

Not a Centaur, but Better: Building FCDO into a Powerful Force for Good and Not for Chaos

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Boris Johnson has not created a Centaur, with the hindquarters of a development agency and the head of a diplomatic service, but a puggle: an entirely new animal. Merging two departments does not create a ‘hybrid’ department or a ‘super’-department; it simply creates a new department. The Foreign Commonwealth and Development Office (FCDO) should have the ambition to be a new, fully-formed entity, and requires an approach commensurate to this. It offers an opportunity to improve the effectiveness of the UK’s development work, both in the interest of countries and people in the developing world as well as for the UK. Abolishing DFID is unlikely to have been a necessary (or even good) starting point for this aim, but it has happened. Pretending that DFID’s approach will simply now move under a new letterhead is misreading the tea leaves. Ian Mitchell has commented and offered concrete suggestions of what to retain and more. Here, our focus is on how to make it a success, better than what existed. And we think this is possible.

For the FCDO to genuinely represent a confident, outward-looking Global Britain as a force for good in the world, we argue that it needs:

- Clear, long-term objectives, including but not restricted to a whole-of-Government approach to Official Development Assistance (ODA); not a slogan, but a serious 10-year plan for tackling global challenges, looking beyond just aid.
- Clarity on where and how to act. FCDO should have a focus that is neither simply need nor short-term interest, but: driven by impact, using the full set of instruments available; focusing on genuine partnerships underpinned by mutual interest (economic development, global public goods, resilience, stability and poverty reduction); and quality programmes based on evidence, in line with ODA rules and the International Development Act (IDA).
- To build a Department, with leadership and expertise for policy; a design and delivery platform for use of ODA across Whitehall and a strengthened international network on the ground focused on effectiveness; and new systems of accountability and contestability internally and across Whitehall.

In time a more radical re-imagining of the Whitehall architecture for global development may be called for: a dedicated arms-length delivery function (outside the civil service), instead of endless and costly wrangling with consultants; and a more ambitious international finance infrastructure,

to expand and improve the offer in less-poor ODA eligible countries. These are longer term projects, however.

Three early commitments are promising: (i) to comply with IDA; (ii) to follow the ODA rules as they are set by the OECD Development Assistance Committee and (iii) to spend 0.7% of GNI. We set out how to build these initial commitments into a functional, powerful FCDO below.

THREE CHALLENGES

The creation of FCDO reflects a real feeling in parts of Whitehall that the previous model did not work. It is tempting, but incorrect, to think that this is purely a political project. Three tensions stood out, all of which require more than a new letterhead to fix:

First, merging DFID and the FCO does not resolve the issues around coherence of ODA spending across government. At heart, DFID's existence was contested because other parts of Whitehall often saw it as ineffective from a UK interest perspective; equally other Departments lacked the expertise or mission to make the most of ODA from a development perspective. A new roof and logo does not resolve this, as £2-3 billion of ODA is spent via other government departments than DFID or the FCO. Indeed, departments concerned with health (DHSC), climate change (BEIS) or trade (DIT) not only spend ODA, they also lead on global agendas, with implications both for the UK and for international development. The merger does not obviate the need for clear and shared specific objectives across Whitehall.

Second, the focus of DFID and the FCO is very different, and without finding the right balance the impact of the aid budget will be dramatically reduced, including for UK interests. Three considerations matter here:

- DFID has historically allocated its resources based primarily on a map defined by need: where poverty and deprivation is highest. The FCO's map is defined by UK interests and partnerships. It is clear that they don't coincide: as the Prime Minister alluded to, Ukraine fits with the latter but the not former; Zambia fits with the former but not the latter.
- The ODA rules and architecture provide a pressure for aid effectiveness, and this has led to perceived limits to what DFID reasonably could do for UK interests when seen from diplomatic eyes. Merger won't change this, but a clearer focus on longer term impact may.
- The FCO and DFID work to different time horizons. Development is a long-term project – there are no quick fixes in complex environments with endless challenges. Though the FCO does have some long-term goals, in developing countries it has typically prioritised short-term delivery for UK interests, often quite transactional: a contract for a UK firm, support for an international appointment, mediation for a regional conflict, or consular access. This should change.

Third, the expertise and culture with respect to development and ODA varies widely across Government. Recognising and exploiting this diversity early on can massively increase the effectiveness of spending.

