



HS

10 DOWNING STREET

From the Private Secretary

13 March 1980

1) ~~8/4 8-80~~
2) 8/F2-4-81

The Prime Minister has seen Sir Derek Rayner's minute of 6 March, about the Rayner project covering the FCO/ODA merger.

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211 She is pleased to note the progress now being made towards the practical integration of the two Departments. She would like to be kept in touch with progress. She would in particular like to see a further report at the beginning of the summer Parliamentary Recess on the results of the further work planned to eliminate overlap or duplication, as set out in paragraphs 11-12 of Sir Derek's minute, and she would also like to receive a report about the analysis of the common service functions - this will presumably be available in April 1981 given the 31 March 1981 target date for completion.

The Prime Minister recognises that thoroughness is preferable to haste in this exercise, but she hopes that the Foreign and Commonwealth Secretary will keep up the momentum with firm commitment to the most economical merger possible. She has noted that the physical location of the various parts of the combined office will be relevant to the effect of the results.

I am sending copies of this letter to Charles Humfrey in Mr. Hurd's Office, Susan Unsworth in Mr. Marten's Office, Clive Priestley (Sir Derek Rayner's Office) and David Wright (Cabinet Office).

M. A. PATTISON

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

J.P.

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PRIME MINISTER

Here is a personal minute from Sir Derek Rayner, covering a longer minute circulated to interested colleagues on the FCO/ODA merger.

Sir Derek was disappointed with this project, and has pressed hard for Ministers to go for more substantive changes. He has made some progress, and suggests that you should express continuing interest, to keep up pressure.

I think that the response in para. 3 of his minute is right. It should, in my view, include something on accommodation. You will only get the policy sections of FCO and ODA thinking together if they are located together.

May I give your response along the lines of paras 3 and 4 of Sir Derek's minute?

11 March 1980

MAF Yes



PRIME MINISTER

RAYNER PROJECT: FCO/ODM MERGER

1. I attach a report on this project, the terms of which I have agreed with Lord Carrington, Mr Hurd and Mr Marten and which is being copied to them and to certain officials.

2. This covering minute is not copied to anyone. It offers you advice on a response to this report.

3. Subject to your own views, I suggest that you authorise a reply to me, or to Lord Carrington if you prefer, saying that:

✓ a. you are glad to note progress towards the practical integration of the FCO and the ODA (paragraphs 8-10);

✓ b. you would like to receive a second report in July or August on the results of the further work planned to eliminate overlap or duplication (paragraphs 11 and 12);

✓ c. you would like to receive a third report in April 1981 on the result of the analysis of the common service functions (paragraph 13); and

✓ d. while you welcome the thought that steady rather than headlong action is required (paragraphs 5-7), you would like to see the momentum kept up and a firm commitment to the most economical merger possible (paragraph 14).

4. If you wanted to add a word on accommodation (paragraphs 15 and 16), it might be to the effect that the parts of main FCO and ODA which have the closest affinities should be most closely co-located.

*I think
and will
be enough
for the present.*

DEREK RAYNER

6 March 1980

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FONDEM

СОВЕТСКОЕ





PRIME MINISTER

THE MERGER OF THE FOREIGN AND COMMONWEALTH OFFICE AND THE
FORMER MINISTRY OF OVERSEAS DEVELOPMENT

1. This was one of the subjects included in the "Rayner Project" last year. Some useful groundwork was done by a team consisting of Mr C C W Adams (FCO, now on secondment to the Department of Industry) and Mr M C McCulloch (ODA, now a member of the ODA management review team).

2. I discussed these officials' report with Mr Hurd, Mr Marten, Sir Michael Palliser and Sir Peter Preston at the end of January. Given the unusual nature of the project and its implications for the machinery of government, I am now reporting the progress made to you. The terms of this minute have been agreed with the Secretary of State, Mr Hurd and Mr Marten.

A single department the main aim

3. The separate FCO and ODA wings of the new department are directed at official level by a Permanent Under Secretary and a Permanent Secretary, the former being Accounting Officer for the FCO Vote and the latter Accounting Officer for the aid programme and its administration. The FCO wing is staffed by some 1,600 Diplomatic Service staff and 1,600 Home Civil Servants; a further 2,800 Diplomatic Service staff are in Posts abroad. (These figures exclude the staff of the Communications Division at Hanslope, the Passport Office and GCHQ). The gross cost of salaries, allowances and general expenses for these staff is some £85 million (1979-80 Estimates). The ODA wing is staffed by 1,400 Home Civil Servants (excluding the 900 in its scientific units). The net cost of salaries and administration is £14 million (1979-80 Estimates).




