the new Department will be shaped by the outcome of the integrated review. We understand that that will be concluded later this year.⁶

7. While the date for the merger has been confirmed, the date for the conclusion of the Integrated Review has not. Currently, the objectives of the FCO and DFID are in some ways similar, but in others mutually exclusive. The FCO lists its objectives as:

- Protect our people
- Project our influence and demonstrate diplomatic leadership
- Promote our prosperity
- Manage our business and provide the platform for the whole of the UK government internationally.⁷

5 Q3

6 [Oral evidence taken on 30 June 2020](#), HC (2019–21) 239, Q249

7 [FCO, Single Departmental Plan, 27 June 2019](#)

While DFID's priorities are:

- strengthening global peace, security and governance
- strengthening resilience and response to crisis
- promoting global prosperity
- tackling extreme poverty and helping the world's most vulnerable
- delivering value for money.⁸

For example, though they can easily be reconciled, there is a possibility that some will see conflict between the FCO objective 'Promote our prosperity' and the DFID priority 'promoting global prosperity'; the world's most vulnerable may be in countries whose governments we do not support. There are questions as to how these objectives may be combined and prioritised. For the FCDO to be as effective as possible, clear, agreed and deliverable objectives are needed.

8. Given the gap between the merger and the reporting date of the Integrated Review, the FCDO risks operating for months without clear strategic direction, which will be compounded by the likely productivity dips which follow departmental mergers. The FCDO is being created to bring coherent strategy to UK foreign and development policies at a time of global change, so establishing clear objectives at the departmental level is essential to ensure that the UK's unified international policy is understood by those who are implementing it. *We recommend that the Foreign, Commonwealth and Development Office consults with Parliament before publishing a clear set of strategic objectives by the end of September to ensure its staff and stakeholders understand its purpose, function and direction.*

9. It is also important that the British public is clear on these objectives, and the ways in which they will meet our international responsibilities, deliver value for taxpayer money and advance British interests both at home and abroad. Tim Durrant said that the merger presents an opportunity for the Government to communicate more clearly about its international work, noting that a larger Department with a higher profile would have the opportunity to interact with the British public on a much wider scale than before.⁹

10. *For the Government to deliver on its stated aim of more accountable development spending with a greater focus on the national interest, it should establish and deliver on a clear strategy for communicating its interpretation of the 'national interest' to Parliament, institute regular reporting to Parliament, and be explicit in the ways in which the FCDO will help deliver it.*

Ministerial direction

11. As well as clear strategy and communication, strong ministerial direction is needed. Appearing before the International Development Committee on Monday 6 July, the Secretary of State for International Development, Anne-Marie Trevelyan MP, was unclear on the ministerial structure of the new Department:

⁸ Department for International Development, [About Us](#), accessed 13 July 2020

⁹ Q22

I honestly do not know yet what the ministerial structure looks like, but I would point to the fact that our joint Ministers, which the Prime Minister set up after the election, have been a really powerful model, because they both own part of the globe and an area of DFID policy.¹⁰

While this suggests that the current ministerial model may be recreated, it does not explain how the division of responsibility between foreign and development policy will work in a single Department.

12. The FCO and DFID have shared ministers since February 2020, which may provide the model for ministerial portfolios in the new Department. However, it is not yet clear how many Ministers will serve in the new Department, whether the existing joint portfolios will be replicated, nor whether responsibilities will be divided in a new way. We recommend that the Government publishes a list of expected ministerial roles, with overviews of their portfolios and the reasoning behind these portfolios, before 1 September.

Consultation

13. The announcement of the merger appears to pre-empt the findings of the Integrated Review, which will now take this as the basis for delivery. Although ministers have attempted to explain the rationale for combining the Departments, the way in which they formed this rationale remains unclear. When announcing the merger, the Prime Minister said that there had been a “massive consultation over a long period of time.”¹¹ It is still unclear to us when this consultation took place, who was consulted, and what the findings of the consultation were. In evidence to the Committee, Minister of State, Nigel Adams MP, said:

I cannot tell you exactly who was spoken to in the discussions. I know that these conversations were had right across Government. I cannot give you a full list, I cannot give you dates.¹²

14. In the interests of accountability, the Government should explain the process that led to the decision to merge the FCO and DFID. We ask that the Government publishes the findings of its consultation, including a list of contributors and the timeframe in which it was executed.

