

Written evidence submitted by Sam Hilton, Dr Natalie Jones  
and Hauke Hillebrandt, PhD:

On a possible DFID/FCO merger

*“The people whose work we respect and rely on believe that **DFID is a leader among aid agencies**. They tell us that DFID’s effectiveness comes from both its **independence** as well as its **expertise** at prioritizing investments that do the most good.”*

- GiveWell<sup>1</sup>

Executive Summary

1. As recognised by the international development committee there is speculation that, as part of the Government’s Integrated Review DFID could be folded into the FCO in order to align aid spending better with UK foreign policy goals.
2. We are researchers with relevant expertise in both international development and global security. This submission of evidence represents an examination of the case for merging DFID with the FCO.
3. Our key findings are that:
  - A. DFID spending is much more effective than non-DFID spending. This is because of DFID’s greater (i) focus on the poorest countries, (ii) transparency, and (iii) technical expertise.
  - B. A merger risks (i) losing these advantages and (ii) being ineffective and highly disruptive. This poses a humanitarian risk and poses potentially negative implications for national and global security.
4. As such we conclude that:
  - C. The case for merging DFID with the FCO is very weak, and the potential costs to the nation and to humanity outweigh the benefits. Any merger should take strong steps to manage the risks to aid effectiveness.
5. This research is largely based on conversations and evidence from experts in international development, experts in global security, and civil servants.

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<sup>1</sup> Personal correspondence, my emphasis

## A. DFID spending is much more effective than non-DFID spending

6. **DFID is one of the world's largest supporters of the most cost-effective global development programs.**<sup>2</sup> These programs include long-lasting insecticide-treated antimalarial nets, seasonal malaria chemoprevention, treatment of neglected tropical diseases, and cash transfers. For example, DFID has provided consistent support to Gavi: The Vaccine Alliance,<sup>3</sup> ensuring that highly cost-effective vaccines like measles and meningitis A are fully funded, and to The Global Fund to Fight AIDS, Tuberculosis and Malaria.<sup>4</sup>
7. **DFID also invests significantly in improving its own effectiveness (and the effectiveness of others) by funding rigorous evidence on cost-effectiveness.** Most of the groups doing rigorous research on development effectiveness are funded by DFID. These include the Abdul Latif Jameel Poverty Action Lab, the International Growth Center, and the Joint Global Health Trials scheme. GiveWell and many others, including the World Bank and developing country governments, rely on this evidence to make their funding decisions.
8. DFID pushes for developing countries to reform policies based on its evidence, and GiveWell regularly uses DFID-funded evidence to inform its giving decisions. Moreover, DFID has also been building up the evidence base in challenging areas like state fragility and conflict. Examples of this include its decision to fund the recent IGC report on fragility<sup>5</sup> and IPA's Peace and Recovery Initiative.<sup>6</sup>
9. For these reasons, the UK is consistently well-ranked as an aid donor, rated 2nd out of 29 countries in the Principled Aid Index<sup>7</sup> and 6th out of 27 countries in the Aid component of the Commitment to Development Index.<sup>8</sup>
10. **In contrast, the impact of non-DFID ODA tends to be much less impressive. The Independent Commission for Aid Impact rated 80% of DFID's projects as making a positive contribution, while this was true for only 20% of the FCO's projects.**<sup>9</sup>

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<sup>2</sup> GiveWell, personal correspondence

<sup>3</sup> <https://www.gavi.org/investing-gavi/funding/donor-profiles/united-kingdom>

<sup>4</sup> <https://www.theglobalfund.org/en/news/2019-06-29-global-fund-praises-uk-for-increasing-pledge-by-16-percent/>

