Brits Abroad

Reforming the Foreign, Commonwealth and Development Office

By Tim Ambler

DISCUSSION PAPER

EXECUTIVE SUMMARY

- The size and structure of the Foreign, Commonwealth and Development Office (FCDO) should be overhauled to better suit the reality of the UK's position in the world;
- Despite recent structural changes, the department lacks a coherent vision, organisation, leadership or clear lines of communication across a very widespread portfolio;
- There is little transparency about how its UK-based staff are allocated to departmental priorities and a significant headcount reduction after restructuring is both achievable and desirable for efficiency and the best use of taxpayer money;
- The FCDO should consider choosing fewer, more targeted, overseas development aid recipients with a focus on the most impoverished nations who are not receiving adequate provision from elsewhere;
- Whilst some FCDO arm's length bodies perform effectively, there is a case for slimming down, merging or no longer maintaining several of them;
- The paper also considers the Department for International Trade (DIT), which lacks clear performance metrics and suffers from an imbalance of headquarters staff in comparison to International Trade Advisers.

ADAM SMITH INSTITUTE – THE FREE-MARKET THINKTANK
23 Great Smith Street,
London, SW1P 3BL
+44 (0)20 7222 4995
www.adamsmith.org

ABOUT THE AUTHOR

Tim Ambler MA (Oxon), MSc (MIT) is a Senior Fellow at the Adam Smith Institute, previously Senior Fellow, London Business School.

ABOUT THIS SERIES

The UK government plans to reduce the civil service headcount by nearly 20%. We believe that deeper savings—bringing lower costs and greater efficiency—are easily possible. Whitehall has grown far more than 20% in the last seven years alone; and we have found most departments to be a confused clutter of overlapping functions and agencies. This series aims to cut through that clutter to suggest nimbler, lighter structures.

Whitehall departments have two functions: to manage policy and to provide services. We believe that services (such as passport provision) should be provided by executive agencies, without being swamped by the core department staff. We also believe that the cores could work, more effectively, with a fraction of their staff.

Deep staff reductions can be managed through natural turnover, early retirement, pausing non-essential recruitment and other methods. The result would be a slimmer, more focused civil service, better services for users and substantial savings for taxpayers.

NUMBERS AND PURPOSE

Excluding arm's length bodies, the Foreign, Commonwealth and Development Office (FCDO) had over 16,500 employees as of 31 March 2021 — 5,204 in the UK and 11,386 overseas (*FCDO Annual Report*, p.132).[1]

These are historically high numbers: in 1914 there were no more than 175 Foreign Office staff,[2] though the Colonial Office, with a big empire to manage, numbered about 4,500 by 1927.[3] The latter became the Commonwealth Office in 1966 and the two merged in 1968 to become the Foreign and Commonwealth Office (FCO). The Department for International Development (DfiD) was added in 2020.

According to the FCDO recruitment webpage: "Our work aims to build a safer, healthier, more prosperous world for people globally, as well as in the UK,"[4] while the 2020/21 annual report puts shaping the international order as its first priority. This is nonsense, given the UK's limited powers, and suggests that the FCDO has forgotten its purpose in promoting UK interests (though it does accept the value of "soft power"[5] such as the British Council).

In this paper, we review the FCDO's staffing and activities. We propose a more modest and targeted structure that would perhaps better suit the reality of the UK's position in the world today. We also consider the Department for International Trade (DIT). We see a renamed Foreign Office as optimising relationships with other governments and wielding soft power, with culture and trade being promoted by arm's length bodies.

WHAT SHOULD THE FCDO DO?

The structure of the FCDO was revised in March 2022. But even now, it comes across as a fragmented department, lacking a coherent vision, organisation, leadership or clear lines of communication across a very widespread portfolio.

