



International Relations and Defence Committee

Corrected oral evidence: Impact of merging of the Foreign & Commonwealth Office and the Department for International Development

Wednesday 30 March 2022

11.30 am

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Members present: Baroness Anelay of St Johns (The Chair); Lord Alton of Liverpool; Lord Anderson of Swansea; Baroness Blackstone; Lord Boateng; Lord Campbell of Pittenweem; Baroness Fall; Baroness Rawlings; Lord Stirrup; Baroness Sugg; Lord Teverson; Lord Wood of Anfield.

Evidence Session No. 2

Heard in Public

Questions 11 - 22

Witnesses

I: Lord McDonald of Salford, Permanent Under-Secretary, Foreign and Commonwealth Office (2015 to 2020); Bronwen Maddox, Director, Institute for Government.

Examination of witnesses

Lord McDonald of Salford and Bronwen Maddox.

Q11 The Chair: Good morning. I welcome to the second session today of the International Relations and Defence Select Committee of the House of Lords Lord McDonald of Salford, who was Permanent Under-Secretary at the Foreign and Commonwealth Office from 2015 to 2020. I should declare that I was also there for two years of his time there. We also welcome Bronwen Maddox, director at the Institute for Government. I thank them both for joining us today to give us evidence.

We are examining the impact of the merger between the Foreign and Commonwealth Office and the Department for International Development. As always, I remind our witnesses and members of the committee that the session is on the record; it is broadcast and transcribed. I also remind Members to declare any relevant interests that they may have before asking their questions.

I shall begin, as ever, by asking a rather general question and then turn to my colleagues for more detailed ones. If there is time at the end of the formal run of those questions I will open it out more broadly, and I will try to give precedence to any colleagues who have not had the opportunity to ask a question. When colleagues ask their questions in the formal run, I am anticipating that they will have a supplementary follow-up too.

To the first question: what is your overall impression of the success of the FCO/DfID merger so far? What do you consider to be the major ongoing challenges that the new department faces?

Lord McDonald of Salford: In the words of Zhou Enlai, it is too soon to tell. It is less than two years since the merger was launched in what I think were very difficult circumstances. I should say at the beginning that I strongly supported the merger and still do. It makes sense, in order to maximise the impact and coherence of British foreign policy, that we have only one department in the overseas policy space, so in theory I think it is a very good idea.

However, there were three issues around the launch that really did not help. The first was that the announcement anticipated the conclusions of the integrated review. Everyone knew that this major review of British foreign policy was under way. Logically this might have been one of the review's conclusions, but it happened in anticipation.

Secondly, it happened during a coronavirus peak. My experience of working remotely is that it can absolutely be done, often really well, but it is really difficult if you are working with new people who you have not met or worked with before. The fact that people were getting to know others on screen as they tried to set up a department hugely added to the challenge.

The third and, I think, most important issue that hobbled the beginning was the huge cut to the budget less than three months after launch. It

was not trailed at the time of the launch. It was massively controversial in many places but particularly within the FCDO. Losing one-third of its budget as it was trying to organise a new department of state added massively to the problem.

So Ministers and officials have been grappling with all that. As I said at the beginning, it is still early days. Clearly it is not fated to succeed, but neither do I think it is fated to fail.

The Chair: Usually I would wait until I had heard from Bronwen Maddox before I asked my supplementary, but I have to ask this now: if not now, when will it be right to make that judgment?

Lord McDonald of Salford: Some of the classic things that happen after a merger are still to happen. The board of the FCDO is huge. It looks to me as though they have just stuck the two departments together, so now they have two Permanent Secretaries and 10 DGs. We will not be able to judge until the necessary rationalisation has taken place, but we are still waiting for that.

Bronwen Maddox: I would not want in any way to upstage or contradict Simon McDonald but you are asking the question now, and the best judgment that we can make now is that, although you can defend the purpose of the merger, it has been very bumpy. Most mergers or reconstructions of departments are bumpy; they take a lot of time to settle down—sometimes a whole Parliament—and sometimes that is the thing that ends up being done as opposed to the work that the reconstructed department is intended to do. This one really has been quite bumpy.

I echo some of the things that Simon McDonald said about the purpose of this. The UK had a well-deserved reputation for development through DfID but there was beginning to be an imbalance, represented by the budget—the Foreign Office budget was much smaller—and a tension between the different parts of foreign policy, and that is even before you get into the military and others. So you can defend the merger, although you can argue the other way as well.

