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Briefing Paper

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BRITISH AID ADMINISTRATION AND THE CENTRAL POLICY REVIEW STAFF REPORT

The wide-ranging *Review of Overseas Representation*,¹ published in 1977 by the Central Policy Review Staff (CPRS) — the Think Tank — headed by Sir Kenneth Berrill includes consideration of Britain's aid administration. Earlier surveys of overseas representation, such as the Plowden Committee of 1962-3² and the Duncan Committee of 1968-9³, were concerned more specifically with the Diplomatic Service, but the Think Tank brief was of much wider scope. As the foreword of the report states, 'whereas the Duncan Committee was asked to recommend on the means required to review "the British representational effort overseas", the CPRS was asked to recommend on the means required "both at home and overseas" to represent and promote our overseas interests' (pv)†. The current survey thus involves a review of those departments in London which are responsible for the formulation and implementation of overseas policies, as well as of those working overseas on behalf of the government. Important among these is the Ministry of Overseas Development. This briefing paper will consider the report in relation to aid administration.

The development of British aid administration

It is necessary to describe briefly how the present system of aid administration developed. It was only in 1964 that the government of the day established a distinct Ministry of Overseas Development (ODM) with a Minister of Overseas Development holding Cabinet status as its head. In 1970 the incoming Conservative Government transformed the Ministry of Overseas Development into the Overseas Development Administration, a 'functional wing' of the Foreign and Commonwealth Office (FCO), and the succeeding Labour Government of 1974 re-established an autonomous ODM. Initially it was, as in 1964, headed by a Minister of Cabinet rank. But at the present time Mrs Judith Hart, as Minister for Overseas Development, is represented at Cabinet level by the Secretary of State for Foreign and Commonwealth Affairs, who bears the additional title Minister of Overseas Development.

The Ministry was originally intended to have three significant features. In the first place it was to be con-

cerned not only with aid, but with all aspects of policy concerning the Third World. Secondly it was created to ensure that development policies were given priority over political interests in the disbursement of aid. Thirdly the new Ministry was to have a planning staff of economists — an unusual feature at that time in the Civil Service. Despite the original broad conception of the functions of ODM, the Ministry does not in fact oversee and coordinate overall British policy towards the Idcs. Its principal activity is formulating and administering the aid programme, and even there, policy is subject to approval by other interested departments. Administrative authority includes accepting responsibility for international agreements under which aid is disbursed, and for the appointment of experts. The allocation of resources between capital aid and technical cooperation, to the multilateral aid agencies, to individual country programmes, and to the Commonwealth Development Corporation is also the responsibility of ODM. ODM is divided regionally into geographical departments, and functionally into departments dealing with such fields as rural development, natural resources, science, technology, education, and manpower aid. The Ministry also maintains five regional Development Divisions overseas: in the Caribbean, the Middle East, South East Asia, Southern Africa, and East Africa. These divisions are designed to provide consultancy services and technical assistance to governments which require them, and to advise British Diplomatic Missions on the scope, make-up and use of the aid programmes available to the countries in their regions.

The assessment of British aid administration by the Think Tank Report

Some major conclusions of the report stand out as particularly significant for British aid administration and are discussed below.

(1) *The labour-intensiveness of British aid administration*
The Think Tank finds that Britain's aid administration has a relatively low output by comparison with other aid agencies. Studies of the 'output' and 'efficiency' of administrative organisations must necessarily be selective, since they are concerned with monetary and staffing

† Throughout this paper page numbers refer to the text of the CPRS report.

* The Institute is limited by guarantee.

issues rather than what is actually achieved. Nonetheless the CPRS did reach firm conclusions derived from a study of comparable aid agencies, (Germany, World Bank, Canada, and UNDP, see Table 1). While administration costs as a percentage of the aid budget were of the same order of magnitude (about 8%) the aid disbursements per administrator were significantly less than for three of the four others, only UNDP being more administration intensive. Comparability in monetary terms is explained by the lower unit costs of the relatively more numerous British staff. The administration intensity is not however ascribed to managerial inefficiency (although this is discussed, and a Management Review recommended), but rather to aid policy. Indeed 'on present policies', the report states, 'there is little prospect that the total resources required for effective aid administration can be very significantly reduced' (p198).

