

CABINET OFFICE

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REVIEW OF GOVERNMENT ACTIVITY OVERSEAS

FILE No. **R 12 / 20 PT 1**

DATE _____

CLOSED
2000

CAB 164/2378

SECRET

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Review of Registered Files Disposal Recommendations

File Number: R/12/20/PT. 01
File Name: Review of Government Activity overseas
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☐ Yes, or ☐ No

Signature of desk officer

Alhany

Date *28/3/00* 19/06/98



Department for
International Development
94 Victoria Street, London SW1E 5JL



Telephone: 0171-917 0134

From the Private Secretary

John Holmes Esq CMG
10 Downing Street
London SW1A 2AA



10 June 1998

Dear John,

GOVERNMENT ACTIVITY OVERSEAS

Summary

Note by Officials provides useful background information but is of limited operational value. No further work is warranted. Expenditure priorities and resource decisions are best taken in the CSR process.

Detail

My Secretary of State shares the concerns expressed by the Chief Secretary in Paul Williams' letter of 8 June about the DOP(98)5. She has had fundamental reservations from the start about a process which limits itself to measuring how we are doing against the objective of a Government Department, rather than of the Government itself.

The Note by Officials on Government Activity Overseas is useful in so far as it draws together material across Departments. It demonstrates clearly just how intertwined is domestic and overseas activity. Above all it shows that associated expenditure needs to be judged by the contribution it makes to the Government's overall objectives.

However the value of the exercise is limited by the methodology, and in particular by the artificial attribution of activity and expenditure to the FCO's objectives. As my Secretary of State said in her letter of 22 April to the Prime Minister, this cannot capture the richness, variety and impact of our development objectives or the broader contribution we make to the Government's objectives.

DFID expenditure is shown as almost exclusively attributed to objective 3, improving the quality of life. But as the International Development White Paper and our own Statement of Purpose make clear we can only approach our objective by contributing for example to sound economic policies, development of efficient and well-regulated markets, good governance and the realisation of human rights, the prevention and resolution of conflicts, as well as improving education, health and opportunities for people and enhancing the protection and management of the environment. To reduce all this to quality of life disguises the impact of our work.

\ The Note does not examine how effectively

~~Mr. Branson~~
~~Mr. Lickett~~

The Note does not examine how effectively resources are used. Each Department has examined thoroughly in the CSR process the extent to which its expenditure contributes to Government's objectives, is efficient and is used well actually to produce results. Of key importance in the CSR is the focus on outputs rather than inputs. The input-based analysis in the Note, especially as it reflects previous patterns of expenditure under commitments made by the previous administration, is of some general interest but unhelpful in determining future priorities. My Secretary of State therefore believes that further work by officials to improve the methodology and data through the limited prism of the FCO's objectives would be of little value. We obviously must maintain the overall perspective and she hopes we can reach firm conclusions in the CSR as soon as possible.

I am copying this letter to Private Secretaries to Members of DOP and PX and to Jan Polley (Cabinet Office).

Yours ever,

Anthony.

Anthony Smith
Private Secretary



SECRETARY OF STATE

MO 9/33J

RESTRICTED

MINISTRY OF DEFENCE
WHITEHALL LONDON SW1A 2HB

Telephone 0171-21 82111/2/3-

Richard
R.



15 June 1998

~~Mr Robertson~~
Mr Rickett

Dear John,

DOP(98)5: GOVERNMENT ACTIVITY OVERSEAS

The Defence Secretary was interested to read the Note by Officials on this subject, having supported Robin Cook's proposal for a Cabinet Office-led Government-wide exercise. NA

The exercise has evidently not been easy, but it has in Mr Robertson's view been worthwhile. As Annexes A and B recognise, much activity, not all of it taking place overseas, is relevant to several objectives at once. Mr Robertson agrees with the Chief Secretary (Paul Williams' letter of 8 June) that this makes the distinction between overseas and domestic activity somewhat artificial. Like most Departments we attempted to attribute MOD expenditure according to this distinction, but since all our expenditure is related to the security of the United Kingdom, we could equally have made a case for excluding all of it, as the Treasury have done with their own expenditure. This problem of demarcation makes it difficult to draw firm conclusions from any attempt to attribute expenditure to specific objectives, but it does underline the extent to which overseas and domestic aims and activities overlap and reinforce one another.

It has become clear in the Strategic Defence Review that defence expenditure funds activities which support a large range of wider Government objectives overseas. Our ability to use our Armed Forces in this way depends, of course, not only on the expenditure actually incurred overseas but also on the investment made in creating and maintaining the capabilities which can be used for these and other purposes.

In view of the difficult issues of definition and methodology which have emerged in the course of this work, the Defence Secretary doubts that it can usefully be taken any further at this stage. But it will provide useful background for the remainder of the CSR process.

I am sending a copy of this letter to private secretaries of members of DOP and PX, Anthony Smith (DfID) and Jan Polley.