Still, it has been very bumpy. We have touched on the cut in the aid budget at exactly the same time as the merger. That removed an enormous amount of flexibility and injected a huge amount of stress. We might come on to those questions but that cut was not well handled. There has been a culture clash of these two departments that are very different in culture, and at this point I think the DfID wing has had the worst of it.

- Q12 **Lord Alton of Liverpool:** That takes us straight on to the next question, which is about culture. Throughout the whole process, it has been argued that for it to be successful there had to be a cultural merger between DfID and the Foreign Office. Even if it is too early to say that it has happened, is it your view that that is under way? Do you feel that is happening at the moment, or do you feel that development has been

sidelined?

Bronwen Maddox: What that cultural merger will look like in the end is a really interesting point. These were two very different cultures, each admirable. DfID contained a lot of people who were by choice in development for their career, not in the British Civil Service as their prime way of identifying themselves; that is what they wanted to do and they were very good at it. Then you had people in the Foreign Office who were giving their lives to the Foreign Office. Those are very different cultures. In putting them together, the concern of a lot of people at DfID was that development aims such as the reduction of poverty were going to be subsumed under diplomatic aims for Britain's influence or objectives in the world.

There remains quite an uncomfortable culture clash. We have had quite a few people leaving on the DfID side, including a DG in the last week who was one of those very much identified with going out on the ground to help the cause of development. You hear a lot, though this is more anecdotal than anything, that the DfID people are not convinced that this is a place for them.

At that point, I would agree with Simon that these things take time to bed down. I do not think the Foreign Office has been overbearing in that. You are starting with two very different cultures and with people who are there for very different reasons in their lives.

Lord McDonald of Salford: The objective is, and has to be, a synthesis of cultures. The idea that one would triumph over the other was deeply unhelpful, although there was some suspicion, especially among DfID colleagues, that they were being swamped. A new culture has to emerge and is still in the process of doing so.

I have a couple of supplementary points to Bronwen's. Very few people have actually left the combined department, but there has been a very high-profile resignation in the last week. Personally I was very disappointed to see that; the DG was someone who knew the two parent departments very well because he had a long career in development but had also been a successful ambassador in Indonesia, and I had hoped he would be one of the standard-bearers. So clearly, as Bronwen has said, there are bumps along the road.

Lord Alton of Liverpool: More than bumps. In the previous session we were told by Stephanie Draper that 213 staff had left DfID, and she implied that this was not just normal staff turnover; she used the phrase that there had been a "brain drain". Is that your experience?

Lord McDonald of Salford: I am saying no. In Australia, which is a much smaller country with much smaller departments combining, more than 1,000 people left. You have to look at other examples. Churn is also relevant. There are other factors at play. The economy is not exactly going gangbusters out there, so people's options outside their existing employment might trap them where they are. I do not pretend that it is

all positive, but the brain drain that was feared has not taken place even though clearly some people have gone.

The Chair: Stephanie, do you want to—I beg your pardon. I have Stephanie on the brain now.

Bronwen Maddox: It is all right. I have been called many things but never before Stephanie.

The Chair: Bronwen, I do apologise. Goodness me, as if I do not know you. Would you like to add anything?

Bronwen Maddox: Quite a few people have left at lower levels, but it is hard to distinguish the effects of disaffection at the merger from the cuts to the aid budget. That was a big cut that was very suddenly done—a point that we might come on to—which meant that many projects were suddenly axed, and many ways in which the development arm was giving out money suddenly came to a halt. That is bound to have precipitated some departures.

Also tucked into Simon's answer is the fact that civil servants move around a lot—much too much, in the view of the Institute for Government—and you get a lot of that anyway. It is fair to make the point that there is a degree of disaffection, and some activity that was going on the year before just stopped.

Q13 **Lord Boateng:** I declare my interests as chancellor of the University of Greenwich, which houses the Natural Resources Institute, and chairman of Water & Sanitation for the Urban Poor, all of which have been and are in receipt of DfID and now FCDO funding.

In my experience, budgetary allocations can help or hinder the process of cultural change. Could you give us a sense of what you feel have been the budgetary consequences of the merger? In practice, has it actually facilitated the transfer of funds from former DfID/ODA programmes to non-DfID/non-ODA activities, or are the budgets in effect still ring-fenced and the teams still very separate?