10 Oral evidence taken before the International Development Committee on 6 July 2020, HC (2019–21) 292, Q166

11 HC Deb, 16 June 2020, col 678

12 [Oral evidence taken on 30 June 2020](#), HC (2019–21) 239, Q243

Staff and Skills

The Permanent Under-Secretary

15. The Department's first Permanent Under-Secretary (PUS) will be crucial in making the merger a success. For the first time since 1997, the Civil Service will have a PUS advising on both the UK's diplomatic work and the majority of its development work. This means that the required skillset will be different from those of previous Permanent Secretaries of both the FCO and DFID. Giving evidence on the merger to the Committee the former Permanent Secretary to the Treasury, Lord Macpherson of Earl's Court, said:

If I was on the interview panel, the question I would want them to present at the beginning is how they would go about making a success of the integration of the two Departments, and what sort of things they would personally be doing to make that work. A lot of it is about leadership, communication and understanding how to deploy resources, what needs to change to make it work and how you bring the many people who work in both organisations along with you, at the same time as being a credible adviser to the Secretary of State.¹³

16. **To integrate the Departments successfully, the new PUS must have the skills and experience necessary to effectively oversee both diplomatic and development projects. Above all else, they must have exceptional knowledge and experience of change management and major project delivery to allow them to oversee a merger of this scale. We recommend that the selection criteria for the new Permanent Under-Secretary include experience of: major project management, responsibility for large budgets, multilateral diplomacy, and leadership of change in a large organisation. Given the political importance of the position and the increasing role of No. 10 in senior civil service appointments, we recommend that consideration be given by the Public Administration and Constitutional Affairs Committee to pre-appointment hearings for the PUS of the merged Department and, potentially, other similar roles.**

Staff roles and skills

Staff retention

17. Since the announcement of the merger, much media commentary has focused on the demoralising effect it has had on current DFID staff, who are recognised as experts in aid delivery.¹⁴ In a joint letter to the Committee, both the Foreign Secretary and the Secretary of State for International Development reaffirmed the value of these staff:

DFID officials have done fantastic work worldwide over the years, earning the department a very well justified reputation as the best in its field.¹⁵

13 Q24

14 The Guardian, [DfID staff 'devastated and demoralised' by Foreign Office merger](#), 21 June 2020; FDA, [DFID staff need clarity on FCO merger plans](#), 17 June 2020; The Independent, [Civil servants react with shock and anger after decision to merge DfID with Foreign Office](#), 17 June 2020; Westminster Foundation for Democracy, [How DFID's expertise could enhance the UK's foreign policy](#), 23 June 2020

15 [Letter from the Foreign Secretary and the Secretary of State for International Development to the Chair](#), 16 June 2020

The value that DFID's staff and expertise bring to the UK's development work is evident from this letter and a previous report by the International Development Committee, which noted that the oral and written evidence submissions that informed the report were "almost unanimous in their respect for DFID's international standing as a leading global development agency".¹⁶ However, it remains unclear what steps the Government will take to retain these staff.

18. There are significant differences in pay, allowances and grading structures between the FCO and DFID, meaning there are questions about how these differences will be harmonised.¹⁷ In oral evidence, Lord Macpherson said that mergers usually lead to a levelling up in pay, rather than a levelling down.¹⁸ Certainty over remuneration will be essential in retaining staff.

19. The strength and reputation of the UK's world-class aid delivery is in large part due to the skills and experience of DFID staff. We recommend that the Government makes staff retention a priority and implements a clear strategy for retaining DFID staff with valuable technical and programming expertise. This will require recognising DFID's unique character as a Whitehall Department and preserving the ethos. There should also be clarity on how the Government intends to resolve any remuneration differentials between the two Departments before the 1 September merger date.