*Yours,
John*
(T C McKANE)
Private Secretary

J Holmes Esq CMG
10 Downing Street

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Treasury Chambers, Parliament Street, SW1P 3AG

e. Kirkbride

John Holmes
PPS/Prime Minister
10 Downing Street
London SW1A 2AA



8 June 1998

Dear John

MX

DOP (98)5: GOVERNMENT ACTIVITY OVERSEAS**Summary**

General welcome for the officials' work on refining the figures in the paper attached to the Foreign Secretary's minute of 8 April, and clarifying the limitations of the exercise. Some further reservations on the methodology. Agreement that there is little that can be drawn from such analysis.

Detail

2 The Chief Secretary has seen DOP (98) 5. He is grateful for the further work which officials have done, and appreciates the effort which has gone into compiling the new figures for Annex A.

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3 The paper spells out very clearly the inherent difficulties of the exercise and the reasons why Annex A is indicative only. As the paper says, there is a mis-match between the financial years in which the figures were collected and the date of the objectives to which they have been attributed, and the figures do not reflect current allocations. The paper does not attempt to describe what is achieved from these inputs, nor how efficiently or effectively they are deployed, nor the actual outputs that they deliver.

4 The paper explains the fundamental difficulty about attributing expenditure incurred in support of one department's objectives to another's. This is illustrated by the continuing exclusion of much of the defence budget. Practically all defence spending, wherever it takes place, contributes to the security of the UK and international peace and security. It is meaningless to distinguish, for example, between forces based in the UK and in Germany for this purpose.

5 The Chief Secretary thinks we should also recognise that the exercise excludes other forms of government activity which do not have a direct public expenditure cost but which none the less represent a financial commitment. The paper footnotes ECGD's total contingent liabilities of £35 billion. It might also have mentioned our substantial holdings in the International Monetary Fund and other multilateral institutions, for example, or the support we have recently given to the international financial system by our loan guarantee to South Korea. It is not only by public expenditure that the government achieves its objectives, either at home and abroad.

**RESTRICTED - POLICY**

6. The Chief Secretary welcomes the paper's analysis of the difficulties in distinguishing between overseas and domestic activity in the way attempted. He agrees that not only is the categorisation difficult but also, since departments now, through modern communications, in many areas have a choice between whether to achieve their own objectives through activity in the UK or abroad, it has very little real meaning. The Treasury, for example, would find it impossible to distinguish in this way between what it does to promote growth.

7. Consequently, although Annex C is an interesting list of areas where more could be done, any DOP consideration of opportunities and priorities should be against a background of each departments' overall objectives and priorities at home and the contribution which new areas proposed for activity could make towards the achievement of those objectives within the new departmental totals set by the CSR.

8. I am copying this letter to Tom Scholar, to other private secretaries of members of DOP and PX, Anthony Smith (DfID) and Jan Polley.

Yours
Paul

PAUL WILLIAMS
Assistant Private Secretary



Mr. B. Scantland

**RESTRICTED - POLICY**

Treasury Chambers, Parliament Street, SW1P 3AG

John Holmes
PPS/Prime Minister
10 Downing Street
London SW1A 2AA



8 June 1998

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2. The Chief Secretary has seen DOP (98) 5. He is grateful for the further work which officials have done, and appreciates the effort which has gone into compiling the new figures for Annex A.

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3. The paper spells out very clearly the inherent difficulties of the exercise and the reasons why Annex A is indicative only. As the paper says, there is a mis-match between the financial years in which the figures were collected and the date of the objectives to which they have been attributed, and the figures do not reflect current allocations. The paper does not attempt to describe what is achieved from these inputs, nor how efficiently or effectively they are deployed, nor the actual outputs that they deliver.
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7. Consequently, although Annex C is an interesting list of areas where more could be done, any DOP consideration of opportunities and priorities should be against a background of each departments' overall objectives and priorities at home and the contribution which new areas proposed for activity could make towards the achievement of those objectives within the new departmental totals set by the CSR.
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Yours
Paul

PAUL WILLIAMS
Assistant Private Secretary

Richard R POLY 22

CABINET OFFICE

70 Whitehall London SW1A 2AS Telephone 0171-270 0360

Michael Pakenham

Chairman, Joint Intelligence Committee

Ref: BO.2761

J R Young Esq CMG
Chief Clerk
FCO
Room 1PS 2.1.6



1 June 1998

Dear Rob,

GOVERNMENT ACTIVITY OVERSEAS

I wrote to you on 5 May to tell you how we intended to take forward the remit from the Prime Minister to work up an analysis of Government Activity Overseas. Since then I have chaired four meetings of an ad hoc Group with which all Departments have had the chance to be associated.

--- As a result of those discussions we have agreed the attached Note by Officials covering three annexes, the first of which is a redrafted version of the original FCO paper. As instructed by the Prime Minister, this Note is being submitted to DOP, and to Dr Cunningham and Ms Short. I am copying at the same time to Senior Establishment Officers in all Departments, some at least of whom may wish to bring it to the attention of their Ministers of State, who may, of course, wish to make their own comments on it.