FCDO now has 11 departments under the Permanent Under-Secretary:

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1 FCDO, 'Annual Report & Accounts: 2020-21', Sept 2021: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1019938/FCDO_annual_report_and_accounts_2020_to_2021_accessible.pdf

2 Gov.uk, 'The Foreign Office, one of the great offices of state', Dec 2012: https://www.gov.uk/government/speeches/the-foreign-office-one-of-the-great-offices-of-state

3 The National Archives, 'UK Government – did we rule the Empire with 4,000 civil servants?', Aug 2012: https://blog.nationalarchives.gov.uk/uk-government-did-we-rule-the-empire-with-4000-civil-servants/#:~:text=As%20a%20very%20rough%20guide%20c.%201%2C800%20colonial,and%20probably%20many%20thousands%20across%20the%20empire.%20%5B9%2A%5D

4 Gov.uk 'Working for FCDO': https://www.gov.uk/government/organisations/foreign-commonwealth-development-office/about/recruitment

5 Harvard University, 'Soft Power: The Means to Success in World Politics', 2005: https://wcfia.harvard.edu/publications/soft-power-means-success-world-politics

- **Foreign policy and global engagement.** A Second Permanent Under-Secretary and Political Director focus on strategic foreign policy advice and global engagement, using the Political Director network and groups including the G7 to influence partners on the most pressing global issues;
- **Defence and Intelligence** directorate. This includes a new 24/7 Russia-Ukraine Hub;
- **Geopolitical and Security.** A temporary directorate to modernise the international security and economic architecture to meet new threats;
- **Humanitarian and Development.** For the first time since the merger of FCO and DFID, a Directorate-General will be accountable for development work at Board level;
- **Economic and Global Issues** directorate. Intended to ensure we make full use of all economic tools in our foreign policy;
- **Regional issues** directorates. Four geographically focused DGs covering (a) Europe, (b) Africa and (c) Latin America, US, India and the Gulf (and international energy), and (d) Asia-Pacific (and British Investment Partnerships);
- **Finance and Corporate** directorate; and
- **Legal** directorate.

The annual report provides little indication of what the 5,204 London-based staff do nor how many are allocated to each role. Understandably, nothing is said about MI6 but, less understandably, nothing is said about the central task of disseminating information. Missing also is a coherent set of objectives, performance metrics, business plan, assessment of progress towards the plan's achievement and the staff and budget allocated to each one.

Plainly, the FCDO's objectives and plans should be clarified, and performance metrics constructed. For example, one could use the Anholt-Ipsos Nation Brands Index—an annual online study amongst 60,000 consumers in 20 panel countries around the world[6]—to assess soft power. On this measure, the UK's overall ranking was 5th, behind Germany, Canada, Japan and Italy. Specifically, the UK ranked 6th on tourism, 4th on culture, 10th on people, 4th on exports, 11th on governance and 5th on immigration/investment. While an overall 5th place is perfectly respectable, the FCDO needs to do more on governance issues, where the UK ranked 11th in terms of being honestly governed, 9th for its contribution to world peace, 15th for its environmental policy, 10th on combating world poverty and 10th on respect for citizens' rights.

The FCDO must be concerned with bilateral relations, and especially trade, intelligence gathering, cultural promotion and aid distribution—all with raising the UK's international status ('brand') in mind. Its main focus should be marketing the UK 'brand' globally as a key trading partner and measuring the effectiveness of that effort. *Soft power* and *marketing* are two terms for the same thing: our ambassadors in all countries should see themselves as local brand managers, and optimising trade and relationships with host countries, rather than vaguely 'promoting our

6 Visit Britain, 'Britain's image overseas', Dec 2021: https://www.visitbritain.org/britain%E2%80%99s-image-overseas#:~:text=The%20Anholt%20Nation%20Brands%20Index%20ranked%2060%20nations,consumers%20in%2020%20panel%20countries%20around%20the%20world.

values'. Embassy staff need to be given comprehensive briefings, with key objectives and targets.

How many people does the FCDO need to achieve the international reputation we seek? Ireland, which has a fine reputation in most of the world, had less than 1,500 Department of Foreign Affairs and Trade staff in 2016; it is hard to imagine that the UK FCDO needs more than 2,000.