Role changes

20. Departmental changes often bring about a great deal of uncertainty and difficulty, and dissatisfaction with remuneration and working conditions have been reflected in recent staff surveys in both DFID and the FCO.^{19,20} This uncertainty is exacerbated by a lack of clarity over staff members' future roles in the new Department. On the future of civil servants currently working in the FCO and DFID, the Foreign Secretary said:

There will be no compulsory redundancies, though some roles and responsibilities will change. This work will take place over the coming months, and we will engage fully with staff throughout this process.²¹

Commenting on the ways in which people will be appointed to new roles in the FCDO, he said:

Roles will be open to candidates who meet the relevant criteria in terms of experience and security clearance. Changes to team structures or to roles and responsibilities will be fair, open and transparent - no-one will receive preferential treatment.²²

We also note that Irish passport holders who were born in the UK are exempt from restrictions on senior FCO officials being foreign passport holders. Clarity on whether this exemption will continue is needed.

16 International Development Committee, Second Report of Session 2019–21, [Effectiveness of UK aid: interim findings](#), HC 215, para 50

17 Q15

18 Q14

19 Department for International Development, [DFID People Survey 2019](#), p 2; p 8

20 Foreign and Commonwealth Office, [FCO People Survey 2017](#), p 3; p 12

21 [Letter from the Foreign Secretary to the Chair](#), 1 July 2020

22 [Letter from the Foreign Secretary to the Chair](#), 1 July 2020

21. We welcome the Foreign Secretary's assurance and his pledge to engage with staff throughout this process, but clarity on the nature of future roles is needed as soon as possible. *We recommend that the Government presents a clear plan to staff over which specific roles will change, and which will be lost, by 15 September. The Government should also maintain the exemption on foreign passport restrictions for UK-born officials with Irish passports.*

Skills

22. Giving evidence to the International Development Committee, Secretary of State for International Development, Anne-Marie Trevelyan MP, said that in the new Department, 'classic' diplomats would be expected to work on development projects.²³ The type of training that staff in the new Department will receive remains unclear — for example, the Government has not stated whether or not former FCO officials will receive training on the project management skills necessary to implement development projects, or if former DFID officials will attend the Diplomatic Academy.

23. **Diplomacy and development require different but complementary skillsets; it is vitally important that staff are clear on what specific skills staff will need to develop in order to undertake their responsibilities effectively and to progress in the new Department. Early indications should be given as to the skills and competencies that staff throughout the merged Department will be expected to develop for their new roles. We recommend that the Government makes staff development a priority, and outlines a programme for wellbeing support and the type of training that will be necessary for career development by the end of September. The 2021 FCDO staff survey will be one way in which the Committee will monitor the Government's success on these areas.**

In-country work

24. The Foreign Secretary said that "movement of staff around the expanded FCDO will strengthen our influence and maximise the impact that our world-leading development and foreign policy experts can have across the globe".²⁴ However, we are unclear on the extent to which work will continue to be led in-country, or whether projects will be led more centrally from Whitehall.

25. While some commentators have noted tensions between the FCO and DFID when working in-country, others have referred to positive examples. Giving evidence to the Committee, Tim Durrant said:

In a lot of countries where the two Departments are active, they work together very closely and reinforce each other. These are not two Departments ploughing their own furrow on their own priorities and never talking to each other in whichever country they operate. On the ground, in developing countries, the two are very good at using each other's skills and depending on each other. The question, as I said earlier, is how you reinforce that in the new HQ in London.²⁵

23 Oral evidence taken before the International Development Committee on 6 July 2020, HC (2019–21) 292 Q159

24 [Letter from the Foreign Secretary to the Chair](#), 1 July 2020

25 Q18

The International Development Secretary made similar remarks:

