



House of Commons
International Development
Committee

**Effectiveness of UK
Aid: Interim Report &
Effectiveness of UK
Aid: potential impact
of FCO/DFID merger:
Government Response
to the Second &
Fourth Reports of the
Committee**

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

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The International Development Committee

The International Development Committee is appointed by the House of Commons to examine the expenditure, administration and policy of the Department for International Development and its associated public bodies.

Since 1 September 2020, DFID and the Foreign and Commonwealth Office have been merged to form the Foreign, Commonwealth and Development Office (FCDO). The IDC continues to be responsible for the scrutiny of UK aid and ODA expenditure, including by the FCDO, and taking forward the work of the Independent Commission on Aid Impact (ICAI).

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You can follow the Committee on Twitter using [@CommonsIDC](https://twitter.com/CommonsIDC).

Fourth Special Report

The International Development Committee published its Second Report of Session 2019–21, [Effectiveness of UK Aid: Interim Report](#) (HC 215) on 9 June 2020 & published its Fourth Report of Session 2019–21, [Effectiveness of UK Aid: potential impact of FCO/DFID merger](#) (HC 596) on 16 July. The Government's response was received on 28 September 2020 and is appended to this report.

Appendix: Government Response

Introduction

The Government notes the International Development Committee's report 'Effectiveness of UK aid: interim findings', published 9 June 2020, and its report 'Effectiveness of UK aid: potential impact of FCO/DFID merger', published on 14 July 2020.

This Report sets out the Government's response to each of these reports. 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 size, reach and expertise to project us effectively internationally and make sure that we spend our development money in the best possible way.

As the IDC has made clear, DFID had been a more effective spender of aid than any other Government department—that expertise has been brought into the centre of the new department. DFID amassed world-class expertise and all its people can take pride in how they 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 IDC 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.

The Process of the Merger

“Reorganising departments is not easy. In our view, the decision to merge the FCO and DFID into a new international department, the Foreign, Commonwealth and Development Office (FCDO), is flawed on a number of grounds: *The decision was taken whilst the Integrated Review was paused, in its early stages, and far from ready to reach any decisions about future systems and structures*”. (Paragraph 28)

Both the Integrated Review and the merger of FCO and DFID are evidence of the Prime Minister's commitment to a unified British foreign policy that will maximise our influence around the world. A great deal of work had been undertaken in the early stages of the IR, before it was paused to respond to Covid-19. The Foreign, Commonwealth and Development Office will allow us to maximise the UK's influence around the world and safeguard British interests and values overseas. 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 of the new department.

“*Linked to the status of the Integrated Review, there appears to have been no structured consultation of the aid sector, either in the UK or internationally, nor other obvious stakeholders to inform the decision to merge DFID into the FCO*”. (Paragraph 28)

As with any government change of this nature, the announcement came first to Parliament. We recognise the merger will affect our partners and are committed to ongoing regular and timely engagement with them as the FCDO continues to take shape. We will continue our external engagement with different partners, including bilateral and multilateral donors and Host Governments via our Diplomatic network, as well as NGOs, UK civil society and scrutiny bodies.

“*It is also perplexing that the decision to merge DFID into the FCO was taken in the midst of the COVID-19 pandemic. The decision puts the international response to COVID-19 in jeopardy at a time when global cooperation is needed. It is the world's poorest and most vulnerable who are likely to pay the greatest price*”. (Paragraph 28)

The creation of the FCDO comes at a critical time year for the UK as we respond to the COVID-19 pandemic, take on the G7 Presidency, and host both the crucial COP26 climate summit and the Secretary General's visit marking the UN's 75th anniversary. COVID-19 has demonstrated why we need a unified position overseas, to support the most vulnerable countries exposed to the virus; to work with international partners in pursuit of a vaccine; to return stranded British citizens from abroad; and to keep vital international supply chains open.

The Foreign Secretary stated in Parliament on 8 September, “addressing the poverty of the most poor, least developing countries remains central to our foreign policy”. Merging DFID and the FCO allows the UK to bring together its international effort and expertise to maximise our influence and be in the best position to make the most of these opportunities for the benefit of all, including the poorest and most vulnerable.