More effective development aid

Present confusion

In 2020, the Department for International Development (DfID) employed 3,535 staff, 2,198 in the UK and 1,337 overseas.[7] It was hostile to the FCO/DfID merger. While DfID prioritised poverty (as its statute requires), the FCO prioritised economic development. And DfID gave out 73% of its £15.2 billion budget in 2019,[8] while other departments included administration and many other things in their "aid" spending. In the 2018 Aid Transparency Index,[9] an independent measure of aid transparency among the world's major development agencies, DfID was given a 'very good' rating of 90.6, while the FCO was given only 34.3.[10]

Today, the FCDO "continues to operate on two financial systems bringing together the spending and allocation data for geographic areas and specific themes." (*FCDO Annual Report*, p.250), though a new strategy is due to be announced. Hopefully it will be clear and simple. It should clarify, for example, the criteria for funding a project in one country rather than another. It should also clarify how the UK participates in multinational programmes that show its global leadership in tackling international challenges that it cannot solve alone.

According to its last annual report, DfID gave grants to about 142 countries (about 70% of those in the UN). But its six strategic objectives are not linked in any way to criteria that would inform a logical allocation of funds; the process is not explained. Much of the selection seems to be based on historic practice and a reluctance to change.

Such deficiencies may explain why four large and not exactly impoverished countries were funded, including, in 2018, Brazil (£24 million), India (£95 million), Indonesia (£30 million) and Turkey (£72 million). If public confidence in the aid

7 Department for International Development, 'Department for International Development: Annual Report and Accounts 2019-20', Jul 2020: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/902370/annual-accounts19-20.pdf

8 House of Commons International Development Committee, 'Effectiveness of UK aid: interim findings', Jun 2020: https://committees.parliament.uk/publications/1373/documents/12634/default/

9 Publish What You Fund, 'The 2018 Aid Transparency Index': https://www.publishwhatyoufund.org/the-index/2018/

10 Transparency International UK, 'Statement on the merger of DFID and the FCO': https://www.transparency.org.uk/press-releases/dfid-fco-merger-foreign-office-aid-transparency programme is to be retained, particularly when domestic budgets are stretched, better criteria and a clearer process are both needed.

A new approach

Choosing fewer, more targeted, recipients would make it easier for FCDO staff in those countries to ensure that aid budgets are well spent. FCDO should also consider allocating funds via established NGOs and charities, such as CAFOD.

The FCDO should divide the 193[11] UN-recognised countries into three categories: those that are really impoverished and need financial assistance and are not getting enough from other countries or NGOs; those affluent enough to be targets for exports and/or investment; and those falling between those two categories. To maximise cost-effectiveness, the development staff and budgets should focus on the first; trade staff and budgets on the second; and neither, except consular staff, on the third. Proper criteria and fewer recipients would mean that 100 staff, rather than the 2,000+ of today, could fulfill the development role.

At the same time, the Select Committee's misgivings about the FCO's aid-giving professionalism were well grounded. We recommend that, to retain the expertise of DfID and protect it from FCDO culture, development aid should be a distinct Executive Agency of the FCDO.

The British Council

The British Council, one of FCDO's arm's length bodies (ALB's) sees its role as building "connections, understanding and trust between people in the UK and other countries through arts and culture, education and the English language."[12]

After serious cost-cutting, the British Council Annual Report for 2020/21[13] shows that it was close to breaking even. In 2019/20, income was £1.3 billion and the net loss was £7.6 million. In 2020/21 however, income was £925 million and the net loss was £90.8 million (*British Council Annual Report*, p.84). The Council's four resourced activities (with 2020/21 costs) were:

- Developing a wider knowledge of the English language (£589 million);
- Encouraging educational co-operation and promoting the advancement of education (£266 million);
- Encouraging cultural, scientific and technological cooperation (£71 million); and
- Building capacity for social change (£83 million).

No staff data was provided in the 2021/22 corporate plan but the 2020/21 Annual Report records 1,119 UK staff with 10,012 employed overseas.