Interestingly, we brought this together at the beginning of the year, trying to build in-country this coherence that the Prime Minister wants to achieve. It works very well in-country and it does not seem that surprising to anybody. Why would you not have a coherent team, so that the partner country you are in really knows what the UK's contribution, support and investment through the values we want to deliver and all those issues are? In bringing the two Departments together, we want to create, all the way through the machine, an organisation, that is as effective as possible in delivering the UK's values abroad.²⁶

26. We welcome work being done to increase in-country collaboration, and believe that in-country leadership of projects should be enhanced, not diminished. The new Department has the opportunity to build on examples of excellent in-country work completed by both the FCO and DFID, and to build on existing cooperation between the two Departments. While the structure of the new Department is not clear, it is important that it continues to show strong in-country leadership on both diplomatic and development projects, and that this merger is taken as an opportunity for greater cooperation between these areas, rather than greater competition. *We recommend that the FCDO's ODA programming continue to be led by in-country UK staff, who have strong local knowledge and networks.*

Spending and Transparency

Transparency

27. The stated reason for the merger is to break down an ‘artificial line’ between aid and diplomacy, and to realign aid spending to better serve the national interest. It is therefore important that the expenditure of the Department is accessible and subject to scrutiny by Parliament and the public. The Prime Minister has said that the British public want to know how their money is being spent overseas:

At a time when the UK is spending £15 billion on overseas aid—0.7 % of our GDP— I think the British people will want to know what we are doing right now to make that spending more efficient.²⁷

28. To ensure proper accountability to the public, transparency on aid spending is crucial. In the 2018 Aid Transparency Index, which measures and assesses the transparency of aid spending by Government Departments, DFID was ranked as ‘Very Good’, and the FCO as ‘Poor’.²⁸ The FCO showed improvement in the 2020 Aid Transparency Index, receiving a ranking of ‘Fair’, but there is still substantial progress to be made.²⁹ On the transparency of the FCO’s spending, Lord Macpherson said:

There are some things the Foreign Office does that need to be really secret, but there are a whole lot of things where I see no reason why the Department cannot be more transparent. There is a tendency in Whitehall at both official and ministerial level to avoid openness just for an easy life, but, in my view, there is a lot to be said for being open, transparent and getting things out there, not least to increase understanding both in Parliament and in wider society. I hope that on that front the experts in DFID could be a positive influence.³⁰

There are strong examples of good practice on aid transparency, such as the Development Tracker, a publicly accessible tool which tracks UK aid spending by country, project, and Department. The Government set out its transparency targets in the 2015 UK aid strategy, in which it pledged to aim for all Government Departments to achieve a ranking of ‘Very Good’ or ‘Good’ in the Aid Transparency Index over five years. The strategy also included commitments to encourage all aid delivery partners, including private contractors and recipient governments, to meeting global transparency standards.³¹ However, it is concerning that these aid transparency targets will soon expire, with no apparent plans to continue or replace them.³²

29. The merger presents an opportunity for the FCO to learn from DFID’s positive record on transparency, and to be more proactive in publishing details of project expenditure. We recommend that the UK sets ambitious new commitments to aid

27 HC Deb, 16 June 2020, col 669

28 Publish What You Fund, [Aid Transparency Index 2018](#), June 2018, p 7

29 Publish What You Fund, [Aid Transparency Index 2020](#), June 2020, p 6

30 Q27

31 HM Treasury and Department for International Development, [UK aid: tackling global challenges in the national interest](#), November 2015, pp 21–22

32 Publish What You Fund, [UK aid faces a serious transparency challenge following announcement of DFID and FCO merger](#), 24 June 2020

transparency, to be reviewed on an annual basis. In its first year, the FCDO should strive to achieve a score of ‘Very Good’ on transparency of aid spending, as assessed by the Aid Transparency Index. The Government’s Development Tracker tool should also be maintained, as an effective way of accounting for aid spending to the public.