Yours ever
Michael

MICHAEL PAKENHAM

GOVERNMENT ACTIVITY OVERSEAS

NOTE BY OFFICIALS

Summary

An analysis by officials of current activity under the FCO-proposed objectives is contained at Annexes A and B. Some reservations were expressed about the methodology used. Annex C contains a compilation of some new priorities and opportunities, including for export promotion. This analysis provides background for possible DOP discussion, in the context of Comprehensive Spending Review (CSR) process and work in hand in PX.

Timing

2. Non-urgent.

Detail

3. Following the minute of 8 April from the Foreign and Commonwealth Secretary, the Prime Minister agreed that officials should present to DOP an analysis of Government activity overseas based on the following elements:

- figures for public expenditure on such activity, in the light of the work already circulated by the Foreign Secretary;
- a list of objectives for such activity, drawing on those already established by the FCO;
- suggestions for new priorities and opportunities for Government activity overseas.

This material for DOP should inform the Ministerial debate on the allocation of Government resources as part of the CSR handled by the PX Committee.

4. This work has now been completed, under Cabinet Office chairmanship, within the short time-scale requested by Ministers in order for it to feed into the CSR process. All relevant Government Departments have been associated with it, to the extent necessary. In the process a number of comments were made about the procedures, and some reservations were expressed on the approach. It was recognised that the CSR process focused on outputs and the allocation of resources between Departments. The current exercise was intended as a contribution to this wider debate by providing an overall picture of inputs in terms of public expenditure; and of potential areas for new activity. The precise relationship between inputs and outputs is beyond the scope of this Note.

5. Annex A contains the main product of this Group's work in the form of a revised version of the statistics originally submitted by the Foreign Secretary. These figures more fully reflect the extent of Government activity overseas; they also include some expenditure incurred domestically but with a direct contribution to such activity. Non-Governmental public bodies are covered to the extent possible. The figures, which follow a more consistent pattern than in the earlier version, are largely based upon gross public expenditure; receipts are indicated in footnotes which also cover the issue of some contingent liabilities. Most figures are given for the Financial Year 1996/97, but in some cases it has been possible to provide these for the 1997/98 Financial Year. Given the differing bases for the figures, these tables remain indicative rather than definitive. In the broad terms used in this paper, the gross public expenditure on overseas activity is estimated to be around £7.6 billion a year.

6. The Group drew the following conclusions from the revised version of the FCO paper, and their discussions over the past month:

- i. The Government has a set of overall objectives for policy, of which those selected by the FCO are a sub-set related primarily to Government activity overseas.
- ii. The figures in the Annex have been validated and reflect the activities under the headings given.
- iii. There are however a number of qualifications to be made if these figures are to be taken as reflecting in its entirety Government activity overseas:
 - a. the 1996/97 figures, relating to the pre-CSR process and the previous Government's decisions, do not sit easily with the new Departmental objectives established under the present Government (and still to be confirmed under the CSR process), and with the reallocations already made during the 1997/98 Financial Year or proposed as part of the CSR;
 - b. some Departments believe that, while it is possible to group their Departmental activities under the broad headings set by the FCO, this risks masking the real objective of the activity for the benefits of the UK as a whole;
 - c. it also risks drawing an artificial distinction between areas of overseas and domestic activity, when the two often coincide and should not be separated. Doubts exist whether

such a distinction corresponds to the reality of work in Whitehall;

- d. in some cases spending by the FCO abroad is the mirror image of spending by OGDs in the UK. Entry Clearance is a case in point. The FCO currently incurs gross costs of around £71.3m a year (£15.3 net) in running entry clearance operations at Posts. But in the UK Departments costs of nearly £700m arise from applications for asylum. These costs would undoubtedly rise if overseas operations were less effective;
 - e. in some cases it has been difficult to categorise activities under a specific heading, given the interconnection between many of them.
- iv. Subject to those reservations, for the purposes of this exercise the FCO objectives have been used as the basis for analysing Government activity overseas. These objectives are listed at Annex B. However, a complete picture of Government objectives would need to reflect the full set established by each Department;
- v. A breakdown of these numbers demonstrates that:

a high proportion of expenditure on overseas activity has for this exercise been grouped under the headings of Security for the UK, Prosperity and Quality of Life Overseas (ie largely MOD, DTI and DFID) representing 85.8% of spending;

the resources expended by the FCO represents less than 12 per cent of the total expenditure

on overseas activities by Government.