Lord McDonald of Salford: ODA is ring-fenced. The problem, as we are discussing, is the massive cut. Everyone in the last 18 months has been focused on where to cut. Because of certain unavoidable international obligations, in parts of policy the cuts have been way more than one-third; some programmes have been cut completely while others have been cut by 80%. One issue that comes up repeatedly in the Lords Chamber is landmines. Everyone supports this and fantastic work has been done; it is an area of British expertise. MAG and the Halo Trust are the best in the world but they are now starved of funds and fearful that they are not going to be able to meet even their obligations this year. That is the background; people have just been thinking about the absence of money.

You are right that money is needed in a merger because there has to be some sort of restructuring, and that costs money. In my judgment, the

top of the new organisation is too big so there needs to be a VES and then a round of compulsory redundancies after that in order for a new coherent structure to merge. As far as I can see, though, none of that is in the offing.

Bronwen Maddox: ODA is ring-fenced. There is no sense that I have come across in which the Foreign Office part of the merger has been predatory on the ODA money. When the Foreign Office in the old days was saying wistfully, "We wish we could have some of DfID's money", I think its wish was that the Government would allocate it more, not that in a merger it would take it—in fact, it cannot take it.

What has happened is that the cut from 0.7% of GDP to 0.5%, which was done very suddenly, has hit many of the British-based NGOs, such as the Halo Trust, whereas, because of continuity of contract, I have heard that, for example, money to the international financial institutions has kept going. However, the results have not fallen proportionately equally everywhere. It appears that Africa—east, central, west and southern—had cuts of more than half in the past year in the ODA budget, while the Middle East and North Africa have had a cut of almost two-thirds. Other areas have gone up, such as China, although that is a very small amount and was apparently to wrap up former programmes. Still, it was not equal across the board, and some programmes have been really badly hit.

However, the thrust of your question was whether one half is feeding off the other, and the answer is no.

Lord Boateng: ODA is indeed ring-fenced, but do you have any sympathy for the view that has been expressed rather effectively by the Prime Minister of Barbados that they have experienced climate change—which is a priority of HMG across the piece—and its adverse impacts and they need money to deal with the problems that have been flung up for small islands by climate change, yet they have never qualified for DfID money or ODA, and that now is the time, with the merger, to see some sense of flexibility in terms of budgetary allocations within the combined department? Is there any evidence of that?

Is there any evidence of a greater willingness to spend ODA on activities that could be delivered by previous Foreign Office officials or MoD officials as opposed to hiring external consultants? There is no doubt whatever that DfID on occasion hired external consultants to do things that the MoD or the FCO, as was, could have done. Has any of that changed?

Bronwen Maddox: There is quite a lot packed into your question.

Lord Boateng: There is.

Bronwen Maddox: I will take the first bit: whether this merger might encourage the Government to join up our development practices with some other goals—for example, climate change, which they say they are very committed to. That is one of the most positive things that can come

from the merger. You hear a lot of talk about it, but I simply do not know whether that is happening on the ground; I am sorry. It is talked about very positively as one of the potential things that could happen; the UK could get better at pursuing those goals. The last bit of your question was—

Lord Boateng: Whether the DfID side of the office—

Bronwen Maddox: Oh, the consultants. I am not against the use of consultants.

Lord Boateng: Neither am I, but is there any sign that there has been less use of consultants when MoD or former Foreign Office officials might have done exactly the same job?

Bronwen Maddox: I do not know. I will hand over to someone immersed in the budget.

Lord McDonald of Salford: I have a couple of supplementary points. First, we are still waiting for the international development strategy. Again, this is something that the Government have been pressed for and are pushing further into the future. The rumours that precede publication are that the Foreign Secretary is trying to focus on a relatively small number of areas: humanitarian at the top, gender and prosperity. They are the only three areas that I hear are locked in, but clearly climate change and health are up there and should be included. We can look at it as a moment of opportunity, but it has been battled over and I think the committee can play a part in the debate.

Secondly, the mechanics of aid—what projects and countries are eligible—have been fought over for ever. I hope the merger could help us to be a bit more imaginative and make stronger representations at the DAC in Paris, where there is a British person in the chair, so that the subject might be more important than the detailed GDP of a receiving country. All that should be in play as well.