- DFID is packed with people with deep overseas and development knowledge, across fields such as economics, finance, health, education, politics, or social challenges. They have experience in the design and delivery of complex programmes in challenging settings, including how to work with a multitude of delivery entities: governments, private contractors, local and international

NGOs. Despite appearances, they are not a lawless bunch of rogue civil servants: they live the spirit of the law (the IDAct) and the ODA rules, and strongly believe these are not there to be gamed. But they have struggled at times to square this with the realpolitik of Whitehall and the government of the day.

- FCO's greatest assets are the diplomats for whom representing the UK interest overseas is second nature. They have much local knowledge, often mainly on day to day politics or international issues as they concern the UK at that moment in time. However, they have little experience in managing large programmes on the ground – whether using ODA or not.
- There is a lack of expertise across the rest of Whitehall to spend its considerable ODA resources effectively overseas, or even across international entities. Most recently ICAI and the IDC strongly criticized the handling of the Newton Fund, managed by BEIS. While DFID does not tend to get a clean bill, external scrutiny of non-DFID ODA shows much room for improvement.

IF MERGER ALONE DOES NOT RESOLVE THESE TENSIONS, WHAT DOES THE NEW FCDO NEED TO DO?

1. FCDO should develop clear long-term objectives for its full global agenda, including poverty reduction and economic development, and the use of ODA across Government

The FCDO needs clear objectives for what the UK Government wants to achieve globally, including its development objectives, to give structure and coherence to the use of ODA and development expertise across Government. Global poverty reduction is still enshrined in the IDAct, and still a clearly important part of the UK's commitment to be a force for good in the world, but the other (non-statutory) objectives of DFID and FCO, security, resilience (including to climate change) and prosperity remain obvious and good candidates to be part of the mission statement. Each is essential for sustained economic development and poverty reduction in the developing world and they matter for the UK. DFID's focus on the causes and drivers of poverty and global ills should be retained.

No slogans but a strategy. Choosing these nouns is not enough. The grammar of the UK Government response must be provided by a concrete ten-year strategy that sets out the key global challenges to which Britain will contribute through diplomacy, development and other tools. The Integrated Review is [clearly a key step](#), and should set out the main risks to global security, the greatest (and most tractable) challenges in global poverty reduction; and the risks to a resilient, prosperous global economy, as long-term progress will have to be underpinned by broad economic stability and development to be sustained. It will need a global development lens to make the UK a global force for good, fit for purpose for spending ODA resources. To translate it into action FCDO will require strategic plans, and a structure to match, underwritten with long-term budget setting, and spending allocations set in five year periods.

There is precedent for this: successful FCO-DFID collaboration in the past has often built on a shared, long-term vision and strategy for change. The Africa Strategy, which we both worked on in previous incarnations as civil servants, helped build bridges and coherence between the FCO and DFID, and beyond; the UK's approach in Afghanistan, India and Jordan are designed on similar principles, with long-term objectives that different arms of policy support, from economic development to peace and security.

2. FCDO needs to determine where and how to act based on (expected) impact and partnerships

To implement this long-term strategy, FCDO needs to choose where it acts and what it does on impact relative to these objectives. It should do so using all the tools the UK has at its disposal, with aid spending consistent with the IDAct and ODA definitions. This may well mean a different model to what DFID worked to or what the FCO may hope to gain from merger. It would however lead to a more effective department.

Inheriting a hammer might turn every problem into a nail. There is a risk that some will be dazzled by the sudden riches that the aid budget brings. Both in past times when ODA has fallen under the purview of the FCO, as well as throughout DFID's existence, the impression has been created that buying results with aid money for any objective is possible. Security, reduced migration from poorer to richer countries, and access to markets cannot not be bought with cash as if they have a precise price tag on them: there are no magic beans for sale. In any case, the FCDO should be much more than the diplomatic service with a wallet full of cash— that way lies the Pergau Dam, hardly a great success for British foreign policy.

One of DFID's strengths has been the use of evidence to prioritise its actions and a strong focus on what works: this is the route to impact. The FCDO can deploy this capacity across the full set of objectives it pursues; and like DFID, it should evaluate and assess its approach to these objectives and learn and improve over time. This is crucial for any objective the FCDO might pursue (be it poverty eradication or security, climate change mitigation or new trade links). And evidence tells us that there rarely are silver bullets or quick fixes, no substitute to careful design, diligent implementation, and willingness to learn.