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11 WorldoMeter, 'Countries in the UN': https://www.worldometers.info/united-nations/

12 British Council, 'Corporate Plan: 2021/22', 2021: https://www.britishcouncil.org/sites/default/files/british_council_corporate_plan_2021-22_low_res.pdf

13 British Council, 'Annual Report 2020-21': https://www.britishcouncil.org/sites/default/files/annualreport_2020-21.pdf

The British Council does some good work in disseminating the English language, encouraging foreign students to come to the UK and promoting UK culture. It nearly breaks even, and it should be held to doing so. Promoting UK culture and values is important, but we should be sensitive to other countries' culture and values, especially if that is required to bring in more trade and students. Promoting English as the language of international business is also important, but it is not our role to tell countries how to govern themselves. The British Council's objectives should be clarified, its performance measured against them, and the need for further reforms considered in the light of the results.

OTHER ARM'S LENGTH BODIES

According to the FCDO 2020/21 annual report, the headcount in each of the other ALBs was:

Marshall Aid Commemoration Commission	0
Commonwealth Scholarship Commission	0
Independent Commission for Aid Impact	14
Great Britain-China Centre (GBCC)	10
Westminster Foundation for Democracy	49
Wilton Park	83
FCDO Services (FDCOS)[14]	1,151

Marshall Aid and Commonwealth Scholarships Commissions. These are too small to justify the ongoing costs of being ALBs. It would be sensible to merge their administration into the larger Chevening Scholarship team, while maintaining the separate branding.

Independent Commission for Aid Impact. The streamlining of aid provision should mean that just two auditors should be enough to assess impact but their independence from those determining the grants is important.

Great Britain-China Centre (GBCC). In 1974, Foreign Secretary James Callaghan split GBCC off from the China Britain Trade Group, now called the China Britain Business Council (CBBC). It is not clear why. China contributes most of the income and the FCDO meets the losses, which are about the same. CBBC is 13 times bigger in staff terms and well connected in China. There seems no reason to maintain GBCC.

Westminster Foundation for Democracy (WFD). This body aims to convert the world to democratic principles. It is a classic example of what is wrong with the FCDO — preaching UK values and institutions to a world that is content with its

14 FCDO Services, 'Annual Report and Accounts 2020 to 2021': https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1002245/FCDO_Services_Annual_Report_and_Accounts_2020_to_2021.pdf own values and institutions. The WFD cost the taxpayer £9.6 million in 2020/21[15] and it should now be wound up.

Wilton Park is a well-used and well-loved conference centre that promotes discussion with influential people in other countries. The only action point arising here is that the costs should be compared, every five years say, with contracting a commercial hotel of equivalent quality.

FCDO Services. FCDOS originated after the Second World War, when the Foreign Office recognised that it needed secure communications. Today it supplies a wide variety of services across 168 countries,[16] with only 1,151 staff. The net income (profit) was £7 million at a Return on Capital Employed of 13.5%. These figures are baffling, but on the strength of them, FCDOS is probably best left alone.

DEPARTMENT FOR INTERNATIONAL TRADE (DIT)

Priorities

The DIT has four priority outcomes each aligned with its own staff team (*DIT Annual Report*, p.13):

- **Free trade:** Securing world-class free trade agreements and reduce market access barriers, ensuring that consumers and businesses can benefit from both;
- **Investment:** Delivering economic growth to all the nations and regions of the UK through attracting and retaining inward investment;
- **Trade support:** Supporting UK business to take advantage of trade opportunities, including those arising from delivering FTAs, facilitating UK exports; and
- **Rule-making:** Championing the rules-based international trading system and operating the UK's new trading system, including protecting UK businesses from unfair trade practices.

