



OVERSEAS DEVELOPMENT ADMINISTRATION

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Rt Hon Margaret Thatcher MP
10 Downing Street
LONDON
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Your reference

Our reference

Date 12 February 1982

Dear Prime Minister

IMPLEMENTATION OF POLICY ON THE CIVIL SERVICE

Since 1979 your Administration has often stressed the need to control public spending, to reduce the size of the public sector, to keep Civil Service personnel numbers as low as possible, and to undertake privatisation of public sector and Civil Service enterprises wherever possible. There have however been press reports of your concern about the resolution with which these objectives of your Administration have been implemented by the Civil Service. My own experience in the ODA with its senior personnel may therefore be of interest to you (if only as a case study).

2. As a Principal in the Overseas Development Administration (ODA) I have since late 1979 been involved with the area of Research and Development for development purposes. This is a large part of what is commonly called "Functional" technical co-operation, most of which is based in this country. It involves the payment of grants to various bodies (nearly all in the United Kingdom), whether or not part of the Civil Service: most of these payments are for general budget support rather than for individual pieces of research. The largest single group of R and D expenditure - expected to be roughly half the total in 1982-83 - is for four Civil Service institutes. These organisms are the Tropical Products Institute (TPI), the Centre for Overseas Pest Research (COPR), the Directorate of Overseas Surveys (DOS), and the Land Resources Development Centre (LRDC), all of which are considered to be functional parts of the ODA. Only about a fifth of the ODA's resources are for independent contract research: the rest is divided between budget support for a few universities and for other Civil Service bodies not part of ODA.

3. Right at the beginning of my assignment it swiftly became clear that this was a very cosy world with (at best) limited contact with the needs of the ultimate customers - governments, firms, universities and individual citizens in developing countries - and virtually no dealings with British industry, let alone British commercial and political interests. It was also extremely expensive, with high Civil Service management costs, with arbitrary restrictions on competition for scarce resources and with great scope for privatisation.

4. Since the situation so often mirrored (or exceeded) those mentioned in Mr Leslie Chapman's book "Your disobedient servant", and knowing of your Administration's policy, it seemed right for me to propose a number of very simple measures. These included:

/-Stopping

Prime Minister
I should like to see Sir Peter Preston's
personal comments on this letter.
I should also like to see Sir Derek Roper
have a copy.
Agree?
KHW
15 Feb 82

① Tropical Products Institute

② Overseas Post Research

③ J. D. Swayne

④ Land
Personnel
Dev. Centre
100-40

- P.S.D.
Personnel
- Stopping a £38m-43m construction project to re-house the COPR, the LRDC and the TPI, since the alternative of leaving them alone would cost only £6m.
 - Suggesting that the COPR, DOS, LRDC and TPI should be rapidly privatised by the earliest possible sell-off (so as to reduce their costs, and public sector size, increase private sector contracting out and participation etc).
 - Pointing out that the 10% reductions in personnel and costs of the Civil Service which you had asked for were not being implemented in the case of the TPI, COPR, DOS, and LRDC (the simple expedient of increasing their notional budgets by far more than your reductions, and basing staffing cuts on notional posts rather than real bodies in fact left the position much as before: it involved obvious manoeuvres such as increasing one year's Aid Framework by about 40% and then cutting that).
 - Demonstrating that the cost of ODA's R and D to the British taxpayer could be greatly reduced by seeking as much financial support as possible from OPEC, international, and European Community funds (not only was a low limit on even seeking this finance set by ODA management, but subsequently it has been suggested that eg the TPI should positively be discouraged from applying for research grants under a forthcoming R and D programme to be operated by the Commission in Brussels).
 - Pointing out that in at least one round of cuts independent researchers had been hit hardest, and universities had also been seriously affected, but other Civil Service departmentally based research had not been reduced and funds given to TPI, COPR, LRDC and DOS had actually been increased.