30. To ensure this goal is achievable, all staff in the FCDO working on development should have a thorough understanding of the international aid transparency frameworks and standards they are working towards. *We recommend that all FCDO staff working on development projects, or overseeing diplomatic outreach where aid is an element of the relationship, receive comprehensive training on the International Aid Transparency Initiative Standard.*

31. Besides transparency, effective scrutiny of aid spending is essential in making it accountable. In evidence, we heard that DFID is well-regarded in terms of transparency because of the amount of scrutiny that it receives.³³ **We believe that, as the Government is maintaining its commitment to spending 0.7 percent of GNI on ODA, the current level of scrutiny on ODA spend should also be maintained. The Independent Commission for Aid Impact (ICAI) has shown itself to be an effective and reputable vehicle for the scrutiny of the UK’s ODA spend. We recommend that the Government commits to maintaining ICAI as an independent body for scrutinising the UK’s overseas aid spending. Parliament should continue to be able to make full use of the important work of ICAI in scrutinising ODA spending; a dedicated select committee should have responsibility for all aspects of coordination and cooperation with ICAI.**

Costs and Spending

32. In oral evidence to the International Development Committee, neither the International Development Secretary nor Nick Dyer, Director General for Economic Development and International, were able to provide details or approximations of the costs of the merger to the International Development Committee.³⁴ However, the Foreign Secretary has said that the merger may present the chance to make departmental administration more cost-effective and deliver better value for taxpayer money:

We anticipate there may be cost savings in the long term as a result of using our resources more effectively and efficiently, but that’s not the primary goal of the merger. This Government is unashamed in believing that its job is to promote British influence around the world, to try to change the world for the better, and to get best value for the British taxpayer who spends so generously to help others.³⁵

33. **The Government has made clear that the intention of the merger is not to save costs but has suggested better value for money is available through it. This could be through reducing administrative costs. We recommend that the Government reports on the short-term costs as well as any anticipated long-term savings, no later than six months after the merger is completed.**

33 Q27

34 Oral evidence taken before the International Development Committee on 6 July 2020, HC (2019–21) 292 Q167

35 [Letter from the Foreign Secretary to the Chair](#), 1 July 2020

34. **Ministers have suggested that the merger will deliver better value for money on overseas spending of UK taxpayer money, but have not clarified how this greater value will be delivered. *The Government should provide a detailed explanation of how this merger will provide greater value for money on spending, and how it reached this conclusion in the absence of the findings of the Integrated Review.***

35. As the purpose of the merger is to align the UK's ODA spend with its foreign policy objectives, other Departments with ODA budgets should be encouraged to work towards the UK's international objectives in line with the FCDO. For example, in 2019, the Department for Business, Energy and Industrial Strategy accounted for 6.3 percent of the UK's ODA spending, and the Home Office accounted for 3 percent.³⁶ On coordination of overseas spending, Lord Macpherson said:

In a world where money is hard to come by, we spend money on defence, on the intelligence agencies, on diplomacy, on overseas aid and various health projects, on conflict prevention and so on. The more that decisions can be integrated on those issues, the better.³⁷

Lord Macpherson also spoke of historical tensions between DFID and the Treasury on their engagement with multilateral aid bodies such as the International Monetary Fund (IMF) and the World Bank.³⁸ He said that, historically, the Treasury has preferred one of their own officials to lead on multilateral aid spending through international organisations, and we believe that the merger provides an opportunity to better integrate the spending of a number of Departments, including the Treasury.

36. **As the aim of the merger is to harmonise UK foreign and development policy, it is essential that the Government does not focus solely on the ODA spend of the FCDO, but ensures that the new Department has responsibility for the coordination of ODA spending across Whitehall. *In its response to this report, we ask the Government to set out the ways in which ODA spending by other Departments will support the delivery of the UK's international objectives.***

37. **It is also important that the alignment in aid and diplomacy is not used as an excuse to roll back the reforms that have ensured the UK's IMF and World Bank positions are still staffed by individuals with experience of multilateral aid and major project management, whose skills will now be housed in the FCDO.**

36 [DFID, Statistics on International Development Provisional UK Aid Spend 2019, April 2020, p 10](#)

