



*mf*

Prime Minister

*Para vii of the summary shows that 2 1/2 Under Sec posts, 14% of Ass. Sec posts, and 12% of economist complement will be saved. Other savings are still being assessed*

PM/80/65

PRIME MINISTER

Management Review of the ODA

*MAD 5/8*

1. You will recall Sir Derek Rayner's submission to you of 6 March, following the work that had been carried out under his direction on the question of overlap and duplication between the two wings of the FCO. Specific aspects of this question were remitted for further study to the Management Review, which had begun some weeks earlier, with the requirement that the outcome should be submitted to you by the Parliamentary recess.
2. The Management Review has now been concluded and I am content with the recommendations that have been made in respect of both overlap/duplication and of the organisation and management of the ODA. I believe that they will lead to a more efficient organisation and a more effective use of manpower and other resources.
3. I attach a copy of the report on the Management Review; a summary of the main findings is set out at the front of the report. Part II of the report deals with the issue of overlap and duplication. I think that it is useful to see those conclusions in the wider context of the recommendations in Part III for organisational change within the ODA wing.
4. The study of common services, such as establishments, in the two wings will be carried out in accordance with the timetable set out in Sir Derek Rayner's submission, and a further report will be made to you as soon as it has been completed.
5. I am sending copies of this minute, and a copy of

/the report ...



the report to the Lord President of the Council and  
to Sir Derek Rayner.

C

(CARRINGTON)

Foreign and Commonwealth Office  
4 August 1980



file B  
Gart Mack

10 DOWNING STREET

*From the Private Secretary*

11 August 1980

The Prime Minister has seen the Foreign and Commonwealth Secretary's minute of 4 August, about the management review of the ODA. She has noted the outcome of the work.

I am sending copies of this letter to Jim Buckley (Lord President's Office) and Clive Priestley (Sir Derek Rayner's Office).

M. A. PATTISON

G.G.H. Walden, Esq.,  
Foreign and Commonwealth Office.

GE



Prime Minister

②

WCS spoke - NBPM  
MAP

Print

Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

PRIME MINISTER

MANAGEMENT REVIEW OF THE ODA

The Foreign and Commonwealth Secretary sent me a copy of his minute to you on this subject. The Treasury has been closely involved in the Management Review, and I am in broad agreement with its outcome. In particular, the arrangements for financial management and control now proposed are a clear improvement on what has existed hitherto in this areas.

2. I am copying this minute to the Foreign and Commonwealth Secretary, the Lord President of the Council and Sir Derek Rayner.

(G.H.)

/ September 1980

E-1 SEP 1980



✓  
MAD



Foreign and Commonwealth Office

London SW1A 2AH

6 August 1980

Dear Muntz,

Management Review of the ODA

/ I am afraid we omitted to send to the Chancellor of  
/ the Exchequer a copy of the Foreign and Commonwealth  
Secretary's minute to the Prime Minister of 4 August  
about the Management Review of the Overseas Development  
Administration. I now enclose this, together with  
a copy of the Report on the Management Review.

I am sending a copy of this letter, without enclosures,  
to Mike Pattison (10 Downing Street), Edward Chaplin  
(Lord President of the Council's Office) and to Sir Derek  
Rayner's office.

Yours truly

Paul

(P Lever)  
Private Secretary

M Hall Esq  
Private Secretary  
to the Chancellor of the Exchequer  
HM Treasury  
Whitehall

- 6 AUG 1980



 OVERSEAS DEVELOPMENT ADMINISTRATION

MANAGEMENT REVIEW

REPORT BY THE STEERING COMMITTEE

JULY 1980



GUIDE TO ABBREVIATIONS.

BARDD	Bilateral Aid and Rural Development Department
BCD	Bilateral Co-ordination Department
CDC	Commonwealth Development Corporation
COPR	Centre for Overseas Pest Research
DCD	Development Co-ordination Department
DOS	Directorate of Overseas Surveys
EPS	Economic Planning Staff
ERCD	Economic Relations and Commodities Department
ERD	Economic Relations Department
ETPD	Education and Training Policy Department
FRD	Financial Relations Department
IBRD	International Bank for Reconstruction and Development
IPD	Information Policy Department
LRDC	Land Resources Development Centre
OECD	Organisation for Economic Co-operation and Development
OID	Overseas Information Department
PEO	Principal Establishments Officer
PESC	Public Expenditure Survey Committee
PFO	Principal Finance Officer
TC	Technical Co-operation
TPI	Tropical Products Institute
UN	United Nations

OVERSEAS DEVELOPMENT ADMINISTRATION

MANAGEMENT REVIEW

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REPORT BY THE STEERING COMMITTEE

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July 1980.

OVERSEAS DEVELOPMENT ADMINISTRATION  
MANAGEMENT REVIEW

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REPORT BY THE STEERING COMMITTEE

Summary.