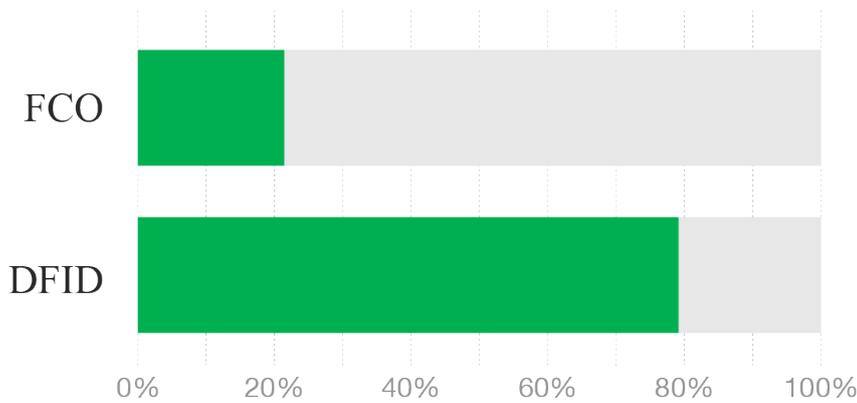
<sup>5</sup> <https://www.theigc.org/research-themes/state/fragility-commission/>

<sup>6</sup> <https://reliefweb.int/report/world/ipa-and-j-pal-announce-16-million-grant-uk-government-fund-new-research-solutions>

<sup>7</sup> <https://www.odi.org/sites/odi.org.uk/files/resource-documents/12635.pdf>

<sup>8</sup> <https://www.cgdev.org/cdi-2018/country/GBR#info>

<sup>9</sup> <https://www.cgdev.org/blog/how-effective-uk-aid-assessing-last-8-years-spending>. This is proportion of programs that were evaluated as 'amber/green' or 'green', where 'amber/green' was defined as 'Satisfactory achievement in most areas, but partial achievement in others. An area where UK aid is making a positive contribution, but could do more,' and 'amber/red' was defined as 'Unsatisfactory achievement in most areas, with some positive elements. An area where improvements are required for UK aid to make a positive contribution.'



*Proportion of evaluated programs scored 'making a positive contribution' or better.*

### A.(i) DFID spending focuses on the poorest countries, unlike non-DFID spending

11. **Most of DFID's budget is spent in low-income countries, and in the poorest regions within countries.**<sup>10</sup> This is critical to effectiveness because **£1 to someone who is extremely poor has a much bigger impact than £1 to someone who is less poor.** For example, Malawians are 10x poorer on average than Indonesians. Because of diminishing returns, this means that an additional £1 would typically benefit a Malawian by 10x more than that £1 would benefit an Indonesian.<sup>11</sup>
12. **In contrast, the rest of the UK aid budget goes mainly to middle-income countries, including upper-middle-income countries.**<sup>12</sup>

### A.(ii) DFID spending is more transparent than non-DFID spending

13. Transparency in aid spending is crucial for accountability and improvement.<sup>13</sup> **The 2018 Aid Transparency Index ranked DFID 3rd and ranked the FCO 43rd:**<sup>14</sup>

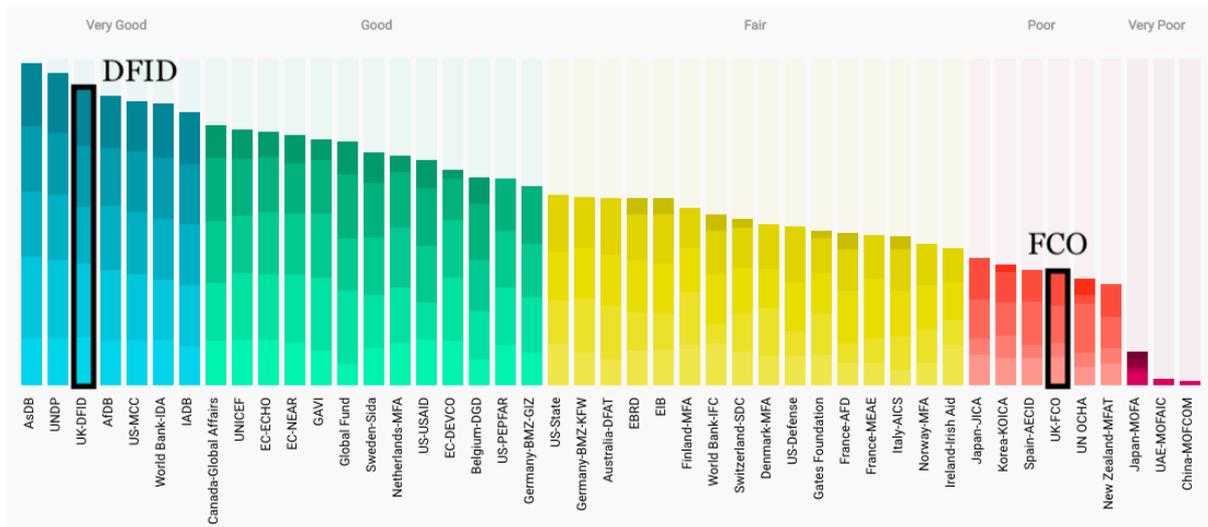
<sup>10</sup> [https://icai.independent.gov.uk/wp-content/uploads/The-current-state-of-UK-aid\\_Synthesis-of-ICAI-findings.pdf](https://icai.independent.gov.uk/wp-content/uploads/The-current-state-of-UK-aid_Synthesis-of-ICAI-findings.pdf)