Equally, need is not the same as effectiveness, so spending by FCDO may improve on DFID's model. An allocation driven primarily by need does not necessarily achieve the maximum even in terms of long-term development or poverty reduction. Are either long term development or broader global objectives, such as prosperity, security and the like best served by continued large-scale spending in places where there is no political commitment for development? Again, impact should be the criteria that motivates action.

A focus on impact may resolve apparent tensions on the geography of spending. Without consideration of impact, focusing on aid to Ukraine or Zambia in the context of an integrated department misses the point. FCDO will have to attend to interests in both, but for each, the mode of that attention must be determined by impact. Simply spending hundreds of millions of pounds in Ukraine won't buy security; equally there are many poor places where we have spent hundreds of millions in aid without inducing long-term commitment to poverty reduction from the Government. But what of spending a small amount of ODA in Ukraine if it actually helps progress stability? Or a diplomatic approach to understanding and influencing the politics that undermine economic progress? Would we really reject this as unworthy?

The real policy challenge will be to develop the UK's international development financing offer to provide suitable tools for engaging in a wider set of countries where FCDO has an interest. CDC's coming strategic review is an opportunity to investigate how it can contribute to FCDO priorities. Its equity and investment focus offers a positive way to engage in richer countries seeking economic development opportunities, allowing for a focus of more concessional funds on poorer places.

Eventually, a UK Government development bank or lending arm may be a logical part of the machinery, as the opportunity cost of spending grant money in better off countries is high, even if serving UK interests.

Long-term partnerships based on mutual interest and understanding are key for aid effectiveness, supportive of UK interests. There will remain many developing countries that are keen to work with the UK, where prosperity, security or poverty interests are strong, and where need is still high. Diplomats are essential to develop and cultivate these partnerships, mutual commitments to make aid work. On the agenda will be UK interests and what these partners want; it usually includes economic growth and jobs above all. Diplomats know well that even if resources are involved, patronizing or lecturing partners never works. Partnerships help achieve aid effectiveness, and should survive occasional tensions and unfavourable single-issue press coverage. But they are not sufficient – and here DFID's expertise helps and should be retained: in assessing how to effectively address a problem and design appropriate programmes.

An integrated approach at the country level can work: there are examples to build on. The FCDO can spend money where money works in support of long term strategic goals, and use influence and diplomatic skill in cultivating deep partnerships for mutual benefit where money is not the constraining factor. It can use its clout across Whitehall to bring into play the complete set of tools available to Government: global health policy, migration policy, trade policy, climate policy, as well as influence with international organisations. It can learn from the several countries where this has been put into practice by FCO and DFID already; we saw it first hand in Zimbabwe, Kenya and Ethiopia. In Ethiopia shared analysis and strategy supports a partnership for mutual benefit; in Zimbabwe a similar shared approach underpinned a more cautious strategy.

Two further examples illustrate this broad approach, COVID19 and protection of wildlife. First, it is clear that the COVID19 pandemic, just as five years ago Ebola in West-Africa, will need both a global and local response in developing countries. Whether it is for continuing management of the disease or distributing vaccines, basic health systems need to be in place, and global fair access to protection or vaccines is required too. Diplomacy is needed on the global front; but without basic health systems there is no solution, so there is need for intensive practical programmes of the type DFID has done for decades in many countries. Second, take biodiversity: the protection of plants and wildlife. This is not just a matter of global deals and cooperation with governments; although this matters, and the UK has a good track record such as last year's global wildlife agreements. Some of the largest biodiversity reserves are in fragile states, requiring security. And protecting them is not just a matter of spending on environmental protection, but creating jobs and livelihoods to stop local encroachment and plunder, and that may involve extensive local level programmes as DFID has much experience with.

UK interests are well served through international organisations, both the humanitarian agencies and the International Financial Institutions, and the UK should continue to invest in these relationships. A third of UK aid flows to multilateral agencies, of which the World Bank and other development banks, as well as humanitarian organisations form by far the largest share. While they are by no means perfect, the importance of UK support to humanitarian organisations should not be

questioned; now both diplomacy and money can be directed to improving them. The strong working relationship between DFID and the Treasury on the World Bank and other development banks should not be disrupted either, as they remain an important link in the delivery of poverty eradication and global prosperity. Given their skillsets, it may make sense to house this relationship in HMT, provided they beef up their development expertise with FCDO help.