- i. The merger of the former ODM with the FCO has enabled arrangements under the Secretary of State to be rationalised in areas where similar functions have been separately undertaken. Ministers decided this year that aid policy and international economic relations policy should be brought together in two new departments serving both wings: these will combine functions previously carried out in other departments and will be in operation this month. Aid policy should be considered by a Policy Board, chaired by the ODA Permanent Secretary and with representation from both wings at Deputy Secretary level (paragraphs 9-13).
- ii. We also propose that the economists in the two wings should be amalgamated into a Unified Economic Service and that in principle it would be right to work towards a merger of information services (paragraphs 20-26).
- iii. We conclude that there would be no advantage in terms of the effectiveness of aid management and control, nor would it secure significant staff savings, to amalgamate into a single set of departments the function of managing specific aid programmes with the essentially dissimilar task of the conduct of political relations. We do not therefore recommend an amalgamation of geographical departments (paragraphs 14-19).
- iv. We note that a study of common services functions, such as establishments, in the two wings is to start after the Management Review.
- v. For the management of the aid programme we make proposals for the more effective control over expenditure. The Principal Finance Officer of the ODA should be responsible for both aid policy and finance, reporting directly to the Permanent Secretary. The financial and physical monitoring of project and certain other bilateral expenditure should be strengthened. Improved arrangements between Headquarters and the overseas Development Divisions are

recommended together with an extension of delegated authority; and we propose further work in relation to outside bodies in receipt of funds from ODA. Financial control will be strengthened by the progressive introduction of a computerised management information system (paragraphs 36; 40-45).

vi. We identify scope for making more effective use of manpower, particularly the specialist advisers. Advisers in the main disciplines should be brigaded with the bilateral spending divisions, whose requirements should determine their work priorities. The administration of ODA's interests in research (including relations with the Scientific Units) and education (including the British Council) should be brought together under the supervision of the relevant Chief Advisers, reporting at Deputy Secretary level. There should be clearer demarcation between the Development Divisions and geographical departments to minimise overlap (paragraphs 32-37).

vii. A system of manpower budgeting should be introduced to enable the manpower implications of policy priorities to be identified. New arrangements for dealing with technical co-operation should also strengthen ODA's ability in this area (paragraphs 46-49).

viii. Our proposals for organisation and procedures coupled with the effect of reductions in the aid programme will lead to a reduction of one third (from  $7\frac{1}{2}$  to 5) in the number of Administrative Under Secretary posts, and over 14% (5 posts) at Assistant Secretary level. Staffing at lower levels, and among the advisers, is now being assessed. Our proposals for the economists will lead to a reduction of about 12% in complement (paragraphs 50-55).

## OVERSEAS DEVELOPMENT ADMINISTRATION

### MANAGEMENT REVIEW

REPORT BY THE STEERING COMMITTEE

#### INTRODUCTION

1. The Management Review of the ODA was directed by a Steering Committee chaired by the Permanent Secretary of the ODA, assisted by a team of officials drawn from the ODA and the Civil Service Department. The membership of the Steering Committee and of the review team is shown in the Annex. We met for the first time on 6 November 1979, with the following terms of reference:

"To review the organisation and management of the Overseas Development Administration".

This report sets out our conclusions.

#### Background

2. The Government decided on taking office that the then Ministry of Overseas Development should be converted into an Overseas Development Administration within the FCO. Responsibility for overseas development was delegated by the Secretary of State to a Minister of State who has the additional title of Minister for Overseas Development. He was authorised by the Secretary of State to conduct the normal relations of a spending department with the Treasury and to deal direct with the CSD on personnel and related matters. The former Permanent Secretary of the ODM became the Permanent Secretary of the ODA and is Accounting Officer in respect of ODA affairs. In this capacity he accounts for expenditure on the Overseas Aid Vote, the Overseas Administration Vote, and the Superannuation etc. (Overseas Service) Vote.

3. The principal task of the ODA is to formulate and carry out policies to help the economic and social development of less developed countries. Its main activities are to manage a programme of bilateral aid to individual countries; and to contribute to and participate in the work of multilateral aid institutions. As part of the bilateral aid programme it provides direct assistance to individual countries in the form of technical co-operation and maintains standing capacities

of certain skills and expertise to contribute to this purpose. At July 1 1980 it had a total complement of 2332, including 952 in the four Scientific Units - the Tropical Products Institute, the Centre for Overseas Pest Research, the Directorate of Overseas Surveys and the Land Resources Development Centre. The gross aid programme amounts to £950 millions in the current year. There is therefore a considerable task of resource management which is different in nature from the other responsibilities of the Secretary of State for Foreign and Commonwealth Affairs.

#### Approach to the Review

4. Two factors, in particular, determined our choice of the aspects of the organisation and management of the ODA to study. The first of these was the merger of the FCO and ODM. It was the Government's intention that the formation of a combined FCO/ODA should lead to economy by the elimination of overlap and duplication in the work of the two organisations. A scrutiny conducted under the direction of Sir Derek Rayner focussed specifically on this issue, and Ministers instructed the Management Review to follow up certain important aspects of that study. While it was not our task to review the FCO as a whole, the relationship between the ODA and the rest of the FCO in respect of the function of aid and development has therefore been an important feature of our work.