<sup>11</sup> William MacAskill, *Doing Good Better*, 2015.

<sup>12</sup> [https://icai.independent.gov.uk/wp-content/uploads/The-current-state-of-UK-aid\\_Synthesis-of-ICAI-findings.pdf](https://icai.independent.gov.uk/wp-content/uploads/The-current-state-of-UK-aid_Synthesis-of-ICAI-findings.pdf)

<sup>13</sup> <https://www.givewell.org/how-we-work/transparency>

<sup>14</sup> <http://www.publishwhatyoufund.org/the-index/2018/>



A.(iii) DFID has greater technical expertise and a more evidence-based culture than the FCO

14. The differences in results between the FCO and DFID are not a coincidence. They come from a difference in focus and expertise. **In contrast to the FCO, which mainly employs generalists, DFID employs a large number of technical specialists, including economists, scientists, and statisticians, whose job it is to know the evidence on cost-effectiveness.** These specialists then use their knowledge of the evidence to influence multilateral development banks and developing country governments to adopt policies and programmes that have been found to be highly effective.



## B. A merger has some benefits but poses risks

15. A merger between DFID and FCO could help the UK take a clear joined up approach to foreign policy and help DFID and FCO work closer together. This would be valuable. However we have some reasons to doubt that a merger would be effective, especially if there is not a strong focus on the humanitarian effectiveness of ODA spending.

### B.(i) A merger risks DFID losing its advantages and becoming significantly less effective

16. We are concerned in particular that **there is a serious risk that a merger would result in strong pressure on DFID to spend ODA in a similar manner to how the FCO spend ODA – i.e. to increase the share of ODA spent in middle-income countries and to focus less on the effectiveness of ODA.**

17. A reduced focus on effectiveness and more spending in middle-income countries poses a huge humanitarian risk. Spending in middle income countries cannot go as far and as such DFID would save fewer lives, strengthen already advanced over less advanced healthcare systems, and produce significantly less global economic growth. **If ODA wasn't going to the poorest countries, fewer lives would be improved for the same cost to the British taxpayer.** This could be seen as a humanitarian disaster and we see this as the main reason the UK international development community has opposed a DFID and FCO merger.<sup>15</sup>

18. As experts in global security we have reached the conclusion that changes of this type also pose a risk to global security and thereby national security.

- **If DFID funds are less effectively spent, this increases the global** probability of civil conflicts, and the subsequent global security threats such as mass migration and terrorism. The changes themselves could also lead to resentment against the UK.
- Global security does not just mean military security but security from all risks: food security, biosecurity and so on.<sup>16</sup> **Global health threats such as pandemics could also be increased if less ODA goes to the poorest countries.** If less resources are put into improving the world's least developed healthcare systems then containment and tracking of disease outbreaks in those regions will be weakened. As we have seen with Covid-19, global health

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<sup>15</sup> <https://www.bond.org.uk/press-releases/2019/12/over-100-charities-warn-that-plans-to-merge-dfid-with-fco-risks-britain>

<sup>16</sup> Existential Security: Towards a Security Framework for the Survival of Humanity, Nathan Alexander Sears, 17 April 2020, <https://doi.org/10.1111/1758-5899.12800>

is interconnected; lack of testing and containment in any country can have implications globally.