- vi. The Foreign Secretary has identified certain priorities and areas for new opportunities, including several for the promotion of further export and inward investment activity. In addition, there are a number of other areas to which more Government resources could be devoted. These are listed at Annex C in no order of priority. In the time available this list should not be considered as definitive.
 - vii. This overall exercise has highlighted the problems in tackling a broad subject which cuts across several Departmental responsibilities and involves a wide range of Whitehall activity. A static analysis of individual Departments may not respond in full to broader national interests. For any future work, questions of definition, and of what the work was intended to achieve, would need to be considered very carefully.
 - viii. As noted above, the Group was struck by the difficulty of distinguishing between what we do abroad and what we do at home, and the reasons for which we do it. The Group concluded that everything which we do is done in support of UK objectives. The Government's overseas activities and objectives are aspects of domestic policy and increasingly integrated with the operation of domestic policy.
7. The Group recognised that under the CSR procedures PX was responsible for considering both the individual expenditure by Departments and the overall allocation of Government resources, and for making recommendations to Cabinet. In the light of the Prime Minister's instructions, it also recognised

that DOP, with the strategic responsibility for setting defence and overseas policy, had a particular role to play in decision-making on overseas activity; its members were all active within the CSR debate and most of them were responsible for Departments directly affected by such decisions. This Note is submitted for senior Ministers, to provide background for further DOP discussion and key decisions in the CSR process.

1 June 1998

ANNEX A: OVERSEAS ACTIVITIES OF UK GOVERNMENT DEPARTMENTS BY FCO OBJECTIVE

NOTE: Judgements have had to be made about where overseas activity ends and domestic activity begins. The entire FCO budget is included because, although much of it is spent in the UK, it is all spent on overseas-related activity. But we have not, for example, included the entire defence budget (£22 billion) in this paper. We have listed only the MoD activities taking place overseas and the costs of supporting those activities at the UK end.* A similar judgement has been made over EU work (see paragraph 11) and other areas. Treasury expenditure has been excluded as the Treasury makes no distinction between expenditure overseas and domestically in pursuit of its objectives.

Figures are FY 1996/97 outturn except where stated otherwise. In total, around £7.6 billion is allocated annually to our overseas activities and commitments.

Objective 1. To ensure the Security of the UK; and to promote International Peace and Stability.

<u>MoD</u>	<u>Cost £ million</u>
- 29,810 service and civilian personnel in Europe (1997-98 estimate)	1300
- 5,000 troops on temporary deployment with SFOR in Bosnia	224
- 380 defence attaches, advisers and staff in FCO posts around the world	29
(£8m of which is funded by FCO)	
- 1900 UK military posts in NATO HQs and WEU	86.6
- Contribution to NATO Military Budget	60
- Contribution to NATO Security Investment	50
- Share of UK contributions to WEU	1.2
- 4,430 personnel in Cyprus SBAs	170
- Armilla Patrol (2 frigates – one on station at a time)	36
- 564 personnel in the Gulf and Near East	est 22
- Iraqi No Fly zones	6.4
- Five power Defence Arrangement; 300 personnel in the Far East	est 21
- Joint Arms Control Implementation Group (JACIG)	6
- 400 Loan Service Personnel around the world (offsetting receipts £27.4m)	32.4 (£5m net)

* In one sense, most if not all of this expenditure relates to Objective 1, and at least some of it could also be said to contribute to Objectives 2 (by creating jobs in the defence sector), 3 (humanitarian and disaster relief deployments), 4 (military support to diplomatic efforts in the Gulf) and 5 (the credibility and influence our military capabilities bring us in European security institutions). But it is difficult to allocate annual defence expenditure meaningfully to these objectives. And some activity overseas occurs at minimal marginal cost as a by-product of maintaining military capabilities (such as port visits by ships deployed for operational or training purposes). This is not captured here.

	<u>£ million</u>
- Outreach programme	5.5
- Other DMAF loan service personnel	1.5
- "BATSUB" team in Belize (40 personnel)	est 2
- Other visits and exchanges	2
- Arms control research	2.7
 <u>DTI</u>	
- non-proliferation running costs	7.7
- non-proliferation programme expenditure (including IAEA and Organisation for the Prohibition of Chemical Weapons)	12
 <u>FCO</u>	
- Preventive diplomacy/diplomacy on security issues	15
- Non-proliferation diplomacy	5.8
- Contribution to NATO HQ Brussels	20
- UK contribution to UN peacekeeping (including £33m from Treasury Reserve)	53
- UK contribution to WEU costs	2.8
- UK contribution to OSCE costs	2
 <u>BBC Monitoring Service</u> (FCO, MoD and Cabinet Office-funded)	 18
 <u>Bank of England</u>	
- Administration of sanctions (Libya, Iraq etc)	0.4
Total	<hr/> 2195 (£2167.6 m net)

Objective 2: To improve, through international action, economic opportunities for a prosperous UK.