These are implemented by the following groups:

- **Trade Negotiations Group:** Focusing on securing free trade agreements and our underpinning trade policy.
- **Trading Systems Group:** Leading on creating a fair rules-based trading environment, implementing agreements and supporting businesses to access markets.
- **Exports and UK Trade Group:** Supporting UK business to take full advantage of the new trade opportunities. The group is responsible for working with business stakeholders to promote exports and investment; DIT's Trade and Investment Hubs in Scotland, Northern Ireland, Wales and the North of England

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15 WFD, 'Annual Report and Accounts 2020-2021', Jul 2021: https://www.wfd.org/sites/default/files/2021-12/WFD_Annual_Report_Accounts_2020-21_15.09.21.pdf

16 FCDO, 'Annual Report and Accounts 2020/21', Jul 2021: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1002245/FCDO_Services_Annual_Report_and_Accounts_2020_to_2021.pdf alongside operations in the remainder of the English regions; supply chains; and export programmes such as the Export Academy.

- **Strategy and Investment Group:** Leading on delivering economic growth to the UK by attracting and retaining inward investment. The group integrates all strategy work across the four priority outcomes. It also includes a new International Strategy and Engagement Directorate to coordinate overseas operations in addition to each HMTC region having a Director General as its sponsor.

Complex structure

The leadership structure is outlined on p26 and p27 of the DIT's annual report is unbelievably complex. There were nine HM Trade Commissioners, geographically defined, at the time of the 2020/21 report and two more were appointed in September 2021.[17]

Pages 28 and 29 give performance metrics against the first set of objectives above, but they are hard to assess because of Covid and there are no plan or target figures. This lack of clear performance metrics was criticised (recommendation a) by the National Audit Office (NAO) in July 2020[18] but little seems to have been done.

Staffing and costs

According to the 2020/21 annual report, DIT staff numbered 4,428[19] (up 498 up on the year before), some 2,965 in the UK and 1,463 overseas. But their success in promoting exports is undermined by the fact that the managers in Whitehall outnumber the International Trade Advisers (ITAs), who actually produce the exports, by twelve to one.

Since Brexit, management has of course been focused on creating trade agreements. The DIT has a long list of successes, but (the EU apart), these agreements cover tiny fractions of our export trade with those countries (*DIT Annual Report,* p.18), in several cases less than 0.1%. In March 2022, the Public Accounts Committee reported that the agreements "will deliver actual economic benefits". It also criticised the DIT's opacity, its lack of targets and its failure to provide sufficient information to assess the practical impact of its deals.[20]

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17 Gov.uk 'Liz Truss appoints New Trade Commissioners to boost UK trade', Sep 2021 https://www.gov.uk/government/news/liz-truss-appoints-new-trade-commissioners-to-boost-uk-trade.

18 NAO, 'Department for International Trade and UK Export Finance: Support for exports', Jul 2020: https://www.nao.org.uk/wp-content/uploads/2020/07/Department-for-International-Trade-and-UK-Export-Finance-Support-for-exports.pdf

19 Gov.uk, 'Annual Report and Accounts 2020-21', Jul 2021: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1002839/DIT-annual-report-2020-to-2021.pdf

20 UK Parliament, 'Benefits from new trade agreements extremely uncertain while risks of slipping standards, increased costs and revenue losses remain', Mar 2022: https://committees.parliament.uk/committee/127/public-accounts-committee/news/164902/benefits-from-new-trade-agreements-extremely-uncertain-while-risks-of-slipping-standards-increased-costs-and-revenue-losses-remain/#:~:text=In%20its%20report%20today%20the%20Public%20Accounts%20Committee,businesses%20and%20the%20public%20are%20actually%20being%20served.

Future options

As a trading nation, the UK relies on exports and profitable overseas investment. To promote this, the team of International Trade Advisers should be doubled to 500, while the headquarters staff should be streamlined to 800, comprising Trade Commissioners (line management) and the usual corporate staff, a net saving of 1,665. Alternatively, the British Chambers of Commerce can be contracted to fulfill the roles of International Trade Advisers, alongside the same headquarters staff.

With a little thought, it becomes obvious that the DIT and DfID are twins that should be merged. In the three-category analysis discussed above, each country is either in the trade, the aid, or the consular category. Each FCDO overseas post can therefore be given one of those as its core mission and the UK staff focused likewise. It should be called the "Trade and Aid Agency".