Having put forward various possible explanations the report concludes that there are two main reasons for this:

(a) 'absolute size of programme: it appears likely that economies of scale operate in aid administration, as UNDP and the two countries with smaller programmes are also the three most staff-intensive'.

(b) 'dispersion of aid: the UK and UNDP, but also the IBRD, give aid to more countries than the FRG and Canada' (p185). The British aid programme is relatively small and it is divided between 121 countries. In 1975, disbursements from the £291m budget averaged £2.4m per country, while 71 countries received less than £1m in UK aid. In the light of this the report recommends 'that the number of small bilateral programmes be substantially reduced over the next 5 years' (p198).

The CPRS agrees that efficiency alone is not sufficient justification for a change in priorities. It must also be considered whether small programmes 'meet developmental, commercial and political objectives or the UK's recognised moral obligations' (p185). The main objective in terms of British aid policy, as expressed in the 1975 White Paper,⁴ is to direct more to the poorest countries and to concentrate on those whose policies make it possible for aid to assist the poorest groups. However about one-third of the 71 countries which receive less than £1m a year in aid from Britain, and to which the Think Tank recommends aid should be substantially reduced, are among the very poorest with per capita GNP's of less than \$200 per annum.

(2) *Aid and Britain's commercial interests*

Throughout the report the Think Tank displays a strong awareness of the importance of the United Kingdom's commercial interests in overseas representation, including aid administration. The report states that 'Present procedures do not permit enough account to be taken of British commercial interests in the allocation of aid funds'. British exports are seen as being assisted through aid in three ways:

(a) the immediate sales generated by tied aid;

(b) future sales of spare parts and complementary goods;

(c) future sales of replacements, related goods and services and sales of a wide range of items generated through exposure to, and satisfaction with British suppliers.

The report argues that these commercial considerations should play a more significant part at the stage of deciding the broad outline of the type of aid activities to be supported. It sees the main difficulty in this area as providing for so-called 'pump-priming', that is the giving of small amounts of aid aimed chiefly at securing future commercial sales in countries not included in the main aid programme. An example is the French practice of 'crédit mixte' whereby aid and export credit are combined. The report suggests that the requirements for 'pump-priming' could be met by specifically reserving a part of the aid budget for this purpose (p190). It is suggested that a Technical Cooperation unit be set up within the Exports Directorate of the DoT, or that the geographical divisions of DoT could be responsible for identifying and coordinating this 'pump-priming' aid.

One of the problems with this approach is that, as the report acknowledges, operations like 'pump-priming' are most widely practised by competing donors in the developing countries with the best markets, which tend to be the richest. Yet it is British policy to direct aid towards the poorer ldecs, and to the poorest people within these countries. Moreover the tying of aid to British machinery and supplies may also be questioned on other developmental grounds, notably the tendency to a bias in favour of capital-intensive rather than labour-intensive, and urban rather than rural projects. One of the main difficulties currently being experienced in making full use of the aid programme is that projects suitable from a development point of view often have a low foreign input but a substantial local cost component which ODM cannot always provide. Thus, measures to raise the administrative efficiency of the aid programme and to make it more sensitive to British commercial interests must almost certainly involve some compromise of the 'aid for the poorest' strategy.

(3) *Development Divisions*

The CPRS Report regards Development Divisions favourably. The rationale behind Development Divisions is that they should enable decisions to be taken on the spot by people who are familiar with local situations. They can also provide help and guidance on the type of project to be submitted to ODM for aid, and advise upon methods of submitting proposals for such projects correctly. These benefits in terms of decentralisation have to be set against the costs of an additional administrative tier and the net advantage will obviously vary depending upon the region in question. The report endorses the concept of Development Divisions and their present locations, and indeed suggests that further divisions might be justified in the South Pacific and the Indian subcontinent. It argues that the South Pacific division should be modelled on that in the Caribbean where circumstances are closely parallel, and

if possible should be operated in collaboration with the Australian and New Zealand agencies. The CPRS considers that the programme within the Indian sub-continent can be dealt with largely on a visiting basis. If there is a movement towards projects and rural development however, and away from general balance of payment and import support, a change may be necessary. In this case a Development Division might be appropriate covering India, Pakistan, and Afghanistan (all at present under the Middle East Development Division) and Sri Lanka, Bangladesh, and Nepal (all currently under the South East Asian Development Division). In the light of the report's recommendations for a reduction in the number of small aid programmes, the case for extra divisions in West Africa and Latin America was rejected.