<u>FCO</u>	<u>Costs £ million</u>
- Trade promotion, economic, financial and S&T work at posts and in FCO headquarters	232.8
- Inward investment work	6.7
- Trade policy work	3.8
- Protection of UK resources and assets (incl fisheries)	1.3
 <u>DTI</u>	
- <u>Trade promotion</u> work – Joint (with FCO) Export Promotion Directorate, Export Services Directorate, Six geographical Market Directorates, Projects and Export Policy Directorate, Oil and Gas Petrochemicals Supplies Office and 89 Business Links. 719 staff in all.	31.9 (running costs) 56.2 (programme)
- Trade work by other DTI directorates	8.6
- Trade policy directorate	4
- WTO subscription	4.3
 - <u>Inward Investment</u> work	
- Invest in Britain Bureau (joint operation with FCO)	7.3
- Partial funding of 10 English regional development offices (47 staff overseas)	10.5
 - <u>Science and Technology</u> work	
- OST (contribution to EU Framework Programme)	280
- OST (International subscriptions for Research Councils)	120
- OST/Royal Society international activity	5
- Other OST bilateral activity	0.4
- BNSC contribution to European Space Agency	128
 <u>British Council</u> (FCO/DFID-funded)	
- Trade promotion (education, training, arts)	7.7
- Science and Technology	14
 <u>Other Departments</u>	
- contribution to EU Framework Programme	70

	<u>£ million</u>
<u>Scottish Office</u>	
- Scottish Trade International: <u>trade promotion</u>	5
- Locate in Scotland: <u>inward investment</u> (9 overseas offices and 33 staff)	5.5
<u>Welsh Office</u>	
- Industry Dept: <u>trade promotion</u>	0.8
- Welsh Tourist Board: overseas marketing	2
- Welsh Development Agency: <u>inward investment</u> (11 overseas offices and 31 staff)	5
<u>NIO</u>	
- <u>Trade promotion</u>	6.5
- <u>Inward investment</u> (9 overseas offices and 37 staff)	5.4 (staff)
<u>Bank of England</u>	
- Support for British Invisibles	0.2 (running costs)
<u>DETR</u>	
- <u>Export promotion</u> division for transport, water and construction sectors	11.9 (running costs)
- Air Services negotiators and promotion of UK aviation interests	6.7
<u>Inland Revenue</u>	
- Cross-border taxation	3.0 (running costs)
	0.1 (technical assistance)
<u>HMCE</u>	
- International assistance (full cost recovery)	3.0 (£0.1m net)
<u>Department of Health</u>	
- Promotion of healthcare exports	0.4
<u>MoD</u>	
- DESO (excluding disposals team) 331 staff (1998-99 estimate)	12.9 (£11.9m net)
<u>MAFF</u>	
- International Relations and Export Promotion Division	5.6

	<u>£ million</u>
- Non-EU trade negotiations (staff costs and attendance at meetings)	5
- Fisheries protection	2.2
 <u>DCMS</u>	
- Grant-in-aid to British Tourist Authority (present in 37 countries)	35
[The BTA also raised an estimated £16.2m from the private sector]	
- DCMS staff engaged in overseas promotion and EU liaison relating to tourism	0.2
- UK Sports Council – International Relations & Major Events Directorate	0.8
 <u>DfEE</u>	
- Trade promotion through ministerial visits	0.1 (staff)
 <u>ECGD</u>	
- Fixed Rate Export Finance (1997-98 – £16m in 1996-97)	42*
 Total	<hr/> 1158.9 (£1155 net) <hr/>

* ECGD's primary function is to help UK exporters win business and UK firms to invest overseas by issuing guarantees and insurance against loss. ECGD is required to break even. Its trading activities do not therefore count as public expenditure although the cash flow resulting from its operations will impact on the PSBR. The Exchequer stands behind ECGD operations which had accumulated total contingent liabilities of £35 billion as at 31 March 1998 covering both its trading and non-trading activities. In support of its main trading activities ECGD provides a number of facilities which involve public expenditure, the principal facility being interest rate support for exporters – the cost of these facilities in 1997-98 came to £42m.

Objective 3: To improve Quality of life worldwide; and develop a strong international community

	<u>£ million</u>
<u>DFID</u>	
- the elimination of poverty in poorer countries	2,144
<u>FCO</u>	
- aid administration	30
- environmental work	1.9
- drugs, terrorism, international crime	7.6
- fund MoD anti-drugs work	2.3
- promotion of human rights, civil liberties and democracy, rule of law and good governance	6.3 (staff) 42.8 (prog)
- participation in multilateral institutions	4 (staff costs)
- subscriptions to multilateral institutions (UN, Council of Europe, OECD and Commonwealth)	69.4
<u>MoD</u>	
- anti-drugs work	funded by FCO
- overseas counter-terrorism work	0.3
- Met Office contribution to WMO	1.4
<u>Home Office</u>	
- anti-drugs work	2.3
- share of UNDCP subscription	0.2
- counter-terrorism	0.1
- judicial cooperation unit (extradition etc)	1.4
<u>DETR</u>	
- Transport security work	0.3
- ICAO/ECAC contributions and CAA support	2.6
- IMO contributions	0.6
- Environment work	8.8
- UNEP and environmental UN contributions	6.2
<u>HMCE</u>	
- customs cooperation	1.4