Q14 **Baroness Rawlings:** Thank you for your accounts, which are different from what we heard in the first session. It is interesting to hear another point of view. Returning to mergers, what is your view of the recently announced changes to the FCDO? Bronwen mentioned that it was a 'bumpy' merger. I remember bumpy mergers, having been chairman of King's College London when we merged with Guy's and St Thomas'. There were many bumpy moments; I think that is probably inevitable, but one has to get through them. In your view, does the restructure solve any challenges that have resulted from the merger? Returning to the culture, what difference does it make that they are all working together in one building?

Bronwen Maddox: That eventually helps, although coronavirus has not helped anything at all about people nominally reporting to one building.

I take it you are talking about the most recent restructure, not the merger. There were quite a lot of changes. Various new DG roles and a

new Second Permanent Secretary were created. Sometimes these things help bed it down but, again, the two Permanent Secretaries and six of the nine DGs appear to be from the FCO side of the department. Of the three former DfID DGs, one has resigned. You can see from the numbers why people might feel it is unbalanced. These things need to bed down.

I bring back an earlier point of mine that people—Ministers and officials—move around an awful lot in the British Government. In the past couple of weeks I have had three ambassadors say to me how hard they find it to deal with the Foreign Office because the officials and the Ministers keep changing. These things are just going to take time to bed down and it will help if people stay in the same posts, now that they have been created.

Lord McDonald of Salford: I was completely puzzled by this latest restructuring, which did not seem to serve a strategic purpose. I can see a case for a Second Permanent Secretary, but why would you take as the Second Permanent Secretary the political director and not change that person's responsibilities? If the Second Permanent Secretary was someone steeped in development, that would be a rationale. If it was someone who was going to drive forward the merger and who had a corporate anchor, that would make sense. But rebadging the political director? I do not get it.

As I previously said, there are too many DGs. They have just been added to, and it is not at all clear from the organogram what they are all doing. One of the new ones is called "director-general geopolitics and security". I was in the Foreign Office for 38 years, but as I sit here I cannot tell you what on earth that person is trying to do that everyone else is not trying to do. Surely all our DGs have those two things on their mind as they do their work. It feels to me as if it is driven by the present crisis, so maybe Ukraine will be handled more slickly at the top as a consequence, but it does not feel strategic or permanent and I do not think it helps.

Baroness Rawlings: The previous questions on the 0.7% cut were to do with projects. How much money have the Government saved by selling the huge DfID premises on Palace Street, just by Buckingham Palace?

Lord McDonald of Salford: I think it was on lease.

Baroness Rawlings: It was only on lease? There still must have been a cut in staff, because hundreds of staff have had to move into the Foreign Office. There cannot be room there.

Lord McDonald of Salford: My understanding is that staff numbers have not gone down; the adest has not gone down. All that restructuring still has to take place.

You asked about collocation. It should be one of the big benefits but, as Bronwen said, coronavirus is making that more problematic. The collocation needs to be across the board. Over the last 20 years, quite a lot of DfID offices in the field have been separate from embassies and high commissions. That goes to people's approach to their work. Bringing

people together in the field is also important. There are some very good examples of where this works. I hear very good things about what is happening in Islamabad, for example, with bringing everything together under one plan with one leadership, although clearly people have different specialisms within that plan.

- Q15 **Baroness Sugg:** You talked a bit about the changes in the structure, and we heard from one of the witnesses earlier about the breadth of the new ministerial briefs, given that they are covering new geographical areas as well as development areas. Can you say more about what you think the impact of the merger has been on those briefs, both ministerial and DGs? The old FCO had a very geographic focus, while I think it is fair to say that the old DfID had a thematic focus. How do you think the new recently announced restructure will affect that?

Lord McDonald of Salford: I have a couple of points to begin with. On ministerial portfolios, the challenge is the turnover. Even in the last six months we have had three Ministers for Europe and three Ministers for the Middle East. Even those who are in post for a long time, like Lord Ahmad, have a constantly changing portfolio. I do not get the rationale; people do not have the chance to dig themselves in, and the people around them, the officials they are dealing with, ask the question—I think legitimately—“How long is this character going to be around?” There was always an argument in both ministries about the detail of the portfolio. I just advocate taking a decision and sticking to it, and sticking with the people who you appoint for at least three years, but clearly that has not happened in the past so it is pretty damned optimistic to suggest it now.