4. Departmental Ministers take as the starting point your wish that the Foreign and Commonwealth Secretary should be supported in carrying out his duties by a single department and that the working relationship between foreign and aid policies should be very close. This has already been achieved. Moreover, the emphasis placed by Ministers generally on economical administration indicates that the best solution would be one that clearly defined the functions to be carried out on behalf of the Secretary of State and proposed the slimmest possible administration structure for them. The departmental Ministers, in launching the project, themselves had in mind the question of "the ideal structure if we were starting afresh".

Making deliberate rather than hasty progress

5. The starting point agreed, and the groundwork done, departmental Ministers believe that the chief practical question is how far and fast "integration" should be pressed. The main practical considerations are that some of the staff of the FCO and the Overseas Development Services belong to separate services, HM Diplomatic and HM Home Civil Services respectively, and are not readily interchangeable; that in London they are now at present housed in separate offices (see below); and that there is an important distinction between making aid policy on the one hand and administering the aid programme on the other.

6. The last of those considerations deserves a further word of explanation. There are both links and differences between aid and foreign policies, but the aid programme is unique among the Secretary of State's responsibilities in that the ODA has to manage expenditure to an extent and in a way that FCO does not.

7. Departmental Ministers and I agree that thoroughness is to be preferred to haste, provided that there are a timetable and a plan for action and that the under-lying approach is essentially in favour of integration consistent with the most



economical and effective use of staff resources. In organisational matters of this kind, evolution is better than revolution. Equally, however, there should be no preconceptions. For example, in cases where it may be argued that there is little overlap (eg the FCO's Economists and the ODA's Economic Planning Staff), it is often possible to get a better use of resources by bringing people together even if their work is at first sight different.

Decisions already taken

8. Ministers have agreed that a single Aid Policy Department should be set up (in the ODA wing). It will draw on FCO and ODA staffs and will be responsible for general and specific questions of aid policy and for the broad allocation of resources within the aid programme. It will replace existing units of both the FCO and ODA.

9. Ministers have also agreed that there should be similarly a single Economic Relations Department (in the main part of the FCO). It will handle international economic questions, including North/South relations.

10. The current management review of the ODA will make detailed recommendations for the organisation and operation of these new Departments by the end of next month.

Further work to eliminate FCO/ODA overlap or duplication

11. Reports will be made to Ministers in July on the matters noted below. The means of analysis will include the ODA management review and the Diplomatic Service Inspectorate. The CSD's Staff Inspection and Evaluation Division is also available to assist and I have suggested that it should be used to provide an independent perspective where necessary and at the appropriate time.



- a. United Nations Departments: the FCO has one and the ODA two.
- b. Information Departments: the ODA has one and the FCO three (these three perform different duties, but as part of the Lord President's exercise their roles are now being examined).
- c. Economists: the FCO has a small group of Economists and the ODA a larger Economic Planning Staff.
- d. Geographical Departments: the current Management Review will look at the extent to which the 9 ODA geographical departments overlap with their FCO equivalents.
- e. Specialist policy areas: the FCO has functions in Energy, Science and Space; Maritime, Aviation and Environment; and the ODA in Science and Technology; Health and Natural Resources.

12. It will be necessary to establish quite clearly how far the ODA and other FCO units do have genuinely different tasks and how far their functions are similar and would therefore with advantage be dealt with in merged departments. I accept that the answers are likely to vary from case to case, but all of them should be examined.

13. In addition, both the FCO and the ODA have such common service functions as personnel and finance. Departmental Ministers agree that the analysis of these should come after the work covered by paragraphs 8-12 above, because the best way of rationalising them is bound to be influenced markedly by the way in which the functions they serve are organised. Work on this will begin once that in paragraphs 8-12 is finished. It



will involve the Diplomatic Service inspectōrial teams who have already started a detailed inspection of FCO Administration Departments which will be completed by the end of this year. (They are also working on separate surveys to identify the best distribution of savings in the FCO main wing (up to 220 posts) under the Lord President's exercise.) Thereafter they will undertake a joint analysis with the ODA which will be completed by 31 March 1981.

Savings

14. There will be savings, These will be quantified in ~~22~~ detail when the work noted in paragraphs 8-12 is complete. Departmental Ministers intend to ensure that these savings are the maximum possible.

Accommodation

15. The FCO and ODA could not be housed together in any one of their existing buildings. Housing in one place is not critical to the success of a merger, but more co-location that at present would very much help its efficient operation. As with other departments in London, one might have to settle for a second best in which sections of the single department were housed separately from the main HQ in Downing Street.

16. Some accommodation is expected to become available in Richmond Terrace in 1984/85. This has been earmarked for outlying FCO "main wing" departments but some ODA departments could instead be brought closer to the centre. This will be considered.



Further reports

17. Departmental Ministers or I will arrange for you to have further reports if you wish.

18. I am copying this to the Secretary of State, Mr Hurd and Mr Marten, Sir Ian Bancroft, Sir Robert Armstrong, Sir Michael Palliser and Sir Peter Preston.

DEREK RAYNER

6 March 1980