	<u>£ million</u>
- indirect tax cooperation	0.3
- drug and fiscal liaison officers world-wide and other drugs work	10
 <u>DfEE</u>	
- ILO contribution	9
 <u>Bank of England</u>	
- supervision of overseas banks, offshore financial centres, financial crime	7.6
- international payments policy	0.5
- technical assistance through Centre for Central Banking Studies	1.8
 <u>DTI and agencies (Patent Office, Radio Comms Office)</u>	
- UPU, ITU, WIPO contributions	3.7
 <u>D of H</u>	
- WHO contributions	14.8
 <u>DCMS</u>	
- WHF contributions	0.1
 Total	<hr/> 2,381.7 <hr/>

Objective 4: To increase the impact of and respect for British foreign policy and values

	<u>£ million</u>
<u>FCO</u>	
- promotion of British policies, cultivation of opinion-formers etc	87 (staff)
- scholarships - Chevening	14.5
- other	4
- UKMTAS	17
 <u>British Council</u> (FCO/DFID-funded)	
- cultural work, education, information, promotion of English language	106
- English language teaching (118 centres in 51 countries)	(self-funding)
 <u>BBC World Service</u> (FCO-funded)	161
 <u>DfEE</u>	
- scholarships (Overseas Research Student Award Scheme)	11
 <u>DCMS</u>	
- Government Art Collection overseas activities	0.2
 Total	<hr/> 400.7 <hr/>

Objective 5: To ensure the UK plays a strong role in a strong Europe, responsive to people's needs

Our fifth foreign policy objective is to ensure the UK is a leading player in Europe. Every department of government is engaged in EU work. Gross payments to the EU (after abatement) were £6.9 billion in 1996/97; our net UK contribution to the EU budget, after receipts and abatement, was £2.3 billion. For the purposes of this study of overseas activity we have included contributions to EU programmes, participation in EU deliberations and the London-end costs of supporting and directing these activities; we have not included the costs of implementing EU policies and directives domestically.

	<u>£ million</u>
<u>FCO</u> - coordination of EU activity and promotion of EU objectives in Brussels and elsewhere	
overseas, and EU work in headquarters	17.4
<u>Cabinet Office</u> - European Secretariat	0.9
- Legal advisers	1
- European fast stream, national experts etc	2.4
<u>DFEE</u> - cost of EU policy work	5.3
<u>MAFF</u> [total cost of CAP - £3.14 billion] - cost of EU policy work	13
<u>Inland Revenue</u> - cost of EU policy work	0.3
<u>HMCE</u> - cost of EU policy work	1.1
<u>DTI</u> - cost of EU policy work	2.4
<u>DETR</u> - cost of EU policy work	6.2
<u>Home Office</u> - cost of EU policy work	2.2
<u>DSS</u> - cost of EU policy work	0.3
<u>Scottish Office</u> - cost of general EU work	1.2
<u>Welsh Office</u> - cost of EU policy work	1
<u>NIO</u> - cost of EU policy work	3.2
<u>Bank of England</u> - preparations for euro & EMI/ECB policy	3.3
<u>DCMS</u>	
- EU cultural heritage and arts programmes (Raphael, Kaleidoscope)	0.9
- Cost of EU policy work on audiovisual matters	6.5
Total	68.8

Objective 6: To ensure the protection of British Citizens Abroad

The MOD also contributes through the evacuation of British citizens in circumstances where civil means are not available. It is not possible to put annual figure on this; there have been three operations in the 1990s, costing some £7.4m in total.

	<u>£ million</u>
<u>FCO</u>	
- Consular services	64.1
	<hr/>
Total	64.1
	<hr/>

Objective 7: To ensure efficient and effective implementation of entry clearance arrangements

	<u>£ million</u>
<u>FCO</u>	
- entry clearance work ¹	71.3
	(£56m recovered through fees)

¹ Additionally, annual costs of nearly £700 million arise in connexion with applications for asylum. They are incurred by the DSS (£200 million); Department of Health (£154 million); DfEE (£56 million); and Lord Chancellor's Department (£37.5 million).

Objective 8: To ensure the security of UK Overseas Territories, promote their prosperity, and uphold sustainable development and good government

	<u>£ million</u>
<u>FCO</u>	
- Promotion of good governance and sustainable development (1996/7 figures include £5.4m for Hong Kong)	13.0 (running costs)
	3.5 (prog)
- Work on behalf of OGDs	59 (staff costs)
<u>DFID¹</u>	
- Gibraltar Pensions	8+
<u>MoD</u>	
- 2000 personnel in the Falklands	81
- Naval element (1 frigate, 1 OPV, 55/365 x 1 SSN)	est 40
- airbridge	est 5
- 547 personnel in Gibraltar	63
- West Indies Guardship	18
- Other DT deployments (Ascension airfield, Diego Garcia, South Georgia Ice Patrol vessel etc)	est 40
<u>DETR</u>	
- Aviation security	0.4
Total	<hr/> 330.9 <hr/>

¹ DFID is also responsible for expenditure of £149 million annually on former Colonial and Indian pensions. This figure is not included under Objective 8; it is, however, included in the global total for overseas expenditure.