“Little, if any, detail has been provided about the rationale for the decision or its timing, the options considered, likely costs and specific benefits, implementation plans for the reorganisation and how its success will be measured, the new department’s aims and objectives, and how it will tackle global challenges beyond aid.” (Paragraph 29)

While merging departments may seem attractive short-term, with improved policy coherence and possible administrative savings, they can be extremely costly and disruptive and impair organisational effectiveness. In the long run, the creation of the FCDO could reduce the UK’s influence on the world stage”. (Paragraph 28)

As the Foreign Secretary stated in Parliament on 8 September, “The creation of the new Foreign, Commonwealth and Development Office today is a key moment: a key moment for our vision of a truly global Britain, and a key moment for our integration of our international efforts in order to maximise their impact abroad. With this innovation, we are drawing on the example of many of our allies, such as Australia and Canada and, indeed, the vast majority of OECD countries, by putting our world-class aid programme at the beating heart of our wider foreign policy decision-making, and doing it in a way that works best for the United Kingdom.

We are integrating and aligning the UK’s expertise as a development superpower with the reach and clout of our diplomatic network in order to ensure that their impact internationally is bigger than the sum of their parts”.

As we have seen with the coronavirus 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, and be a stronger Force for Good, in a changing world. Building shared global prosperity, eradicating poverty, tackling climate change, strengthening the international rule of law and global security, and promoting free, open societies are in our national interest. This approach 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.

We are monitoring the costs of the merger; however, at this stage it is too early to assess what these will be as the full transformation will be developed and delivered through the phased transformation programme. Both departments are committed to minimising costs where possible, as well as maximising the opportunities for savings and efficiencies. 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.

“In the light of developments since the publication of this Committee’s interim findings on the effectiveness of UK aid, we restate the recommendation we made in that report about significant reorganisations of UK aid: that the Government should

present a statement to Parliament setting out an evidence-led rationale for any change; quantifying expected costs and how intended benefits justify the costs; and showing how both will be measured and controlled". (Paragraph 30)

As the Prime Minister noted in Parliament on 16 June, Australia, Canada and New Zealand all run generous and respected development programmes and foreign policy from one Ministry.

Merging the departments allows us to bring together our international effort and maximise our influence around the world in the national interest. 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. We will implement changes in the most cost-effective way possible and work has commenced on monitoring any additional costs the new Department will need to cover in the short term.

"While there has been a trend in recent years for some OECD donor countries to merge their development and foreign policy administrative bodies, all the other most substantial donor countries—the United States, Germany, France and Japan—typically adopt governance models where there is a clear separation between policy and implementation"". (Paragraph 39)

Merging DFID with the FCO to create the new FCDO will enhance our aid by bringing together the best of what we do in aid and diplomacy to make the UK a force for good in the world. It is about ensuring our development and foreign policy are aligned and that decisions on development spending are taken in a way that takes into account a coherent and unified set of priorities for our international policy. The objective of UK Aid to reduce poverty will remain central to the new department's mission and we will continue to look at how UK aid can be spent most effectively in our national interest, including through the Integrated Review. In creating the FCDO, we are considering carefully the international evidence around how diplomatic and development functions work best together and drawing on lessons learned from international partners. The most recent OECD DAC peer review of Canada, for example, noted that its merger had "improved the coherence of Canada's approach to foreign policy, international trade, development, and peace and security".

Maintaining the effectiveness of UK aid

"UK aid spending amplifies the UK's voice on the world stage, promoting our national interest by projecting our core values, and transforming the lives of people living in the very poorest countries. A potential shift of the UK's ODA budget away from helping the very poorest people would be counterproductive—global poverty drives conflict and instability, and inaction on tackling poverty will compromise the other strands of the UK's international policy"". (Paragraph 57)

The UK is a world leader in international development, helping to end extreme poverty in developing countries by tackling challenges like Covid-19, saving lives in humanitarian crises and helping girls get a quality education. Investing 0.7% of Gross National Income (GNI) on international development shows we are an enterprising, outward-looking and truly global Britain that is fully engaged with the world. Protecting the most vulnerable around the world is central to our work and will continue to be so as we form the FCDO.

Our commitment to poverty reduction was reflected in the recent review of 2020 ODA spend, in which the First Secretary of State was very careful to ensure that remaining ODA for this year continues to support key priorities that include: responding to humanitarian crises and protecting those in the most vulnerable countries in the world; tackling climate change and reversing biodiversity loss; championing girls' education; and UK leadership in the global response to Covid-19.