5. The second factor was the renewed emphasis which Ministers have placed on efficiency and economy in Government administration. We have therefore paid particular attention to the organisational structures and systems through which aid programme resources are managed, in order to achieve an appropriate balance between Ministers' policy objectives, the need for proper financial control and accountability, and the requirement for the maximum economy in the use of administrative resources.

6. The ODA Staff Side has been regularly consulted in the course of the review and will be consulted, as appropriate, on the implementation of particular recommendations.

## II. RELATIONSHIP BETWEEN THE ODA AND THE DIPLOMATIC WING

7. Following the initial Rayner scrutiny exercise we were given the task of examining the relationship between the two wings in the following areas of work:

- a) the formulation of policy on the use of aid resources;
- b) the formulation of policy on multilateral economic relations with developing countries;
- c) the FCO interests in certain specialist economic policy issues relevant to developing countries;
- d) the organisation of geographical work;
- e) the organisation of economic advice;
- f) the organisation of information services.

Ministers have also agreed that an analysis of common service functions such as establishments in the two wings of the FCO will be undertaken after the Management Review.

8. The merger of the FCO and the ODM provides the opportunity to integrate aid policy more fully with wider foreign policy and to make better use of manpower. We have looked for changes in the arrangements for formulating aid policy and administering the aid programme, which calls for close attention to financial management and control, where they demonstrably contribute to efficiency and economy in the use of staff. Where staff in both wings are engaged in work which is part of a single function, rationalisation is clearly sensible to eliminate unnecessary overlap and duplication. But we have eschewed change for change's sake. We see no advantage in artificially joining functions which are distinct if, in our judgement, this would not result in the more economical and effective organisation of work.

#### Aid Policy

9. Ministers have decided in principle that a single department should be formed to co-ordinate the formulation of aid policy on behalf of the FCO as a whole, thus combining in one place work and staff previously dispersed and avoiding duplication. Our task was to advise on the role and functions of this department. The primary function of the new Aid Policy Department will be to provide support for Ministers and senior management in the FCO on central issues of aid strategy including policy on aid allocation to recipients and priorities in aid uses. The new department will assume the current functions of the Financial Relations Department (diplomatic wing) and the Finance Department (ODA) relating to policy formulation on the allocation of aid resources, thus eliminating the current duplication in

the co-ordinating roles carried out separately by those two departments. The department will be responsible for co-ordinating the interests of the FCO as a whole in the preparation of advice to Ministers on aid policy. Responsibility for the important task of the financial management and control of the agreed aid programme continues to rest with the ODA Finance Department, but because of the close relationship between the formulation of policy on the distribution of the aid programme (through the mechanism of the Aid Framework) and the financial control of the programme we propose that both the Aid Policy Department and the Finance Department should be supervised at Under Secretary level by the Principal Finance Officer of the ODA. He will report direct to the ODA Permanent Secretary on both functions.

10. The Aid Policy Department will also have a number of other important policy functions (such as commercial aspects of aid) which are currently carried out in DCD and, to some extent ERCD, and will thus provide a clear focus for central issues of aid policy. As Accounting Officer for the Overseas Aid Vote, the ODA's Permanent Secretary has responsibility for ensuring that the advice on aid policy is properly co-ordinated within the FCO as a whole. In order that he can be assured that all relevant considerations have been adequately taken into account at the highest levels, proposals to Ministers on the Aid Framework and on other major aid policy issues should be considered by a Policy Board under his chairmanship. Deputy Secretaries with responsibility for third world questions in both wings, as well as the Principal Finance Officer of the ODA, should be represented on the Policy Board.

#### International Economic Relations

11. The Steering Committee reviewed the current organisation of arrangements within both wings for handling North/South questions in the light of Ministers' decision that these should be dealt with in a single department in the diplomatic wing. This will bring together functions previously dispersed in the FCO and ODA and provide a central point within the FCO as a whole to deal with international economic and financial questions. These include economic relations with developed countries and with certain international institutions, such as OECD, and with developing countries notably through the North/South dialogue.

12. Economic Relations Department will assume the present responsibilities of Financial Relations Department for international economic and financial questions, including lead responsibility within Whitehall for formulating policy on North/South relations. It will also absorb the North/South functions of

Trade Relations and Exports Department and of the ODA's Economic Relations and Commodities Department: FRD and ERCD will cease to exist as separate departments. ERD will report through an Assistant Under Secretary located in the diplomatic wing who reports in turn to the Deputy Under Secretary responsible for economic issues. Clearly the new department will need to maintain close working relations with the UN and other relevant departments in both wings; we recognise in particular that it will need to look to the Aid Policy Department for advice on questions arising in the North/South context of any potential calls upon aid funds in order that the Permanent Secretary of the ODA, as Accounting Officer, can ensure that the implications for the aid programme are fully taken into account in any advice to Ministers.

13. Rationalisation of the arrangements in the FCO for aid policy and international economic relations policy leads to a net saving in the two wings of 5½ posts, including one at Assistant Secretary level.