5. Now with the exception of the first none of these proposals were even referred to Ministers nor (apart from the usual Treasury etc approval each year) did any official inter-departmental discussion take place. Moreover, while they seemed to be in line with the thinking of your Administration, they were intensely unpopular with most of my colleagues (particularly at Under-Secretary level), as soon became apparent.

6. Thus shortly after stressing that real budget increases (however disguised) and major Civil Service construction projects were not easily consistent with the policy of your Administration, I was told that, in the implementation of policy, the "Departmental View" on R and D should prevail. When I pointed out that bodies such as TPI were ripe candidates for very early privatisation, I was warned on no account to proceed further and indeed was asked to withdraw papers on the grounds of their being "inopportune". When I pointed out that ODA's contract R and D programme, while less problematical than support for Civil Service bodies, had resulted in little training of local scientists, had at best a limited record of producing results that were actually used by developing countries, and had resulted in little research being given to British industry, the tone was raised yet further. When I pointed out that, in line with the work of Niskanen (one of the authors on Sir Keith Joseph's very useful reading list for officials) it would be best to end general budget support for eg Civil Service bodies such as TPI, and make privatised versions compete for R and D proposals allocated to particular country assistance programmes, the reactions were surprising.

7. As a result over some months a series of remarkable things began to occur. I was accused of "bugging" conversations in ODA. It was suggested I had to send in staff reports on a Sunday. One of my minutes about privatisation was removed from the ODA's files. It was suggested that I might like to leave the Civil Service at the age of 37. A good Annual Staff Report was changed into a bad one by the Under Secretary then involved. Information about simple numbers, and about previous performance, was withheld by the personnel management part of ODA. All these events are recorded on various ODA

/files.

files. There were also many cases of, eg, warnings about "discretion" and not using over-much zeal (eg when I suggested in November 1980 that my present job could be abolished, as well as those of an Assistant Secretary and an Under Secretary).

8. Now most of these occurrences arose, or are associated with decisions taken, at Under-Secretary level. At that level it is relatively easy to block proposals in line with the political objectives of a particular Administration (at the last resort if proposals for eg job-saving in ODA's Training administration are regarded with disfavour it is always possible to give someone a bad annual Report). Unlike Permanent Secretaries at that level there is relatively little public observation, or political focus, on particular decisions: and questions of the size of the administrative machine (rather than its effectiveness or congruency with Government objectives) remain paramount.

9. So long as this level of command continues to exist, I would suggest you consider the possibility at the least of replacing those members that retire with political appointees. Political appointees with wide experience of industry and the outside world would bring greater experience to these jobs: they would also be less innocent than Under-Secretaries who have been promoted from within the organisation (Civil Servants are highly sophisticated when running their own organisations but this ability does not always extend to dealing with the outside world). Above all however such appointments would ensure a fair wind for proposals in line with a particular Administration's politics, and would reduce the pressures to conform with the "Departmental view".

10. Should you decide to follow up this letter, you will probably be told that it should be completely dismissed as I lack judgement, discretion, and tact and that I am unable to see the wider picture. This is not really true so far as non-Civil Service bodies are concerned - a few years ago I managed to negotiate a technical co-operation agreement with the Government of Mozambique, who were reputed for their high sensitivity, for example, and about the same time I helped the British Rail consultancy wing to get its first ever contract under the European Development Fund. You will also be told that my proposals are not "sound" or practicable (although at least on such issues as costs eg the scrutinies of DOS, and now of COPR and TPI, carried out by Sir Derek Rayner's office broadly confirm what I suggested a little while ago).

11. My purpose in taking the unorthodox step of writing to you directly is to suggest that until there is a system of reinforcing political directives the Civil Service will frustrate these mainly from a sense of self-preservation. It is also to suggest that, despite the advice you often receive, it is possible to carry out much more privatisation of Civil Service functions provided the Civil Service machine can be humbled and made to serve your wishes: and to prove that there are a few Civil Servants that care deeply about whole-hearted implementation of the policies of the Administration of the day, if necessary even at the cost of risks to their careers.

Yours sincerely
Christopher Gerard.

C T Gerard



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Yours sincerely
Christopher P. ...