The Development Divisions could also be given wider responsibilities. In certain areas, the report argues, regional posts should be considered as an alternative to no representation or traditional multiple accreditation. The Development Divisions in the Caribbean, Southern Africa, and Commonwealth Pacific (if established) are considered prime candidates for transformation into regional posts (p397). In this case they would meet all the needs for UK representatives in their areas.

(4) *Specialisation*

One of the dominant themes of the report is an emphasis upon the need for more specialist staff, a specialist being understood to mean someone whose successive jobs have been concerned with the same subject. As the introductory chapter puts it '... the present attitudes to specialisation both in the Home Civil Service and in the Diplomatic Service are fundamentally wrong. In very few of the areas we have examined have we found the degree of specialisation which we believe to be necessary if staff engaged on overseas representation are to acquire and keep the expertise required to do their jobs efficiently' (p2).

With reference to aid the report judges firmly that 'aid administration is a job for specialists...' (p196). This judgement is based in part on the increasingly sophisticated nature of the aid programme. The present lack of specialisation derives from the administrative structure of the British civil service under which the Diplomatic Service, in the absence of special arrangements with Home Civil Service departments, fills overseas postings in British Embassies with career diplomats. Although a good deal of interchange has developed, a substantial share of overseas aid administration is carried out by non-specialist diplomats. The division of jobs between the Home Civil Service and the Diplomatic Service is thus:

	In UK	Overseas
HCS (Home Civil Service)	550	80
DS (Diplomatic Service)	25	50
	575	130

This situation is criticised since it diminishes the amount of overseas experience available to aid administrators, and since specialist administration would be more

efficient. The report considers that in future aid specialists should fill the total requirements for aid administration staff resident in posts overseas (ie. the additional 50 posts). Together with this goes the suggestion that aid specialists should accept the commitment to serve overseas as required. Even if this were done opportunities for overseas service would still be limited (21% of career spent overseas as against 13% now) and the report suggests supplementary measures such as more visits overseas by combined groups of experts and desk officers. This would increase teamwork as well as exposure to field problems, but for acquiring experience short visits are generally considered less satisfactory than periods of residence.

The theme of more specialisation runs throughout the report, not only in the field of aid administration. Criticisms of the CPRS views on the subject have been voiced by representatives of the FCO and some interested home departments. The CPRS, it is argued, assumes that what matters most in an overseas posting is subject expertise while in practice diplomatic skills (languages and the ability to work with foreigners) and knowledge of the region may be more important. Language training and regional specialisation however, can be developed within the CPRS framework. Critics further argue that specialisation may distort officers' judgement with an undue concentration given to their area of work. Undue specialisation might also create career management problems.

Furthermore, it may prove difficult to attract Home Civil Servants to work overseas. Staff must have accepted the commitment to work overseas, as Diplomatic Service staff have done. The Think Tank accepts that financial rewards may have to be extended to some officials, but it argues that the difficulties and expenses are not 'as great as is generally supposed' (p343). None of these sets of problems is considered serious, and could be overcome by proper direction of staff and improved recruitment procedures.

The Foreign Service Group

Following on from its belief in more specialisation the CPRS judges that staffing arrangements should be such that the same group of staff performs both the UK and the overseas ends of each function. This requirement is fully met in many cases but not for economic work, export promotion, and perhaps above all, aid administration. Specialisation is not the only reason for this proposed reform. The CPRS contends that members of the Diplomatic Service spend too much of their careers overseas at present. This causes officers to lose touch with the UK, especially during times of rapid social and economic change, and, in turn leads to a reduction in working effectiveness. Furthermore the work of 'A'-stream officers in many posts overseas is not continually demanding intellectually, and too much service overseas may lead to a lack of job satisfaction and 'blunting of intellectual capacity' (p344). Finally, the report states that 'staffing arrangements have a powerful effect on the attitudes and ethos of the institutions concerned and therefore, indirectly, on the kind of staff who opt to join them' (p344). This leads to a consistency of view and tends to discourage

innovatory thinking about how the job should be done, and to encourage conservatism including 'a sort of "middle-classness" in the prevailing values' (p344).