#### Specialist Policy Areas

14. FCO Ministers need advice on the international aspects of a range of issues arising in specific economic sectors, most of which are the primary responsibility of other Government departments. We were concerned to establish whether the arrangements within the FCO for these sectors which include energy, environment, science and technology, maritime questions etc. were the most effective and economical for the purposes of providing the Secretary of State and other FCO Ministers with co-ordinated advice. Other important areas in which both wings are involved include cultural and educational relations with developing countries and the work of the specialised agencies and other organs of the United Nations.

15. There are some important differences between the function of advising on the international relations aspects of United Kingdom policy in economic, scientific and other domestic policy areas, and the management of aid funds allocated to specific sectors either for bilateral programmes or the programmes of multilateral agencies. In general we found that the functions of the relevant departments in both wings were distinct and there was little overlap or possibility of sensible rationalisation. We do however recommend that, while the functions of the departments concerned with the United Nations' business are in general distinct, the relationship between their respective responsibilities should be clarified. We also recommend that the FCO's interests in the international aspects of energy policy, and in international environmental and law of the sea questions, should be co-ordinated by Energy, Science and Space Department and

Maritime, Aviation and Environment Department respectively: there should be no separate responsibility for these subjects in ODA. Finally, in the educational and cultural sector, we are not satisfied that it necessarily represents the most efficient use of administrative manpower that the British Council's core budget should be funded from two separate Votes, and therefore administered by both Cultural Relations Department and Education and Training Policy Department. We recommend that this be reviewed by the two wings in consultation with the Treasury.

#### The Organisation of Geographical Work

16. In the context of the merger of the former ODM into the FCO the appropriate organisation of geographical work is of major importance. Both wings have a number of geographical departments each concerned with particular countries and regions. Concern has been expressed in a number of quarters about the existence of two sets of departments dealing with the same countries, and this was an issue covered in the Rayner scrutiny.

17. The ODA has nine geographical departments with a total staff of 129, responsible at Headquarters for all aspects of bilateral aid to particular countries and managing a current aid programme of well over £500 million. Within the diplomatic wing there are twelve geographical departments with a total staff of 100 concerned with relations with individual developing countries which receive aid. In addition there are two joint departments which cover the affairs of the dependencies in the West Indies and the Pacific, although this will reduce to one when the New Hebrides becomes independent. These two geographical organisations are responsible for:

- a) The formulation of advice to Ministers on policy towards individual countries overseas and the conduct of overall diplomatic relations with them.
- b) The formulation of advice to Ministers on aid relations with overseas countries.
- c) The administration of aid allocated to these countries.

18. The first of these functions is the primary concern of the geographical departments in the political wing. The function of managing aid programme resources under c) above is the responsibility of the ODA geographical departments. The function at b) above is one which is of concern to both wings. As noted in paragraph 2 above it is the responsibility of the

Permanent Secretary of the ODA to account for expenditure on the Overseas Aid Vote. We did not, however, regard this as a barrier to organisational change if on merits we thought such change would achieve greater efficiency. We accordingly examined how far the two sets of geographical departments have genuinely different tasks, justifying a degree of organisational separation or how far their functions are similar and would therefore with advantage be dealt with in merged departments. Our conclusion is that the functions of aid management and of the conduct of political relations are quite distinct. The former consists mainly of the management of a large public expenditure programme. Much of the work is concerned with detail requiring a knowledge of complex aid procedures and the integration of economic and other professional advice. In practice the day to day work of the ODA geographical departments does not greatly impinge on the work of those in the diplomatic wing except in their common interest in bilateral aid policy.

19. All geographical work could theoretically be combined if the departments so established dealt with a smaller number of countries than is now the case, but this would carry with it the major disadvantage of disaggregating responsibility for coherent regions that should be dealt with as one unit, eg South Asia. Moreover, given the unpredictable and at times heavy pressure of political activity affecting our relations with particular countries, we are not convinced that such departments would be able to give the continuous and detailed attention to aid management that the proper control of the aid programme requires. The result would, in the Steering Committee's view, be likely to reduce the efficiency with which each function is carried out, without securing significant staff savings. We therefore recommend that the geographical departments should not be amalgamated. Nonetheless there is scope for seeking greater efficiency by introducing more streamlined procedures and rationalisation within each wing. In the course of the review we have examined the administration of the bilateral aid programme from this standpoint, and set out our recommendations later in this report.

#### The Organisation of Economic Advice

20. Each wing of the FCO at present has its own economic service. In the diplomatic wing eleven economists headed by the Chief Economic Adviser are available to give professional advice, relating either to countries or to more general policy issues, on the whole range of technical economic questions of concern to the FCO. This advice enables FCO Ministers and officials to take account of economic considerations in the exercise of their functions. Other departments are also involved in the formulation of foreign economic policy but

it was not within our terms of reference to examine the relationship between the economists in the diplomatic wing and those in other Whitehall departments.

