



House of Commons  
Foreign Affairs Committee

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**Merging success:  
Bringing together  
the FCO and DFID :  
Government Response  
to Committee's Second  
Report**

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**Sixth Special Report of Session  
2019–21**

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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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The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the internet via [www.parliament.uk](http://www.parliament.uk).

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### Committee staff

The current staff of the Committee are, Lauren Boyer (Clerk), Clare Genis (Committee Operations Manager), Jonathan Hibbert-Hingston (Committee Specialist), James Hockaday (Committee Specialist), Dr Ariella Huff, (Senior Committee Specialist), James Jennion (Committee Specialist), Alice Lynch (Committee Specialist), Antonia McAndrew-Noon (Media and Communications Officer), Emma Makey (Committee Specialist), Chris Shaw (Clerk), Daniela Sindrestean (Committee Operations Officer), Saffron Stewart (Committee Support Apprentice), Nicholas Wade (Senior Committee Specialist) and Joe Williams (Media and Communications Manager)

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# Sixth Special Report

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On 23 July 2020, the Foreign Affairs Committee published its Second Report of Session 2019–21, *Merging success: Bringing together the FCO and DFID* (HC 525). The Government's response was received on 17 September 2020 and is appended to this report.

## Appendix: Government Response

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### Introduction

The Government notes the Foreign Affairs Committee's report 'Merging success: Bringing together the FCO and DFID', published on 23 July 2020.

This Report sets out the Government's response to each of the Committee's conclusions and recommendations. The Committee's text is in bold and the Government's response is in plain text. Paragraph numbers refer to the Committee's report.

### The Creation of the Foreign, Commonwealth and Development Office

On 16 June the Prime Minister announced to Parliament that the Department for International Development (DFID) and the Foreign and Commonwealth Office (FCO) would merge. The new international department, the Foreign, Commonwealth and Development Office (FCDO), was launched on 2 September 2020.

As we have seen with the Covid-19 pandemic, the world will become even more complex and competitive, with growing, interconnected challenges and opportunities for the UK. That is why the Prime Minister has decided that now is the right time to reform how the Government operates internationally. We need a new all-of-government approach if we are to secure our values and interests, reduce poverty, confront global challenges and be a stronger Force for Good in a changing world.

The new FCDO's guiding purpose is 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 about our core interests of security and prosperity. International development - and the effective use of our development resource - will remain central to the new Department's mission.

As the PM has made clear, the new FCDO will maximise the impact of our aid budget to help the world's poorest while making sure we get the best value for UK taxpayers' money. The Government's manifesto made clear that we would proudly maintain our commitment to spending 0.7 percent of our national income on development – a commitment enshrined in law and one to which the new Department will honour its responsibilities. The Integrated Review, which will inform the priorities and direction for this new department, will set an ambitious vision for the future of the UK as an active, internationalist, problem-solving and burden-sharing nation. Investing 0.7 percent of Gross National Income (GNI) on international development is at the heart of that vision; it shows we are an enterprising, outward-looking and truly global Britain that is fully engaged with the world. As the PM has said, the new FCDO will put our world-class development programmes at the heart of our foreign policy in a world-leading department.

The Covid-19 pandemic has underlined that distinctions between diplomacy and development are artificial and outdated. The dividing line between aid and foreign policy risks different parts of Government working independently of each other. We must speak as one voice internationally and be able to act more quickly as situations arise. The new Department, under a single Cabinet Minister, can ensure both that our diplomatic aims are supported through our development resource and that our world-class diplomacy helps to deliver greater effectiveness and impact as we use that resource to reduce global poverty, confront shared global challenges, and strive to achieve the Sustainable Development Goals (SDGs).

This change is being made at a critical time for the UK and the world. The merger will strengthen our ability to lead the world's efforts to recover from the Covid-19 pandemic and allow us to seize the opportunities ahead, as we prepare to take on the G7 presidency and host COP26 next year. It will strengthen our ability to: reduce poverty; help the most vulnerable; build stability and support fragile states; stand up for the rights of women and girls; and tackle climate change and biodiversity loss. It will allow us to maximise our influence and our impact.

The success of the UK-hosted Global Vaccine Summit in June is a prime example of the impact we can achieve when we lead from the front, with development and diplomacy deployed side by side. The Summit exceeded its funding target to raise US\$ 8.8 billion of vital funds to vaccinate the poorest people against a range of preventable diseases whilst preparing for the global distribution of a Covid-19 vaccine once it is developed. This success was achieved because DFID's development capability and the FCO's diplomacy were united towards a common objective. Merging the two departments fully will allow us to replicate such successes across all UK objectives abroad. Whether in preparing to host COP26 or the G7 Presidency, supporting British Nationals Overseas, or meeting global challenges – from the humanitarian crisis in Yemen to the current global pandemic - bringing together aid and development policy will allow us to be better than the sum of our parts abroad.

Our reputation as a world leader on development issues comes from three things: our thought leadership; the scale and quality of UK development programmes; and the excellence of our analysis, long term perspective and staff. None of these will change with the creation of the FCDO, but our development work will now be better aligned with foreign policy and the broad UK national interest. It should make our development work even more effective, carried out by a department with the combination of size, reach and expertise to project us effectively internationally and make sure that we spend our development money in the best possible way.