“Poverty reduction should continue to form a central part of the Government’s international policy. Accordingly, it should commit to targeting the majority of the UK’s ODA spend towards the very poorest countries. *The Government should also set out how its refreshed international policy intends to work towards attainment of the Sustainable Development Goals and ensure that no-one is left behind*”. (Paragraph 58)

The UK Government is committed to playing its part in global efforts to achieve the Sustainable Development Goals (SDGs) and leave no one behind. As the Prime Minister said in his statement to the UN Financing for Development High-Level Event on 28 May, following COVID-19 there is every need for us to work together to advance shared international objectives - including the SDGs.

The UK’s foreign policy priorities and how they will be achieved will be considered as part of the Integrated Review, which will set an ambitious vision for the future of the UK as an active, internationalist, problem-solving and burden-sharing nation.

“The UK’s development legislation plays an intrinsic part in ensuring that aid is spent well and is focused upon poverty reduction. The very presence of this legislation demonstrates the UK’s role as a serious player in international development, and accordingly *the Government should commit to maintaining the UK’s development legislation*”. (Paragraph 64)

The UK will continue to champion poverty reduction, gender equality and tackle exclusion in international development because that’s the only way we will create a fairer, safer and more prosperous world, and achieve the Sustainable Development Goals. This is the right thing to do, serves the national interest and will be central to the new department’s mission. We will undergo the necessary process to transfer responsibilities under the International Development Act to the Foreign, Commonwealth and Development Office. Spending 0.7 per cent of our national income on aid is enshrined in law and is a manifesto commitment.

“We recommend that the Government appoints a Minister for Development with responsibility for the totality of the UK’s aid spend, and that this Minister attends Cabinet. We also recommend that this Minister attends the National Security Council”. (Paragraph 69)

The Foreign Secretary is responsible for development and aid spend.

“UK aid will increasingly have to balance short term diplomatic needs and initiatives with long term development objectives. Ultimately, ensuring that UK aid interventions are high quality is crucial to maintaining the UK’s reputation as a top-level development provider, and we are concerned that the FCO’s performance in ICAI reviews suggests it

is not yet reaching the performance level required. *The Government should set a target for all FCDO programmes to achieve a minimum ICAI grading of 'green/amber' within the next year*". (Paragraph 76)

The Government values scrutiny, which is a crucial aspect of holding Government to account for taxpayers' money and improving the impact of Government spend and actions. ICAI operates independently of government, and the new department will seek to continue, and advance, the UK's reputation for delivering world leading international development. DFID and FCO both worked in high risk, fragile states because poverty is increasingly focused there (estimates are 80% by 2030). We strive to ensure that all programming is effective and meets ICAI standards of green/amber where applicable. These combined skills and expertise of staff now in the new FCDO will enable the Government to further improve the effectiveness of all UK aid.

"In the face of pandemic-related budget cuts, difficult decisions will need to be made as to how savings can be made whilst protecting the overall effectiveness of aid spending. Given the grave challenges faced by developing countries in tackling COVID-19, disproportionately cutting long-term and locally led development programmes would hamper both present efforts to tackle the pandemic and long-term development goals. *The Government should maintain a commitment to multi-year programming and grants to locally led projects in order to safeguard hard-won development gains. In its current review of ODA spending, it should prioritise life-saving projects across the global south*". (Paragraph 77)

The Government has committed that the remaining ODA spend for 2020 will be prioritised to focus on key strategic objectives that include: poverty reduction for the poorest and most vulnerable; responding to humanitarian crises and protecting those in the most vulnerable countries in the world; tackling climate change and reversing biodiversity loss; championing girls' education; UK leadership in the global response to Covid-19; and protecting the UK's science and research development base. This approach to prioritisation will help the Government to deliver our manifesto commitments and ensure that the UK is a global force for good. FCDO will continue to invest in multi-annual programmes and local leadership of programmes, as part of The Government's commitment to delivering the Sustainable Development Goals.

"To safeguard the effectiveness of UK aid interventions, *the Government should set out how it intends to capture and retain DFID expertise in doing development well, and what plans are in place to rapidly train FCO staff in the skills necessary to manage effective and poverty reduction focused development programmes*". (Paragraph 83)

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

Consequently, as we continue to 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 will embed the best practice from the Infrastructure and Projects Authority on project delivery, developing capability and expertise to deliver the FCDO's programme portfolio. Operating frameworks (DFID's Smart Rules and the FCO's Policy Portfolio Framework)

will be integrated into a single product for the FCDO, setting the standards for delivery and drive capability and professionalism. High quality programme management and technical skills, analysis and use of evidence, will remain important.