21. In the ODA the Economic Planning Staff, with thirty one economists at Headquarters and ten in the overseas Development Divisions, under the Director-General, have two main roles. They help to identify, and by the application of techniques of economic analysis, appraise and evaluate proposals for capital expenditure and for the provision of technical co-operation in order to ensure that the optimum return is likely to be obtained, in developmental and other terms, from the investment of UK aid funds. They also provide a comparable economic input to ODA's consideration of certain specific expenditure proposals of multilateral agencies which receive aid programme funds.

22. Based on their experience of the economics of development in the third world the EPS has provided advice to the Minister for Overseas Development and senior officials on the economic aspects of policy towards the third world including general aid policy and policy proposals made by multilateral agencies and in other international bodies.

23. There is some degree of duplication between the Economists Department and the EPS, notably in relation to broader economic issues affecting the third world. In the circumstances of a combined FCO/ODA, particularly following the formation of the two central policy departments described above, we think there would be advantage in reorganising the resources of professional economic advice by merging the two groups of economists to form a single Economic Service. Under its head, to be known as the Chief Economist, this will be responsible for the provision of economic advice to all parts of the FCO. This rationalisation will eliminate the risk of duplication by ensuring that henceforth there would be single points of advice on particular countries and subjects. The new arrangements will provide greater flexibility in the deployment of economic expertise to respond to changing priorities. It will also offer the possibility of widening the range of work for the members of the unified economic service.

24. This reorganisation together with changes in workload flowing from reductions in the aid programme will save staff at Director level and below. The numbers will be reduced by seven in total, amounting to over 12% of the present complement. We recommend that the structure and complementing should be reviewed after adequate adjustment to the new arrangements. The Statistics Division of the ODA is currently the subject of a separate scrutiny as to its role and functions as part of a Civil Service-wide study of official statistical services.

#### Information Services

25. The diplomatic wing has three information departments; News Department which advises the Secretary of State on and handles relations with the media, Information Policy Department (IPD) which is mainly concerned with overseas information work, and Overseas Information Department (OID) which prepares guidance and background briefing on matters of general concern affecting Government policies. There is a single Information Department in the ODA, responsible for press and public relations in respect of development issues. In a broad sense the information services in both wings carry out similar functions: ODA's department performs duties in relation to the media which are similar (although on a much smaller scale) to those of News Department and prepares and disseminates information material in much the same way as OID except that it prepares more of its own material and this material is directed more towards the home market.

26. The current aim is to amalgamate OID and IPD in the diplomatic wing, a merger that would save a number of staff. It would be desirable if this amalgamation could encompass the production side of ODA's Information Department. If this happened, it would be logical to absorb the press and public relations activity of ODA's Information Department into the FCO's News Department. So long as ODA and the FCO are physically separated, however, it will be necessary to retain a small information section in ODA to support the Minister for Overseas Development and to maintain close contact with ODA policy and functional departments. Our present view is that the burden on the Head of a combined OID/IPD would be likely to be excessive if he was also to assume responsibility for a separate unit in the ODA. Our preference at this stage therefore is to retain separately managed Information Departments in both wings in order to facilitate the OID/IPD merger and thus obtain those staff savings. Nevertheless, we take the view that in principle the information services for the FCO as a whole should be amalgamated and we therefore think that this should be looked at again at the time of the review of common services when the extent of the duties of the Head of OID/IPD will be more clear. There have already been substantial staff savings in these departments: IPD is being cut by 20% and the ODA department by nearly 50%.



### III. MANAGEMENT AND CONTROL OF THE AID PROGRAMME

27. Efficient administration of the Government's aid policy and effective financial management and control of the aid programme are the primary management tasks of the ODA. The systems used for management and control and the structure in which they operate are therefore of particular concern to the Management Review. We set out below our main conclusions following our examination of the organisation and the arrangements for the planning and control of resources.

#### Organisation and Structure.

##### Policy.

28. The formation of a single Aid Policy Department responsible for major issues of policy will simplify and strengthen the arrangements for policy formulation. Placing the department under the responsibility of the Principal Finance Officer of the ODA will also strengthen the important linkage between policy on the Aid Framework and financial control of the agreed Aid Programme. The PFO should report direct to the Permanent Secretary on these functions.

##### Bilateral Aid.

29. Other issues of general management - concerning, for example, the functions of the Projects and Evaluation Committee and the terms and conditions of aid - and sectoral policy which arise across the bilateral programme as a whole are currently handled in Bilateral Aid and Rural Development Department and in Development Co-ordination Department. We think they should be brought together in a Bilateral Co-ordination Department, which would replace BARDD. BCD would also have an important new function of advising on general issues of technical co-operation policy, including the follow up to the current TC Review.

30. Since bilateral aid funds are allocated for the most part on a country basis, reflecting the fact that aid is an important aspect of relations between donor and recipient, we endorse the present geographical basis of organisation for bilateral aid work, and do not favour alternative models based, for example, on economic sectors. The reductions in bilateral aid, and the changes we recommend in this report, will enable the number of geographical departments to be reduced from nine to seven.