Bronwen Maddox: Why not be optimistic? This really does matter. In my view, the briefs are often too big, as well as changing. When James Cleverly moved to become yet another Europe Minister, the Middle East role that he had was merged with Asia under Amanda Milling. It becomes impossible for Ministers to get to know those countries, and I believe we have fewer in the FCDO than in the past. So the roles are bigger and keep changing.

Your point about geographic versus thematic is really interesting. Every organisation analysing other countries in the world has to deal with the question of whether to deal with that thematically. The Government have got better and more ambitious at having thematic quests, if you like, such as net zero, but at the Foreign Office after this last restructuring, at least in the way it presents itself—including the website, but not just that—it seems to have quite a jumble of geographic and thematic stuff, and some of those are combined within people’s job titles. It is hard to know, for example, who you would go to in order to champion the net-zero point in a particular area of the world.

Then you have other things that the Foreign Office has taken on for government reasons, such as the Northern Ireland protocol, that do not particularly fit there but have been given to the Foreign Secretary to sort out. There is quite a bucketful of things at the moment.

Lord McDonald of Salford: Although your characterisation of Foreign Office geography and DfID themes is good shorthand, the Foreign Office always had themes as well. Security was always a cross-cutting issue; it had to fit into a system where it was not always elegant, but we are familiar with juggling that. Geography triumphed in the Foreign Office because of the network of posts, and having someone in the field who is pulling everything together helped to span that tension.

My second point is that not only do we have quite a large number of Ministers but we also have a large and increasing number of envoys. How they fit into the system is, I think, not clear to the system, nor where their budget comes from or what they are trying to achieve. As Bronwen said, the internet page just gets longer and longer. I think there were 16 of them at the last count.

Bronwen Maddox: Some of this is to be expected. Having left the European Union, we actually want more depth on some European countries, and some things that were done in Brussels might be coming back home.

While we are talking generally about structure, this constant change in the Europe Minister sends out a signal to the rest of the world that the UK is perhaps indifferent to its European relations. Obviously the Europe Minister is not the only point of contact with European countries, but the signals matter.

Baroness Sugg: We heard in our previous session about the concern about the current lack of focus on development, adding these big issues like global health and humanitarian response to what are already large geographical briefs and that culture clash of the geographical focus of the FCO. It would be great to get your thoughts on whether it would be helpful if there was more of a development structure at the FCDO. You mentioned the idea of a second PS to be focused on development or the merger, both from the official side but also from the ministerial side, and whether that would help for accountability to Parliament, to the public and to the people we work with.

Lord McDonald of Salford: When the departments merged, a fundamental question was not asked or answered, which is: "What type of merger do you want?" It felt—although the decisions were not completely consistent with that feeling—as though the objective was a merger at a molecular level so that the two departments would be so closely integrated that some Administration in the future, possibly Labour, would not be able to pull them apart again, and development would be spread evenly across the FCDO.

The alternative model, which was previously in place decades before, was that you have the Foreign Secretary sitting on top and pillars underneath them, so there is one governing intelligence and one governing policy but different groups of people trying in their different ways to implement those policies and achieve those goals. The restructuring of the last week is shifting, but not explicitly, from the molecular merger to the column

approach. It would help the new departments if everyone was clear about what the fundamental operating model will be and then stuck with it. I think the creation of Nick Dyer's new job is moving towards what you are talking about: having someone clearly pulling all the humanitarian work together in one place.

Bronwen Maddox: You have made some important points about structure but policy trumps structure in being more important. The point of the UK's development aid at the moment needs to be worked out, and that needs to shape whatever the structure is. We have had decades of setting out to have development aid with its own goal of poverty reduction—although various politicians would come in and say, "It's also in the UK's interest to stop migration, terrorism and so on". You now have Ukraine on top of this and the upheaval in everyone's world view that it has brought about. We have gone back to thinking about big state actors, in the jargon, and whether the attention of the department and the Government should go on those.

That is a point at which it would really help for the UK to try to decide what its development strategy was in the light of these new factors, one of which is coronavirus and another is the upheaval in central and eastern Europe. What happens to all the old causes in those countries that still very much need help and those that have a good claim under all sorts of other points, such as net zero? I would find it easier to respond to you about what the ideal structure would be if those priorities were clearer.