37 Q5

38 Q12

Conclusions and recommendations

Administration and Leadership

1. Given the gap between the merger and the reporting date of the Integrated Review, the FCDO risks operating for months without clear strategic direction, which will be compounded by the likely productivity dips which follow departmental mergers. The FCDO is being created to bring coherent strategy to UK foreign and development policies at a time of global change, so establishing clear objectives at the departmental level is essential to ensure that the UK's unified international policy is understood by those who are implementing it. *We recommend that the Foreign, Commonwealth and Development Office consults with Parliament before publishing a clear set of strategic objectives by the end of September to ensure its staff and stakeholders understand its purpose, function and direction.* (Paragraph 8)
2. *For the Government to deliver on its stated aim of more accountable development spending with a greater focus on the national interest, it should establish and deliver on a clear strategy for communicating its interpretation of the 'national interest' to Parliament, institute regular reporting to Parliament, and be explicit in the ways in which the FCDO will help deliver it.* (Paragraph 10)
3. The FCO and DFID have shared ministers since February 2020, which may provide the model for ministerial portfolios in the new Department. However, it is not yet clear how many Ministers will serve in the new Department, whether the existing joint portfolios will be replicated, nor whether responsibilities will be divided in a new way. *We recommend that the Government publishes a list of expected ministerial roles, with overviews of their portfolios and the reasoning behind these portfolios, before 1 September.* (Paragraph 12)
4. In the interests of accountability, the Government should explain the process that led to the decision to merge the FCO and DFID. *We ask that the Government publishes the findings of its consultation, including a list of contributors and the timeframe in which it was executed.* (Paragraph 14)

Staff and Skills

5. To integrate the Departments successfully, the new PUS must have the skills and experience necessary to effectively oversee both diplomatic and development projects. Above all else, they must have exceptional knowledge and experience of change management and major project delivery to allow them to oversee a merger of this scale. *We recommend that the selection criteria for the new Permanent Under-Secretary include experience of: major project management, responsibility for large budgets, multilateral diplomacy, and leadership of change in a large organisation. Given the political importance of the position and the increasing role of No. 10 in senior civil service appointments, we recommend that consideration be given by the Public Administration and Constitutional Affairs Committee to pre-appointment hearings for the PUS of the merged Department and, potentially, other similar roles.* (Paragraph 16)

6. The strength and reputation of the UK's world-class aid delivery is in large part due to the skills and experience of DFID staff. *We recommend that the Government makes staff retention a priority and implements a clear strategy for retaining DFID staff with valuable technical and programming expertise. This will require recognising DFID's unique character as a Whitehall Department and preserving the ethos. There should also be clarity on how the Government intends to resolve any remuneration differentials between the two Departments before the 1 September merger date.* (Paragraph 19)
7. We welcome the Foreign Secretary's assurance and his pledge to engage with staff throughout this process, but clarity on the nature of future roles is needed as soon as possible. *We recommend that the Government presents a clear plan to staff over which specific roles will change, and which will be lost, by 15 September. The Government should also maintain the exemption on foreign passport restrictions for UK-born officials with Irish passports.* (Paragraph 21)
8. Diplomacy and development require different but complementary skillsets; it is vitally important that staff are clear on what specific skills staff will need to develop in order to undertake their responsibilities effectively and to progress in the new Department. Early indications should be given as to the skills and competencies that staff throughout the merged Department will be expected to develop for their new roles. *We recommend that the Government makes staff development a priority, and outlines a programme for wellbeing support and the type of training that will be necessary for career development by the end of September. The 2021 FCDO staff survey will be one way in which the Committee will monitor the Government's success on these areas.* (Paragraph 23)
9. We welcome work being done to increase in-country collaboration, and believe that in-country leadership of projects should be enhanced, not diminished. The new Department has the opportunity to build on examples of excellent in-country work completed by both the FCO and DFID, and to build on existing cooperation between the two Departments. While the structure of the new Department is not clear, it is important that it continues to show strong in-country leadership on both diplomatic and development projects, and that this merger is taken as an opportunity for greater cooperation between these areas, rather than greater competition. *We recommend that the FCDO's ODA programming continue to be led by in-country UK staff, who have strong local knowledge and networks.* (Paragraph 26)