UK Export Finance (UKEF)

UKEF is the the UK's export credit agency which works closely with DIT, although operating under its own Act of Parliament. In July 2020, the NAO reported that the 400[21] or so staff of UKEF need to work much more closely with the DIT: "DIT and UKEF should agree a strategic Memorandum of Understanding to improve joint-working and report annually on progress. DIT and UKEF must work together effectively to support exports."[22] They have since signed a Memorandum of Understanding to that effect. However, nothing is gained by their separation. They are both tasked with facilitating exports and UKEF should be merged into the Trade and Aid Agency.

THE TROIKA

The FCDO should be renamed as simply the "Foreign Office" for the Whitehall HQ, and the "Foreign Service" for those in overseas posts. This reflects the fact that the Commonwealth barely appears at all in the FCDO annual report—and other Commonwealth members now see the UK as merely one member among others, and no longer its leader.

The Foreign Office and Foreign Service (which technically becomes an Executive Agency of the Foreign Office) should focus firmly on boosting the UK's reputation and trade. Relationships with host-country governments must be part of that, especially when major projects, such as infrastructure, are being considered. Security too is a matter of government-to-government cooperation.

The British Council should become an Executive Agency, focussing on the non-commercial aspects of that reputation, such as education, through teaching English and bringing overseas students into UK education, all of which it does well.

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21 UK Export Finance, 'Annual Report and Accounts 2020-21', Jun 2021: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/995841/UK_Export_Finance_Annual_Report_and_Accounts_2020_to_2021.pdf

22 NAO, 'Department for International Trade and UK Export Finance: Support for exports', Jul 2020: Department for International Trade and UK Export Finance: Support for exports (nao.org.uk)

The DIT and UKEF should merge with the DfID to become the third horse in this troika: the Trade and Aid Agency. The DIT has grown out of control and needs to be streamlined and re-focused on business with those countries whose trade the UK needs. The DfID likewise needs to be streamlined and refocused on those countries that really need our aid. It should become the Aid section of the new Trade and Aid Agency. Countries that need neither our trade nor our aid should receive little more than consular services. Thus every Foreign Service post would have one clear mission: trade, aid or consular services.

The word troika is chosen to describe the Foreign Service, with its two flanking Executive Agencies, because it is the partnership that will give the UK greatest success in this competitive world.

RECOMMENDATIONS

- The FCDO HQ should be renamed the Foreign Office (FO). Around 2,000 UK staff should be sufficient to cover its marketing and security/information activities. No changes are proposed for the 11,386 Foreign Service staff.
- The FO should consider allocating ODA funds via established NGOs and charities, such as CAFOD.
- The FO should divide the 193 UN-recognised countries into three categories: the needy but unassisted by others, the affluent, and those that are neither.
- The FO should focus on trade with the second category, financial assistance for the first and provide only consular assistance for the third.
- Trade and Aid should be a distinct Executive Agency of the FO, the result of merging the DIT, UKEF and the DfID.
- A proper set of criteria and fewer recipients would mean that 100 staff would be enough for distributing ODA, and two auditors enough to assess performance.
- The Marshall Aid and the Commonwealth Scholarships Commissions should merge with Chevening, maintaining the separate branding for continuity's sake.
- The Westminster Foundation for Democracy and the Great Britain China Council should be terminated.
- Wilton Park costs should be compared every five years with the cost of contracting a commercial hotel of similar quality.
- The British Council should be encouraged to break even. Its function, activities and success in promoting UK values should be reviewed, and reforms made accordingly.
- The number of International Trade Advisers should be doubled to 500, and the headquarters streamlined down to 800 staff including Trade Commissioners (line management) and the usual corporate staff (a net saving of 1,665). Alternatively, the British Chambers of Commerce can be contracted to fulfill the role of International Trade Advisers, with the same streamlining of headquarters.
- If all these recommendations are followed, it could result in a headcount reduction of around 7,000.