Senior Responsible Owners (SROs) will lead complex programmes and portfolios to deliver FCDO policy priorities. Development programmes will continue to be led or advised by Technical Advisers working to professional standards set out in technical competency frameworks—supported and delivered by Programme Managers. We will build on the strengths of our collective learning offers for SROs and Programme Managers which includes Local Staff and Staff Appointed in Country, drawing on the best of our existing offers, including DFID's Aid Learning Platform.

“Aid spending through the FCO continues to raise concerns relating to transparency and quality of programming. With the new FCDO set to become the largest Effectiveness of UK aid: potential impact of FCO/DFID merger implementing department of UK aid spending, this trend is very concerning. *The Government should set out how it intends to ensure that ODA administered through the new FCDO meets high standards for transparency in its programming. Consequently, it should commit to all UK ODA funding meeting the transparency standard of ‘good’ within the next year*”. (Paragraph 86)

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.

“Multilateral spending forms an important part of the UK's ODA, but we are concerned that the merger may lead to an increase in funds provided to these organisations for generalised future spending rather than targeted funds delivering immediate benefits. *As part of the Integrated Review, the Government should set out its strategy for development spending through multilateral institutions over the next five years, including the proportions of UK ODA to be spent through bilateral and multilateral channels, whether it intends to honour existing agreements and how it will seek to influence these organisations to ensure that UK aid is spent in the best possible way*”. (Paragraph 91)

The UK's multilateral relationships and priorities will be considered as part of the Integrated Review, which will set an ambitious vision for the future of the UK as an active, internationalist, problem-solving and burden-sharing nation. The government is clear that the UK will remain a champion of the international system as part of advancing UK interests and working as a global force for good. Multilaterals will continue to be key delivery partners—they deliver vital services at scale, leverage additional funding, promote global public goods, and coordinate action around global challenges.

The 2020 Spending Review will make decisions on future ODA allocations, including the balance between bilateral and multilateral delivery channels. The UK will continue to be a global leader in driving reform and improvements to make multilaterals more effective, efficient and transparent, working closely with others. We will use the full range of our investments, assets and influence to shape the international system in line with UK values, achieve reforms, and ensure a focus on delivering results for the poorest and most vulnerable in both the immediate and longer term.

Scrutiny arrangements

“In 2019, the UK aid budget totalled £15.2 billion. Given the size and complexity of this budget, thorough parliamentary scrutiny of UK aid spending is essential. This is best performed by a dedicated select committee which is able to take a holistic overview of UK ODA, ensuring that aid is spent in a strategic and transparent manner on high-quality interventions. Therefore, we recommend the creation of a House of Commons Select Committee on Official Development Assistance (ODA), with a remit for scrutiny of the totality of the UK’s ODA spending”. (Paragraph 102)

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 International Development 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.

“Through its close work with us, and our sub-committee, the Independent Commission for Aid Impact (ICAI) is a crucial part of the robust scrutiny architecture which ensures the aid budget is well spent. ICAI’s expert reviews identify areas of good practice as well as areas for improvement, helping the UK to maintain its reputation as an international development superpower. It also satisfies the statutory requirement set out in the International Development (Official Development Assistance Target) Act 2015 for independent scrutiny of UK aid spending. There is simply no reason to change these arrangements. We recommend that the Government retains ICAI in its current form in order to provide thorough and independent scrutiny of the UK’s aid budget”. (Paragraph 103)

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 FCDO will remain committed to parliamentary and independent scrutiny of the aid budget across Government, and full transparency in aid spending.

“Drawing upon the highly effective model of cooperation between the National Audit Office and Public Accounts Committee, the new ODA Committee should have responsibility for receiving and considering ICAI’s reviews. It should also have responsibility for the other aspects of cooperation and coordination with ICAI in which we currently participate, including recruitment of the Chief Commissioner and other commissioners; agreement of the forward work programme and commissioning work”.
(Paragraph 104)

The FCDO will remain committed to parliamentary and independent scrutiny of the aid budget across Government, and full transparency in aid spending. The form this takes following the merger will be set out in due course.