##### Multilateral Aid.

31. Following the formation of the Aid Policy and Economic Relations Departments, there will be a substantial change and reduction in the organisation for multilateral aid work within the ODA wing. It will become possible to accommodate this work in three departments in place of the current five, with responsibility for the IBRD and the Regional Development Banks being brought together in one of the ODA's UN Departments.

#### Specialist Staff.

32. Efficient administration is only partly a matter of organisational structure. Responsibilities also need to be well defined and lines of accountability clearly understood. This is particularly relevant to the role of the specialist. ODA needs specialist advice in the process of identifying, appraising and monitoring aid proposals, and the advisers in ODA thus have an important role to play in the aid management process. We were concerned that the optimum use should be made of these specialist personnel, given the importance of administrative and specialist staff working efficiently together towards common objectives.

33. We therefore have two major proposals to make. The first is that professional advisers should in appropriate cases become more involved in line management, especially where they are heavily involved in the work of the administrative departments in question and where scope exists for rationalising the involvement of senior advisers and administrators. We felt that this applied in particular in the case of research in the natural resources field, including the activities of the Scientific Units, and was relevant in respect of ODA's interests in research in the energy and engineering sectors and in the field of health, including population planning. We took the view that it also applied in the educational sector where there was an opportunity of rationalising functions, particularly at Under Secretary/Chief Adviser level.

34. We therefore propose a radical reorganisation involving the employment of advisory staff in the supervision of orthodox administrative work in parallel with their advisory functions. This underlines the position of the Chief Advisers as Under Secretaries in the Open Structure. The present Chief Natural Resources Adviser would become responsible both for the administration of natural resources research and the conduct of relations between in-house Scientific Units and the rest of ODA. The Chief Medical Adviser would become

responsible for health research and for supervising the work of the Population Bureau. The Chief Education Adviser would become responsible for supervising ETPD, and hence among other things for relations with the British Council. In addition the Principal Engineering Adviser would assume administrative responsibility for energy and engineering research and for relations with external units in the engineering and related fields. On these new functions the Heads of the Advisory Groups in question would report directly to a Deputy Secretary.

35. The second of the new proposals in respect of the advisers concerns the establishment of more integrated working arrangements between the specialists and the administrators in the main bilateral spending areas. We therefore recommend that the advisers in the main disciplines (eg natural resources, engineering, education, health) should be deployed to work alongside their administrative colleagues in the Geographical Divisions, as the geographical economists do now and as all advisers generally do overseas in the Development Divisions. Their work priorities should be clearly determined by the requirements of these main spending departments under the supervision of the Geographical Under Secretaries, although account should be taken in this of the advisers' multilateral and functional responsibilities. Professionally they would still remain responsible to the Heads of their respective Advisory Groups. Our clear view is that the arrangements we propose will represent a more efficient deployment of staff and that the multidisciplinary approach will contribute to the more effective management of the aid programme.

#### Development Divisions.

36. In the Development Divisions the benefits of a team approach, with administrators and advisers working closely together, have been widely acknowledged. We have noted other advantages in having a group of professionals based overseas, with local contacts and influence and able to provide on the spot advice on technical issues and to resolve problems at the local level. However, there are a number of difficulties in assessing in quantitative terms the relevant costs and benefits of having advisers based at home or overseas, and we do not therefore regard it as practicable to try and lay down general rules governing this issue. It will ultimately remain a matter of judgement - depending, for example, on the nature and scale of the aid programme in a particular region and on the distance from London - on how best to provide advice on the aid programmes in particular countries or regions. What is clear in our minds, however, is that where Development Divisions are maintained it is important that the fullest possible use should be made of them and their place

in the organisation clarified. The Head of the Division should be clearly responsible to the relevant ODA Geographical Under Secretary, and the respective roles and responsibilities of the Development Division and the geographical departments in London more explicitly demarcated in order to minimise overlap and duplication. Finally, and subject to certain conditions, we propose that delegated authority should be extended.

#### The Scientific Units.

37. Scientific and technical services to developing countries are provided in certain specialised fields by the four Scientific Units of the ODA. In the past there has been a degree of ambiguity in the relationship between these Units and senior management in HQ. We therefore propose a clearer definition of the responsibility of the HQ Under Secretary concerned in respect of the Units, together with the introduction of certain improvements in management procedures applying to the Units. In the case of TPI and COPR we propose that a system of periodic scientific, technical and economic reviews by outside experts should be introduced. We recommend an examination of the most appropriate future role of LRDC. The DOS is included in the current programme of functional scrutinies.

#### Resource Control.

38. The Permanent Secretary is responsible for the overall management and organisation of the ODA and for ensuring that resources are used economically and effectively. Measures announced by Ministers to reduce the overall level of public expenditure, including expenditure on the aid programme and numbers of civil servants, have reinforced the need for strong and effective arrangements for the planning and control of resources, and this has been an important theme throughout the Management Review.

39. The Principal Finance Officer and the Principal Establishments Officer have key roles to play in support of the Permanent Secretary and we confirm the present position whereby both report direct to him in respect of those functions.