- Q16 **Lord Stirrup:** What are we going to learn about this merger from our approach to the current crisis in Ukraine? Are we going to see the urgency of the diplomatic now detracting from the longer-term focus required for successful aid projects around the world more widely, or are we going to see a more holistic approach to the undoubtedly huge diplomatic and humanitarian challenges in and around Ukraine—or perhaps both?

Bronwen Maddox: I hope the second.

Lord McDonald of Salford: I hope the second too.

Bronwen Maddox: There is a good reason for it. You put it very well. That is one of the aims of the merger, but we will have to see.

- Q17 **Lord Stirrup:** That was an easy question, then. Let me try you with a proposition leading to what might be a slightly more difficult question. Any large enterprise has to be divided up into manageable chunks, but such division necessarily introduces boundary and interface issues. I have spent a great deal of my professional life watching people repeatedly try to solve such issues through reorganisation.

This approach almost never works, because reorganisations do not remove boundary and interface issues; they simply move them somewhere else. That is one of the reasons why reorganisations tend to bounce backwards and forwards over time between alternative models. As Bronwen Maddox pointed out earlier, they also suck up a great deal of

the energy within an enterprise. The question is: are we seeing in this re-merger of the FCO and DfID, which is what it is, another example of this phenomenon? Are we just moving the interface issues from between the old DfID and the FCO to the new development structures in government and the wider aid organisations?

Bronwen Maddox: I think it was done with purpose—not to get rid of barriers or as a bit of organisational theology, but to try to unite development policy with foreign policy. These things are hugely disruptive, as I said, but I think the Government had a sense of purpose about this one. It has tended to go backwards and forwards between Labour and the Conservatives on whether the two should be separate or together, but I do not think it was driven by organisational management.

Lord McDonald of Salford: I agree with that. If it is done well, we will have one voice overseas. There were huge transaction costs within the system of having multiple voices overseas. I have one anecdote: two years ago I was in Eswatini and, 23 years after the divorce between the FCO and DfID, people still told me about the first meeting of the high commissioner and the head of the DfID office with the King, when these two people had a stand-up row about who would be His Majesty's principal interlocutor now that they were two departments. That is just basically wrong.

Lord Stirrup: It does not take a massive reorganisation to solve such problems.

Q18 **Lord Wood of Anfield:** We talked a lot about the difficulties of merger when there are budgetary constraints and even cuts, as you said. I want to ask about two other issues, one of which Lord Stirrup raised. First, it is just not true that we speak with one voice internationally, even after the merger. After all, some of the most major ambitions the Government have internationally are nothing to do with either the Foreign Office or the former DfID, now all the FCDO—climate change, for example. On Ukraine, the Home Office has a trump hand with its migration policy. On trade, after Brexit the Government's main ambition was to strike trade deals all over the world, which was outside the FCDO structure. We have a huge "speaking with one voice" problem, irrespective of the FCDO merger.

Secondly, Ukraine marks the return of hard security to our conception of foreign policy in terms of public profile and priority; it never disappeared for wise Foreign Office people. If you were a former DfID official now working in the merged FCDO, might you not think that the ambition for cultural merger, at a time when security is coming to dominate foreign policy and a time of scarce resources—put all those things together—seems quite a threat to the mission of what you do day in, day out as part of what used to be called DfID and is now development activity within FCDO?

Lord McDonald of Salford: I have a couple of points. First, yes, speaking with multiple voices is a problem, but we should be consciously striving to have one voice. It can be difficult, but our impact is greater

when we have had internal debates and the external messaging is joined up.

On your culture point, looking at what is happening in Ukraine is clearly the first chapter. As Bronwen said, when we look ahead, the task of reconstruction is something that DfID is familiar with. If you look at that crisis over a few years, all parts of the new department will see their relevance.

Bronwen Maddox: For quite a few years, including during the wars in Afghanistan and Iraq, there was an element of British development policy that looked towards those regions and what Britain could do in helping them redevelop, so it is not completely new to ask whether development policy is going to be bent in that direction. You have caught something about the urgency—we touched on it before—and whether the immediate takes precedence over things that have a longer-term horizon. That is inevitable but I think people are very conscious of that, and it is to be resisted.