The report presents three options for reform to bring about the above aims:

- (1) There should be more interchange between the Home Civil Service and the Diplomatic Service. This idea is comparable to the method adopted in some other countries, like Italy and France. Its suitability for the UK would depend on whether enough Home Civil Service staff were prepared to work overseas for some of their careers, and whether enough Diplomatic Service staff would be willing to serve in the UK. For interchange to work in aid administration, the Think Tank concludes that it would be necessary for 'all aid jobs both at home and overseas to be done by Home Civil Servants and for the DS (Diplomatic Service) to give up any capability in aid administration' (p352).
- (2) Specialist export promotion and aid administration services within the Home Civil Service should be created and managed by the DoT and ODM respectively, although there would be some degree of interchange between them. The members of these two services would be subject to the commitment to serve overseas in the same way as are present Diplomatic Service members.
- (3) There should be a merger of the Home Civil Service and the Diplomatic Service and the creation within the unified service of a group of officials – a Foreign Service Group (FSG) – which would accept the overseas commitment. This is perhaps the most radical reform put forward in the report. Members of the FSG would be subject to the commitment to serve overseas when and where

directed, but in all other respects they would be no different from other civil servants, and the main responsibility for them would lie with the Minister for the Civil Service. The FSG would staff most of the jobs overseas, for instance in aid administration. If the British Council were abolished (as the report suggests in Chapter 12) educational staff in the Idcs, being attached to ODM, would normally be FSG members. In the UK the FSG would staff some jobs in the FCO, the ODM and the external trade divisions of the DoT.*

The relative merits of the three options derive from complex arguments about cost, management, and members of personnel. But in general the Think Tank argues that if government ministers accept the needs outlined above: for greater functional specialisation; more interchange between those working in the UK and those working abroad; less overseas service for the Diplomatic Service and the emergence of what the CPRS terms 'desired attitudes' among those working on overseas representation, then they should choose one of the three options described. 'Our own marginal preference', the Think Tank concludes, 'would be for the third option, the FSG' (p370).

Conclusion

Although the CPRS Report is currently the object of some criticism in a House of Commons Select Committee, and the government's attitude towards it has not been formally stated, it will undoubtedly influence administrative practice for some years to come. Even if the more radical proposals are not implemented, those that are less politically controversial may well be, and these include a good many of the proposals put forward for the reform of overseas aid administration.

Table 1. Estimated commitments and disbursements of aid per head of administration staff

	Staff numbers		Total Official Development Assistance—Gross		Commitments per head of staff (US\$ million)	Disbursements per head of staff (US\$ million)		
	Total 1975–76	(Overseas)	Commitments	Disbursements				
							1975	1975
FRG	1,481	(76)	2,171	1,526	1.47	1.03		
IBRD/IDA	3,690	(112)	5,589	3,428	1.51	0.93		
Canada	1,082	(104)	1,119	878	1.03	0.81		
UK	1,366	(130)	1,344	991	0.98	0.73		
UNDP	1,026	(490)	n.a.	554	—	0.54		

Note: Staff figures comprise:

FRG: Ministry of Economic Co-operation in FRG 500, overseas 18;
MFA overseas (FRG-based) 58;
KfW 300 } in FRG
GTZ 605 }

IBRD/IDA: World Bank Group excluding IFC

Canada: CIDA in Canada 978, overseas 52, other overseas 52

UK: ODM in UK 1,236 (excludes Special Units and approximately 170 staff working on resettlement and pensions of former Colonial Service staff), overseas 79, FCO overseas 51

UNDP: All permanent employees other than locally engaged.

Source: *Review of Overseas Representation*, Report by the CPRS, HMSO, 1977.

References

- ¹ *Report by the Central Policy Review Staff*, HMSO, 1977.
- ² *Report of the Review Committee on Overseas Representation 1968–1969*, HMSO, 1969, Cmnd 4107.
- ³ *Report of the Committee on Representational Services Overseas*, HMSO, 1964, Cmnd 2276.
- ⁴ *The Changing Emphasis in British Aid Policies. More Help for the Poorest*, HMSO, 1975, Cmnd 6270.

* A fourth option (considered in Chapter 20 but rejected for the present) is that ODM should be merged politically as well as administratively with the FCO.