The FAC noted “DFID’s international standing as a leading global development agency” – their expertise will be brought into the centre of the new department. DFID has amassed world-class expertise and all its people can take pride in how they have helped transform hundreds of millions of lives around the world. This ambition, vision and expertise sits at the heart of the FCDO, as the work of UK aid remains central to its mission.

Merging these two departments is a challenging task that we will need to get right if we are to fully take the opportunities it presents. As the Prime Minister said to Parliament on 16 June, we are learning from the examples of Australia, Canada and New Zealand, all of whom run generous and respected development programmes and foreign policy from one

Ministry. We will also apply lessons from previous Machinery of Government changes in the UK, and private sector experience. We welcome the scrutiny that the FAC provides, including through this report, and we are committed to the ongoing independent scrutiny of our aid budget as we bring the expertise of DFID and the FCO together.

## Administration and Leadership

**“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)

As the new Foreign, Commonwealth and Development Office sets its new priorities, it will be essential to draw on the outcomes of the Integrated Review and Comprehensive Spending Review to shape the objectives and systems of the new department. In turn, the Integrated Review and Comprehensive Spending Review will each benefit from the unified expertise of the new department, allowing us to maximise the UK’s influence around the world and safeguarding British interests and values overseas. Like any government department, the FCDO, its Secretary of State and its Ministers will be answerable to, and report to Parliament, through the usual methods of parliamentary scrutiny.

**“*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)

At the heart of the Integrated Review is the Government’s commitment to ensure that UK’s international and national security policy should deliver for our people and be firmly rooted in our national interests. As the PM has said, this merger will empower the Foreign Secretary to decide which countries receive British aid while delivering a single UK strategy for each country. We will continue to look at how this money can be spent most effectively in our national interest, both during and beyond the Integrated Review and the Comprehensive Spending Review. Like any Government department, the FCDO, its Secretary of State and its Ministers will be answerable to, and report to Parliament, through the usual methods of parliamentary scrutiny.

**“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)

The FCO and DFID joint ministerial team are continuing in their roles in FCDO with their previous portfolios to ensure continuity of delivery.

**“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)

The allocation of ministerial responsibility and the machinery of government that supports that is a matter for the Prime Minister. The Prime Minister has considered the question of synergies between FCO and DFID since his time as Foreign Secretary. Engagement with relevant parliamentarians has taken, and will continue, to take place. The Government has consulted with 26 NGOs and will continue its ongoing engagement with NGOs both within the UK and internationally.

### Staff and Skills

**“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)

A comprehensive selection criteria, which included many of the elements listed, was used to recruit Sir Philip Barton as the Permanent Under-Secretary for FCDO.

The recommendation regarding any pre-appointment hearing for the PUS of the merged Department is addressed to the Public Administration and Constitutional Affairs Committee, however the FCO does not support the recommendation. A pre-appointment hearing for the Permanent Under-Secretary would not be correct for a Civil Service appointment. This role, and equivalent roles, are not included in the scope of pre-appointment scrutiny by House of Commons Select Committees.

**“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)

DFID’s amassed world class expertise is rightly a source of national pride and has helped transform hundreds of millions of lives around the world. Their ambition, vision and expertise will be at the heart of the FCDO. We have initiated a comprehensive programme

of staff engagement setting out the value in which international development and wider technical expertise will be held in the new department. In support of this we will continue to invest in specific learning and development opportunities to expand and enhance the skills of current and future FCDO officers.

We will take this as an opportunity to consider what we can learn from others to ensure the FCDO has an appropriate package to enable us to attract and retain the skills and experience required by the new Department. As separate employers, DFID and FCO staff (both in the UK and overseas) had different Terms and Conditions of Service. We have been clear with staff that we will align terms and conditions wherever possible but that we will do so in a way that both follows proper process and legal considerations. Although some work had already started on aligning terms and conditions before the machinery of government changes were announced, it is too early to be able to say precisely when all contracts will be harmonised. As some of the changes will have financial implications, it is expected to be after the next Spending Review.

As of 1 September existing employees will remain on their current pay and terms and conditions whilst we work the issue through using Cabinet Office Statement of Practice on Staff Transfers in the Public Sector.

**“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)

Some roles in the FCDO may change due to business needs and any changes will be handled in accordance with relevant civil service policy and legal guidance. We can however confirm that there will be no compulsory redundancies as a result of the decision to create the new Department.

We are aware a small number of former DFID staff would not have met the former FCO’s existing nationality requirements. It has been agreed that these staff will transfer into the new FCDO in their current roles. In the longer term, decisions will be taken on nationality requirements for the new organisation, also reflecting any changes as a result of the ongoing review of the Civil Service Nationality Rules.

**“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)

The FCDO will build on the strengths of both the FCO and DFID, developing the capability and skills of its staff in development and diplomacy while also leading efforts to improve international capability across Government.

As we continue develop the new FCDO, we are prioritising learning and development opportunities which will enable staff to develop the relevant skills and knowledge for their roles in the new Department.