On the question of speaking with one voice, overall that is probably not going to happen because there are many parts of Britain's voice abroad, as you said, but it means that in some countries you can have a more joined-up conversation, even if, for example, it is a case of: do we want to talk to the Taliban? No. Do we still want to give aid to Afghanistan? Perhaps, yes. At least it will happen in a more joined-up way, not in two completely separate wings of the Government. The value seems to be on those things.

Q19 **Baroness Fall:** My question follows that directly. My concern is that this is an old solution, a retro solution, to an old problem. David Cameron, who I worked with in No. 10, introduced the National Security Council to try to solve this exact problem of security-related departments all doing their own thing. To some extent, my concern is that the re-merger of DfID has made it worse, not better. Not only are we having problems with its identity and what it is able to do, but I am not clear that some of those wide ambitions on climate, health, conflict resolution, conflict prevention and pandemic prevention are better placed within the Foreign Office than under the auspices of the National Security Council. To what extent is the National Security Council working with a distinct voice?

Lord McDonald of Salford: My experience of the National Security Council is that its effectiveness depends entirely on the chairman. Looking at the agenda of the National Security Council, it has a job to do in deciding what is for it—those subjects that need cross-Whitehall co-ordination—and what is for departments. I agree strongly that some issues would be better left to departments, and then the NSC could concentrate on two or three priorities rather than trying to spread itself thinly across the whole policy front.

Bronwen Maddox: I do not think that there is a structure that preserves or annihilates a development strategy. The question is what that development strategy is. What are our priorities going to be in a world

that has changed quite a lot in the past couple of years, with many claims on whatever development money we have, whether 0.5% or 0.7%? Structure matters, but it does not determine the policy and it does not even determine the primacy of the policy. What determines that is the Government saying, "This is what we are going to do in development. We care about this and it is going to go ahead". The many possible answers to that at the moment, and the fact that the world is changing, are among the things that have left British development a bit confused and left those people within the FCDO vulnerable. Their mission is less clear at the moment. As we have just been talking about, suddenly this great urgency of Ukraine has arisen. What is needed to make the merger work better is not a different structure but a clear statement of priorities on development.

Q20 Lord Anderson of Swansea: Lord McDonald, during your five years as head of the FCO, how many ambassadors or high commissioners from DfID did you appoint? And then a silly question: would you expect, after the merger, mainstream FCO people to dominate all the senior ambassador positions?

Lord McDonald of Salford: I do not have a precise figure but there were some striking high-profile examples: the high commissioner in Nigeria, the ambassador in Zimbabwe, the high commissioner in Tanzania, the ambassador in Indonesia, the Governor of St Helena and the ambassador in Ethiopia were all DfID people. So there was a sprinkling across the world, mostly in Africa and mostly in countries where development looms large in our relationship. The one appointment in the other direction was Matthew Rycroft as Permanent Secretary.

Lord Anderson of Swansea: Would you expect, under the merger—if we can talk of mainstream FCO people in future—more senior positions to be able to be filled, such as high commissioners or ambassadors, by people with an aid and development interest?

Lord McDonald of Salford: My point is that that is already happening and I believe it has increased since the merger, particularly in Africa, although ideally it should not be on just one continent.

Q21 Lord Campbell of Pittenweem: I would like to raise the question of whether these new structures have the necessary amount of flexibility. I have in mind the question of landmines, which you mentioned. The remarkable thing is that Halo—I declare my interest as an ambassador for it—extraordinarily has a deal with the Taliban to continue its efforts in Afghanistan, yet the finance for that comes from both Germany and the US.

The other issue, which was raised by Lord Boateng, is that Barbados, which is going to be a republic, is in receipt of money from China. I understand that Jamaica, which has said rather bluntly to the Duke of Cambridge, "We're going to be an independent country, we're going to be a republic", is also in line to get some support from China. Others use financial support as a way of creating political influence. That is not our

sole objective but there are occasions where you get two for the price of one—that is, you achieve the development objectives but also maintain influence. Are you satisfied that the new arrangements are flexible enough to recognise these opportunities?