#### Finance.

40. The role of the PFO has always been of central importance because of the link between the planning and control of expenditure and the effective administration of the aid programme. The link between policy and finance will be further strengthened by our proposal that the PFO should be responsible

for the Aid Policy Department. He is likely to be fully loaded as a result of this new responsibility. Although he would relinquish his supervision of ETPD following our proposals for new arrangements in the educational sector, he will retain responsibility for the Crown Agents and CDC. We do not regard the present organisation of administrative responsibility within ODA for these bodies as ideal and it should therefore be reviewed in the course of the next year when more experience will have been gained of the working of the 1979 Crown Agents Act and in the light of the outcome of the current interdepartmental review of the CDC.

41. Within the PFO's finance organisation, the Head of Accounts Department should report to the Head of Finance Department to bring together responsibility for all financial and accounting procedures. The Chief Internal Auditor should continue to report to the PFO, but with a right of access to the Accounting Officer in exceptional circumstances.

42. Financial Instructions should reconfirm the respective responsibilities of line managers and the PFO for the scrutiny and control of the expenditure, on the basis of the following definition:

- a) The financial procedures promulgated by the Finance Department and the PFO are prescribed on behalf of the Permanent Secretary, to whom other managers are accountable for operating them through their line hierarchy.
- b) The PFO has a clear responsibility to the Permanent Secretary to monitor compliance with these procedures.
- c) Those to whom authority to incur expenditure is delegated are accountable via their line management hierarchy to the Permanent Secretary for the discharge of the responsibility and use of the authority placed on them. The responsibility of the PFO is to advise the Permanent Secretary on these delegations and to monitor, on his behalf, how the delegations are operating.

43. The financial management of the bilateral aid programme is a complex task, involving a constant process of adjustment to match the deployment of the programme to the available resources. The geographical departments are responsible for managing country aid programmes, which account for the bulk of bilateral aid. These programmes are made up of a mixture of capital projects

and other forms of aid which require a careful appraisal of relevant economic and other factors in order to establish value for money in developmental terms. We broadly endorse the procedures for project appraisal which are well developed and kept under review by the Projects and Evaluation Committee. The implementation of projects needs extensive co-ordination and monitoring in both physical and financial terms to keep them on course and to ensure that the overall country programme funds are managed and controlled in an orderly way within the agreed Framework allocation. There have been certain weaknesses in control; this is partly so because the actual expenditure of aid funds is largely in the hands of other agencies, but project monitoring procedures have been unsatisfactory and the flow of financial information has been inadequate.

44. Two important steps will strengthen financial management of the aid programme. These are:

- a) the introduction later this year of detailed guidelines for the geographical departments and Development Divisions in the physical and financial monitoring of project aid, with more concise situation reports to senior management;
- b) improvements in the quality and timeliness of financial information by the progressive establishment of a computerised financial information system.

We think it should be a task of the Policy Board to keep actual and projected aid programme expenditure under review through the year.

45. We have made certain other detailed recommendations relating to these financial procedures, as well as to ex post evaluation, the operation of the Aid and Trade Provision, and the arrangements in respect of grants from the aid programme to certain public and non public bodies.

#### Manpower Control.

46. All line managers are responsible for ensuring that staff are deployed and used as effectively as possible. A number of our recommendations including in particular those as to the role of specialist advisers, the role and functions of Development Divisions and the reorganisation of responsibilities in the education, research and health sectors will further this objective. Senior managers have broader responsibilities for the planning and control of ODA's manpower resources as a whole. This requires arrangements which recognise the interconnection between policy decisions and the use of administrative

resources, and which determine priorities and allocate available staff in accordance with them. The ODA has been developing its arrangements for this purpose.

47. We propose two main changes. First, we recommend a more permanent system for reviewing manpower requirements and deciding priorities for the ODA as a whole. This would take the form of an annual manpower budgeting exercise linked to the PESC and Estimates cycle, with the following key elements:

- a) The Permanent Secretary, on behalf of Ministers, would lay down broad guidelines for future staff totals, reflecting policy priorities and indicating where changes in current staff deployment might be sought.
- b) In the light of these guidelines line managers would produce statements of functions and forecasts for manpower for the years in the Aid Framework. These statements would be consolidated by Under Secretaries and Deputy Secretaries who would assess the effects of the changes indicated in the guidelines and of ceasing other functions of low priority. Heads of Advisory groups would similarly report in respect of their groups and commands.
- c) The PEO would, after any necessary consultation with Deputy Secretaries and Under Secretaries, submit the consolidated returns to the Permanent Secretary together with his advice on options and identifying any problems of matching plans to the original guidelines. After consideration by the Permanent Secretary and the senior management team, the results of the exercise would be submitted to the Minister for his approval and would form the basis of the ODA's returns to the CSD.

48. The work of Management Services, staff inspection and other assignment staff would be associated with this system, with the PEO putting forward proposals for specific studies, including functional scrutinies, to be carried out by these staffs in areas identified in the annual exercise as meriting detailed attention. The PEO should attend meetings of the Policy Board when the issues under discussion have significant implications for manpower.