**“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)

As the Prime Minister noted in his statement to the House of 16 June 2020, the creation of the FCDO empowers The Foreign Secretary to deliver a single, unified UK strategy for each country overseen by the National Security Council. Those strategies will be implemented on the ground by the relevant UK Ambassador, who will lead all of the Government’s work in the host country. This will align British efforts overseas, including our Trade Commissioners, who will come under the authority of the UK Ambassador, bringing further coherence to our international presence.

Our cadre of locally appointed staff also play a vital role in our understanding of the local context. Local presence, knowledge and leadership is critical to our programmes and contributes to the success of our global and regional programmes. FCDO will continue to embed country and regional expertise in all programming. Bringing staff in country even closer together in the new department will enhance this existing strength.

## Spending and Transparency

**“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)

The UK is globally recognised for its expertise and transparency in aid spending. The new Foreign, Commonwealth and Development Office will continue to benefit from that expert knowledge as it delivers aid programmes to some of the world’s poorest people. We are committed to improving transparency of aid globally and maintaining our high standards for overseas spending. Work has begun to bring together DFID and FCO’s different data systems, to support efficiency and aid transparency. We anticipate that FCDO will be assessed in the next Aid Transparency Index (next occurring in 2022). We will continue to be accountable to parliament and to taxpayers for how we spend UK aid. The ‘Devtracker’ tool will be maintained as an effective way of presenting aid spending to the public alongside other methods.



**“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)

FCDO staff will have access to information and training on transparency commitments and the IATI standard, as part of the standard training for staff working on ODA delivery.

**“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 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)

The Foreign, Commonwealth and Development Office remains committed to the highest standards for overseas spending and improving transparency of aid globally. ICAI plays a vital role supporting Parliament in the scrutiny of UK aid’s impact and helping to maintain these high standards. The Foreign Secretary has recently announced that ICAI will not only continue to provide independent scrutiny of aid spending, but will have its mandate broadened to provide policy recommendations alongside its critical analysis. The Foreign Secretary has also commissioned a review to make sure ICAI’s remit, focus and methods are effectively scrutinising the impact of UK Official Development Assistance, in line with the aims of the new department.

The Government agrees that Parliament has an important role in scrutinising UK aid spending. Select committees are fundamental in scrutinising the Government’s spending and policies, and we are grateful for the constructive and collaborative approach adopted by the Foreign Affairs Committee.

The Government’s view is that Select Committees in the Commons should generally mirror Government departments. The Prime Minister has said, he expects Parliament will want to set up a new committee to scrutinise the new department. Ultimately the structure and remit of Select Committees is a matter for Parliament.

**“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)

It is important that the FCDO records any new cost pressures that arise from the merger as well as assessing the opportunities for savings or efficiencies that might be achieved. Better value can be expected to be derived not just from potential administrative savings but also through increased coherence through the Government’s overall international agenda.

Work has commenced on monitoring what additional costs will need to be borne in the short term. Both the costs of the merger and potential efficiencies will be factored into the forthcoming Spending Review and FCDO are working closely with HM Treasury on this. Whilst we agree that the recording and reporting of merger costs and savings are important more time will be required before we can determine when a clear picture on the costs and savings can be known. We expect to publish figures in the FCDO's annual report and accounts for 2020–21.

**“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)

There may be cost savings in the long term as a result of using resources more effectively and efficiently, but this is not the primary goal of this merger. As the Prime Minister outlined in his 16 July statement to the Parliament, the purpose behind the creation of the FCDO is to ensure that the UK's development work and foreign policy are better aligned both with each other and with the broad UK national interest. This in turn will make our development work even more effective, and when carried out by a new department with the size, reach and expertise to project us effectively internationally, will ensure that we spend our development money in the best possible way.

As noted above, it was right to take the decision to create the FCDO when we did in order that the Integrated Review could be used to shape the objectives and systems of the new department, and also capitalise on its creation, allowing us to maximise the UK's influence around the world and safeguarding British interests and values overseas.

**“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)

The Integrated Review will define the Government's ambition for the UK's role in the world and the long-term strategic aims for our national security, defence, development and foreign policy. In conjunction with the Spending Review, the Integrated Review will set out the ways in which ODA spending by other Departments will support the delivery of the UK's international objectives. The Review will cover all aspects of international policy, including international development, and we will continue to look at how the aid budget can be spent most effectively in our national interest and as part of a single UK strategy for each country. Delivery of Official Development Assistance programmes by departments across Whitehall to date has enabled us to leverage knowledge, skills and expertise from across Government, delivering programmes that contribute to achieving the Sustainable Development Goals and addressing the diversity of today's development challenges. This collective effort has allowed our ODA programmes to deliver both strong development impact and benefits for British citizens. The Government remains committed to ensuring that every pound spent on ODA is spent transparently and achieves maximum value for money for taxpayers.

“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)

The UK’s IMF and World Bank positions should continue to be staffed by individuals with relevant expertise, such as experience of working with multilateral institutions and delivering major projects on the ground. FCDO will continue to house aid, policy, programme management expertise on which these staff may draw. FCDO & HM Treasury will continue to work together closely.