Lord McDonald of Salford: That is the intention. You mentioned the Caribbean. I have another anecdote. We have just reopened in Antigua and Barbuda, and I was one of the first people through. The most interesting thing that I discovered is that every year China gives 15 full scholarships to the brightest sixth-formers in Antigua. That means that in 20 years that country will be run by people trained in Beijing. For 20 years we were completely absent. We need to be on the ground. I think the new department is more on the ground in more places, and that will help.

Bronwen Maddox: That anecdote is an example of how it can work well for Britain, but what you have touched on is the old furious row at the heart of how development aid is deployed. The reason why DfID was set up separately—this is the culture that it then developed very strongly—was to say, “We don’t want this contaminated by questions of national interest. We want to deal with poverty reduction. We’re going to follow that brief irrespective of questions of the interest of the UK”.

You are asking whether there can be times where there are, as you put it, two for one. Undoubtedly there can, and that anecdote is a good example. The question is whether you lose something at the same time by pursuing that. Again, we come back to what the national intent is for our development aid. You can lose the pursuit of poverty reduction by considering only how to get leverage on other Governments.

Lord Campbell of Pittenweem: Surely a sophisticated organisation such as the one we have just created is capable of identifying both objectives. It is the old saying: if you cannot ride two horses at once, you should not be in the bloody circus. Surely we ought to be capable of that. Do you think this organisation will be?

Lord McDonald of Salford: I think it will be.

Bronwen Maddox: I would not rush to accuse the Foreign Office of a lack of sophistication or worldliness. I am sure it can see those dilemmas. I think this is a political decision about what we are doing with this development aid. I am sure it can spot those opportunities. This is really about the purpose of Britain’s development aid, and there is not a structure that is going to answer that. I can give you my own views about what I think development aid should be for, but that is not really what we are discussing today. For me, there is no structure that substitutes the central question of what we are trying to do with Britain’s development aid.

The Chair: I hope you do not mind if we trespass on your time for a few minutes longer so that we can have the last question from Baroness Blackstone.

Q22 Baroness Blackstone: The previous witnesses today said firmly and strongly that one of the problems that they, representing the development world and aid agencies, were experiencing was a lack of transparency from the new merged department, and that there was a big difference in this respect between DfID and the Foreign Office. If you are going to get a synthesis of cultures, which Lord McDonald mentioned, is there a need to try to become closer on the issue of transparency? Maybe you do not agree that there is a difference, but if there is then perhaps it is something that should be addressed.

Lord McDonald of Salford: The Foreign Office needed to be more transparent and the new department needs to be transparent. I agree strongly with that.

Bronwen Maddox: I also agree strongly. At the point when this merger was done, there was far too little communication about the effects of the cut in development aid. That was launched very suddenly, without a lot of discussion, on government departments but also on NGOs and so on by the Foreign Secretary at the time, Dominic Raab, and his team.

Baroness Blackstone: Presumably a restoration of the cuts to the development budget will help. Some of the confusion for the aid agencies is caused by sudden huge reductions or being cut out altogether.

Bronwen Maddox: That is an interesting point but it is not so easily turned back on. These are projects that have been interrupted. Contracts have been ended on the ground and employment ended. You cannot just switch it back on; these projects took years to build up.

Lord McDonald of Salford: That is true. Sometimes the problem is not transparency; it is that in the department they really do not know what the key principles are going to be and what the final decisions are. Instead of sharing that, they look inscrutable, so people feel deceived or let down. Sometimes it is ignorance, not a lack of transparency.

Bronwen Maddox: I do not find that very reassuring.

Lord McDonald of Salford: I am feeling liberated in my retirement.

The Chair: It is my privilege to thank both our witnesses for this second session. Perhaps I might just be permitted a personal comment with regard to how it is seen from this side of the Room by someone who has been in both opposition and government. Lord McDonald, in the two years that I was a Minister at the Foreign Office I always considered that there was a lot of clarity about decision-making from the top and who to go to if I was unhappy about anything—which was very rare—and I was confident that it would be resolved, which it always was. When I went to DExEU, where there was a Second Permanent Secretary, that clarity disappeared fast, so I can see the difference.

The first time that I came across the work of the Institute for Government first-hand was in the latter days of the Gordon Brown Administration. I learned there the way in which the Institute for

Government operates open-handedly and even-handedly with all politicians to provide guidance about good governance. I am very much aware that it is then down to those of us who are politicians either to take that advice or perhaps to make the mistake of not doing so. Thank you very much indeed.