UK-based staff serving overseas

MoD – servicemen	43,347
- civilians	4,342
FCO	2200
British Council	219
Bank of England	2*
BTA	27
DETR/CAA	9
DfEE	10*
DfID	70
DSS	2*
DTI	38*
HMCE	55¶
Home Office – posted abroad	108*
- short term (<6 months) postings	90* (annually)
MAFF	10*
Police	9
Treasury	12*

The Scottish, Welsh and Northern Ireland Offices also have small numbers of UK-based staff overseas, in some cases paid for by the FCO.

* Wholly or partly funded from FCO Vote

¶ Excluding temporary term secondments in international assistance programme

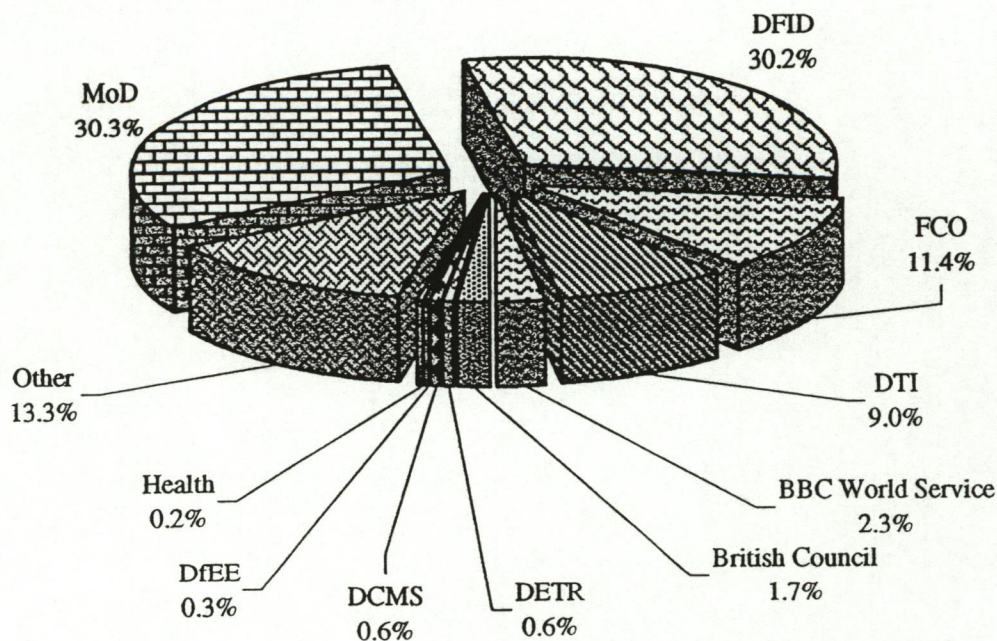
ATTRIBUTION OF EXPENDITURE ON GOVERNMENT ACTIVITIES OVERSEAS
AGAINST FCO OBJECTIVES *

<u>Objective 1:</u>	To ensure the security of the UK; and to promote international peace and stability	£2,995m	39%
<u>Objective 2:</u>	To improve, through international action, economic opportunities for a prosperous UK	£1,159m	15%
<u>Objective 3:</u>	To improve quality of life worldwide; and develop a strong international community	£2,382m	31%
<u>Objective 4:</u>	To increase the impact of and respect for British foreign policy and values	£401m	5%
<u>Objective 5:</u>	To ensure the UK plays a strong role in a strong Europe, responsive to people's needs	£66m	1%
<u>Objective 6:</u>	To ensure the protection of British citizens abroad	£64m	1%
<u>Objective 7:</u>	To ensure efficient and effective implementation of entry clearance arrangements	£7m	1%
+ <u>Objective 8:</u>	To ensure the security of UK Dependent Territories, promote their prosperity, and uphold sustainable development and good government	£480m	6%

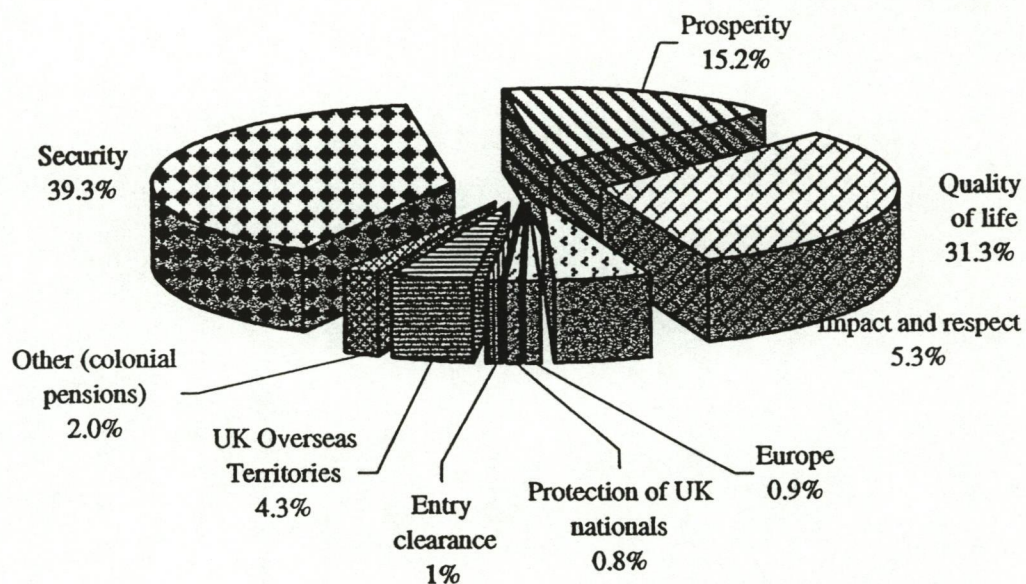
* It should be noted that significant proportions of the expenditure listed against Objectives 1, 2, 3, 4, 5 and 7 is incurred in support of other objectives.