49. Secondly, additional provision is needed to monitor the internal manpower implications of technical co-operation, given that a large proportion of the

ODA's headquarters staff and virtually all the staff of the Scientific Units are engaged directly or indirectly in this work. Future TC activity therefore has major implications for the deployment of staff resources. Among the new tasks that we propose for Bilateral Co-ordination Department is specific responsibility for the assessment of the likely implications of TC policy for ODA's administrative and technical manpower, with particular reference to longer term priorities.

#### Manpower, and Responsibilities and Staffing at Senior Levels.

50. The Management Review has coincided with a period in which the Government is seeking considerable savings in administrative expenditure. We have therefore looked for improvements in organisation and methods of working which would also promote more effective and therefore more economical deployment of staff.

51. Following this work, and taking account in particular of the effect of lower levels of bilateral aid, it is possible to identify a number of savings at senior levels in the ODA. These are set out in the paragraphs below. Work is now in hand to determine the future staffing position at lower levels, and among the advisory groups; specific figures are not yet available for these categories. However, a combination of the reduced aid programme with general requirements to reduce Civil Service manpower means that the ODA's complement, including the Scientific Units, will have declined from 2,420 at 1 April 1979 to 2,224 at 1 April 1981. The target figure on staffing at 1 April 1984 is 1,906. The work of the Management Review has assisted in the identification of specific areas where savings can be made.

52. At Assistant Secretary level, arrangements are already in train to reduce the number of geographical departments from nine to seven. The Aid Policy Department is additional, but DCD and ERCD disappear and a further department will be disbanded as a result of the reallocation of responsibilities for research and the Scientific Units. It was also decided earlier this year to withdraw the Middle East Development Division. There is accordingly a net reduction of 5 Assistant Secretary posts, and in addition 2 Senior Economic Adviser posts are saved in the reorganised economic service.

53. At Administrative Under Secretary level there will be a reduction of one third in the number of posts, from 7½ to 5, following the reorganisation on the

bilateral and multilateral sides. In the new economic service the ODA wing will now require a full, rather than a half, Under Secretary post and this will enable the number of Directors' posts (between Assistant Secretary and Under Secretary) to be reduced from 3 to 1.

54. Some uncertainties remain at Under Secretary level, particularly in respect of the posts of PFO and PEO, both of whom will continue to carry other Under Secretary responsibilities. Though it has certain attractions there are a number of major difficulties in the way of reallocating responsibilities in order to combine the posts of PFO and PEO. The PFO is responsible for a large spending programme and therefore has a significantly heavier burden than is the case in other departments of a similar size. The PEO will be heavily involved with the East Kilbride dispersal which poses considerable operational and personnel management problems for the ODA; moreover, the forthcoming examination of the arrangements for establishments and common services in the two wings could have implications for the PEO and his organisation. The position will need further review in the light of that examination and of progress on dispersal.

#### Deputy Secretaries.

55. The changes at Under Secretary level are far reaching and we have therefore not thought it right at this stage to recommend further changes above that level. Provided the new arrangements work satisfactorily, however, it may prove possible to reorganise responsibilities at the top on the basis of 2 rather than the present 3 posts, including one professional economist post, at Deputy Secretary level. We accordingly propose that the position be reviewed in a year's time.

#### CONCLUSIONS.

56. The Management Review has taken place at a time of considerable change, not only for the ODA and its relationship with the rest of the Foreign and Commonwealth Office, but for the Civil Service as a whole. We have proposed a significant degree of reorganisation and alterations in management procedures and working methods. They will take time to implement fully, though we are pleased to record that action is already being pressed in those areas where Ministers' decisions are already known. The Economic Relations Department and the Aid Policy Department will both have been set up by the end of this month.

#### COMPOSITION OF THE STEERING COMMITTEE AND REVIEW TEAM

The Steering Committee was chaired by Sir Peter Preston, KCB, Permanent Secretary of the Overseas Development Administration. The other members of the Committee were:-

Mr C W Fogarty CB	Deputy Secretary, ODA
Mr R S Porter, CB, OBE	Deputy Secretary, ODA, and Director General of Economic Planning
Mr D L Pearson CB	Deputy Secretary, ODA
Sir Edward Youde KCMG, MBE	Deputy Under Secretary of State, FCO
Mr F R Barratt CB	Deputy Secretary, Treasury
Dr R K Cunningham FRIC	Chief Natural Resources Adviser, ODA
Mr R M Evans CMG	Assistant Under Secretary of State, FCO
Mr J B Pearce	Under Secretary, CSD

The Review Team was led by Mr N B Hudson, Assistant Secretary, ODA. The full time members of the Team were:-

Mr C D Stevens	Assistant Secretary, CSD
Mr J Fitch	Senior Principal Psychologist, CSD
Mr M C McCulloch	Principal, ODA
Miss M Exley	Principal, CSD

Dr J M Healey, ODA, Mr F Krinks, CSD and Mr D E G Griffiths, CSD, joined the Team for certain aspects of the Review.