19. We recognise that there are reasons to spend international development resources in ways with less clear humanitarian goals in more developed countries. For example there may be a global security benefit to supporting the stability of Ukraine.<sup>17</sup> However it is not clear to us that in these cases DFID would be the lead department for this expenditure. Such projects may be managed by the FCO or by hybrid teams (discussed below).

### B.(ii) A merger would be highly disruptive and would likely not solve the key issues it intends to address

20. **A DFID/FCO merger would be extremely costly and disruptive.** The Institute for Government reviewed experiences of machinery of government changes from the past 30 years. They found that merging departments can have costs in the £10-100ms, can lead to a productivity dip over the two or more years for the new organisation to settle and can take three or more years to start realising expected benefits. They suggest greater policy coordination can often be achieved without reconfiguring departments and advise the government to consider more carefully the alternative approaches.<sup>18</sup>
21. Similarly, the extensive literature on company mergers show them to be often disappointing, with the biggest challenges arising where the merging companies have starkly different cultures. For example managers in British firms report that only 56% of their acquisitions can be considered successful against the original objectives set for them.<sup>19</sup>
22. We note that in this case the cultural differences between DFID and FCO are stark and may be part of a reason why these departments struggle to work together. We do not however think it is clear that a merger would clearly resolve these differences without significantly damaging the effectiveness of one or both departments. Discussions with civil servants have highlighted that diplomacy skills and international development skills are very different and suggest that even if the departments were merged it would be important to maintain a separation of the diplomacy profession and the development profession.

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<sup>17</sup> Global Britain: a twenty-first Century Vision by BoB Seely MP and JaMeS RogeRS  
<https://henryjacksonsociety.org/wp-content/uploads/2019/02/HJS-Global-Britain-%C2%AD-A-Twenty-first-Century-Vision-Report-A4-web.pdf>, p33

<sup>18</sup> <https://www.instituteforgovernment.org.uk/publications/making-and-breaking-whitehall-departments>

<sup>19</sup> Richard Shoenberg, 'Measuring the Performance of Corporate Acquisitions,' *British Journal of Management*, 2006.

23. A merger also risks losing the technical expertise and transparency that DFID brings to UK development policy via a loss of talent. **The risks of losing talented DFID staff are borne out by the experiences of private firms after merger.** One review found that, on average, nearly 70% of management depart in the five years following completion.<sup>20</sup> Although reducing staff is generally an aim of corporate mergers, it should not be an aim in this case – the Henry Jackson Society point to a lack of in-house expertise as one of the reasons raised why DFID is less effective than it could be.<sup>21</sup>
24. **Development coordination across Whitehall is vital - but there already exist mechanisms for this.** For example there are already ‘hybrid’ teams that straddle different government departments, including Trade for Development, Stabilisation Unit and Joint Africa Unit, as well as shared diplomatic posts overseas. Another example is the Conflict, Stability & Security Fund, which brings together DFID, the FCO, the Ministry of Defence, the Ministry of Justice and the Home Office to work towards the same strategy, incorporating both ODA and non-ODA activities.

### C. Conclusions: The case for a merger is very weak

25. The evidence that we have collected points to significant risks to a DFID and FCO merger and unclear benefits. In particular we note there is a risk that **a merger redirects international development spending in a way that is significantly less effective and that this has a knock on negative impact on global and national security.** If a merger does go ahead this risk would need to be carefully managed by ensuring that international development expertise and an effectiveness focus remains core to international development spending.

### Evidence submitted by:

This evidence is submitted by:

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<sup>20</sup> [https://www.emerald.com/insight/content/doi/10.1016/S1479-361X\(04\)04005-0/full/html](https://www.emerald.com/insight/content/doi/10.1016/S1479-361X(04)04005-0/full/html)

<sup>21</sup> Global Britain: a twenty-first Century Vision by Bob Seely MP and James Rogers  
<https://henryjacksonsociety.org/wp-content/uploads/2019/02/HJS-Global-Britain-%C2%AD-A-Twenty-first-Century-Vision-Report-A4-web.pdf>, foot of p24