Spending and Transparency

10. The merger presents an opportunity for the FCO to learn from DFID's positive record on transparency, and to be more proactive in publishing details of project expenditure. *We recommend that the UK sets ambitious new commitments to aid transparency, to be reviewed on an annual basis. In its first year, the FCDO should strive to achieve a score of 'Very Good' on transparency of aid spending, as assessed by the Aid Transparency Index. The Government's Development Tracker tool should also be maintained, as an effective way of accounting for aid spending to the public.* (Paragraph 29)

11. To ensure this goal is achievable, all staff in the FCDO working on development should have a thorough understanding of the international aid transparency frameworks and standards they are working towards. *We recommend that all FCDO staff working on development projects or overseeing diplomatic outreach where aid is an element of the relationship, receive comprehensive training on the International Aid Transparency Initiative Standard.* (Paragraph 30)
12. We believe that, as the Government is maintaining its commitment to spending 0.7 percent of GNI on ODA, the current level of scrutiny on ODA spend should also be maintained. The Independent Commission for Aid Impact (ICAI) has shown itself to be an effective and reputable vehicle for the scrutiny of the UK's ODA spend. *We recommend that the Government commits to maintaining ICAI as an independent body for scrutinising the UK's overseas aid spending. Parliament should continue to be able to make full use of the important work of ICAI in scrutinising ODA spending; a dedicated select committee should have responsibility for all aspects of coordination and cooperation with ICAI.* (Paragraph 31)
13. The Government has made clear that the intention of the merger is not to save costs but has suggested better value for money is available through it. This could be through reducing administrative costs. *We recommend that the Government reports on the short-term costs as well as any anticipated long-term savings, no later than six months after the merger is completed.* (Paragraph 33)
14. Ministers have suggested that the merger will deliver better value for money on overseas spending of UK taxpayer money, but have not clarified how this greater value will be delivered. *The Government should provide a detailed explanation of how this merger will provide greater value for money on spending, and how it reached this conclusion in the absence of the findings of the Integrated Review.* (Paragraph 34)
15. As the aim of the merger is to harmonise UK foreign and development policy, it is essential that the Government does not focus solely on the ODA spend of the FCDO, but ensures that the new Department has responsibility for the coordination of ODA spending across Whitehall. *In its response to this report, we ask the Government to set out the ways in which ODA spending by other Departments will support the delivery of the UK's international objectives.* (Paragraph 36)
16. It is also important that the alignment in aid and diplomacy is not used as an excuse to roll back the reforms that have ensured the UK's IMF and World Bank positions are still staffed by individuals with experience of multilateral aid and major project management, whose skills will now be housed in the FCDO. (Paragraph 37)

Formal minutes

Tuesday 21 July 2020

Members present

Tom Tugendhat, in the Chair

Chris Bryant

Graham Stringer

Neil Coyle

Claudia Webbe

Royston Smith

Draft Report (*Merging success: Bringing together the FCO and DFID*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 37 read and agreed to.

Summary agreed to.

Resolved, That the Report be the Second Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available (Standing Order No. 134).

[Adjourned till Tuesday 1 September at 2.00pm]

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Tuesday 7 July 2020

Tim Durrant, Associate Director, Institute for Government; and **Lord Macpherson** of Earl's Court CBE, former Permanent Secretary, HM Treasury

[Q1-41](#)

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the [publications page](#) of the Committee's website. The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2019–21

First Report	Viral Immunity—The FCO's role in building a coalition against COVID-19	HC 239 (HC 449)
First Special Report	A cautious embrace: defending democracy in an age of autocracies: Government Response to the Committee's Second Report of Session 2019	HC 116
Second Special Report	"Media freedom is under attack": The FCO's defence of an endangered liberty: Government Response to the Committee's Twenty First Report of Session 2017–19	HC 269
Third Special Report	Viral Immunity—The FCO's role in building a coalition against COVID-19: Government Response to the Committee's First Report	HC 449