3. To deliver better, FCDO needs to build a department, and a platform for ODA across the Government

For the FCDO to work it must become a real Department. That means retaining the expertise it inherits, and bringing to bear on a new, well-articulated mission. One of the risks of merger is the loss of expertise. This might occur via two mechanisms: DFID is well-populated by mission-driven bureaucrats, who may prefer to leave the civil service than work for an organization with an opaque or less inspiring mission. The second is if the new Department does not quickly recognise the technical and policy needs of its expanded mission and fails to value or deploy its staff appropriately. The first can be mitigated by setting out the FCDO's mission clearly, based on the principles discussed here. The second requires developing an internal structure and an outward-facing capacity to support delivery of strategic objectives, but also provide contestability over the strategy and use of resources in pursuing it.

FCDO should be central in helping the whole of Whitehall deliver the aid budget. It was a mistake of successive Secretary of States at DFID to insist that DFID staff focus only on delivering the DFID budget, and limit their involvement in helping spend resources of other departments. It disincentivised collaboration and the development of common standards. Meanwhile, other government departments, receiving now substantial ODA, sometimes struggled and could not fall back on the DFID overseas network to improve performance, leading to mixed reviews from ICAI and IDC. While there have been some changes in the last few years, the emergence of FCDO is a way of fixing this properly.

The UK needs a high-quality design-and-delivery platform for the whole of Whitehall to maximize the quality and impact of ODA spending. It can set common standards for use of evidence, IDA-compliance, monitoring and evaluation, as well as for management and contracting. Development expertise in the international network can be used for this, co-creating programmes, and assisting in delivery on the ground especially on complex cross-Whitehall objectives such as improved health systems, broader trade opportunities and economic development. Delivery in-country will not just require diplomats but extensive development expertise. For now, this platform could be built up in FCDO, using extensive DFID expertise. Anyone expecting that more impact can be achieved with fewer people is likely to be mistaken. Spending across far more places will require more people with quality local knowledge on how to deliver effectively. It may eventually pay to have part of this delivery arm become a stand-alone arms-length body, independent of Whitehall, but Government-owned, to both implement policy and avoid the messy and expensive relationship with contractors and consultants that are current.

For the merger to be success, it cannot just append a design-and-delivery group to an otherwise unchanged FCO, but needs to value leadership and expertise on development and its spending. Spending aid money well and judging over trade-offs is hard. The policy and leadership needs for effectively using ODA and pursuing long-term global objectives cannot be underestimated, with both DFID leaders and experts requiring to be integrated in senior structures in the new FCDO. FCDO should continue the emerging practice of appointing talented senior DFID officials in senior positions, including as heads of mission, and all its own senior staff will need a quality crash course in

international finance, development challenges, and the management of large programmes.

Quality decision making will require contestability, both within FCDO and across Whitehall.

What this means first is a strong culture of internal debate over how best to pursue the department's strategic objectives, providing contestability over resource use. The FCDO will need to prioritise, evaluate and learn over time, and this can be facilitated by protecting and nurturing the analytical capacities required to do so. As colleagues [have said](#), DFID's value for money and analytical architecture should be retained.

TO CONCLUDE...

Together, long-term objectives across Whitehall translated in strategies with concrete actions focused on impact should overcome both the challenge of coherence but also the risks of pure transactional spending, however tempting it may be. The focus on impact could bring out the best of the FCO through the importance of building and sustaining long-term partnerships, as well as the best of DFID, through focus not just on need but also on evidence of effectiveness. Building inside FCDO (and possibly outside government too) a strong cadre of people supporting the whole of Whitehall in the design and delivery of ODA resources on the ground will help set common standards and reduce challenges related to ODA spending across Whitehall. Finally, a healthy contestation of policy, spending plans and trade-offs within FCDO and across Whitehall will build both the legitimacy and accountability of the new Department.

Ultimately, treating the new department as a new entity with new potential borne of the specific objectives it pursues is the only positive way forward. Simply grafting an existing infrastructure for development onto a short-termist diplomatic service will end in tears, as it has before; after all the Centaur is an agent of chaos, not stability. Instead, cultivating the right set of objectives, understood and pursued over the long-term, making full use of the capabilities and staffing available to maximise these can make a success of the new department.

** Charles Kenny, Masood Ahmed and Ian Mitchell made excellent comments on an earlier draft.*



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