+ Additionally £149m annually is spent on former colonial and Indian pensions.

**EXPENDITURE ON OVERSEAS ACTIVITY BY UK GOVERNMENT
DEPARTMENTS (total c. £7.6 billion)
(percentages of total spending on overseas activity)**



**TOTAL UK GOVERNMENT DEPARTMENTS' ACTIVITY
OVERSEAS CLASSIFIED BY FCO OBJECTIVE**



NEW OPPORTUNITIES AND PRIORITIES

Building on the Foreign Secretary's suggestions, the Group identified the following activities as ones to which greater priority might be given. These are in no order of priority, should not be regarded as definitive, and in some cases are independent of new priorities or views in departments' CSRs.

- environmental protection;
- conflict prevention, including support for independent media, police training and military decommissioning;
- stopping proliferation of weapons of mass destruction;
- combating international crime (including drug trafficking and fiscal fraud) and terrorism;
- promoting UK food and food technology exports;
- preparations for the establishment of EMU;
- supporting UK exporters in line with the recommendations of the Export Forum;
- monitoring and responding to threats to international financial stability;
- defence diplomacy, including military attache posts;
- improving our ability to support deployed armed forces;
- promoting good governance and human rights;
- improving the projection of the UK overseas;
- exploiting modern systems for communication within government, and with business, the media and the public both at home and overseas.
- mobilising international commitment in support of the International Development Strategy, and addressing directly issues of poverty and social exclusions;
- promoting economic reform and restructuring, including building partnerships with the private sector to stimulate investment (in poorer countries) overseas.
- European Union accession candidates in Eastern Europe

To complement the political support advocated by the Foreign Secretary for European Union accession candidates in Eastern Europe, some Departments identified as another priority the provision to them of technical assistance (in the areas of agriculture, environment, finance, justice and home affairs).

Mr Pakenham

Ref: BO.2756

SIR RICHARD WILSON



GOVERNMENT OVERSEAS ACTIVITY: CABINET OFFICE EXERCISE

Summary

Many thanks. I am grateful for the effort Mr. has gone into this. It bears all the hallmarks of a difficult exercise: even so I think the figures are interesting. I am content for the paper

Endorsement of agreed inter-Departmental paper.

To go out subject to (i) deletion of the sentence in para 7 Mr. I have marked. Cabinet Timing *Off a paper to committees do not make recommendation! (ii) correction of the two slips in marked X; and (iii) clarification of the Summary (which, if expanded a little, could become the main note).*

By Monday 1 June, if possible.

Ry.
29/5

At the fourth meeting today of my Group we managed to reach agreement on the text of a Note by officials to DOP, as instructed by the Prime Minister, plus three Annexes of statistics and further background. I attach a copy. A number of Departments (Treasury, DFID and to a lesser extent MOD and DTI) made clear their reservations about the exercise - "fatally flawed" in the words of the Treasury. Nonetheless, we have an agreed product.

2. The next step is to put it to DOP. I recommend that this be done under a covering Note from the Secretaries (ie yourself, me and Mr Fisher); that we also send copies formally to Ms Short and Dr Cunningham, both of whose Departments have been heavily engaged; and that we make copies of the paper but not the covering Note available to the rest of the Whitehall Departments (some 20 in all) who have been associated in some way or another. If you agree, we can action all this on Monday 1 June. I have been urging Departments to meet this deadline, which corresponds to the Prime Minister's endorsement of your proposal to complete the exercise before the end of May, as a means of pressing them to reach agreement. It would therefore be tactically helpful if the paper to DOP could issue early next week.

3. Two other points:

- (1) the FCO made no secret of the Foreign Secretary's wish to follow this exercise with discussion in DOP. I did not exclude this but merely pointed to the practical difficulties of the Prime Minister's diary. I would expect Mr Cook to touch on this when he dines with the Prime Minister this weekend; and
- (2) the FCO and the Treasury were merely the strongest advocates among a number of Departments that this exercise should not be repeated in an extended and more comprehensive format, in the foreseeable future.

MPakenham

MICHAEL PAKENHAM

28 May 1998

GOVERNMENT ACTIVITY OVERSEAS

NOTE BY OFFICIALS

Summary

Analysis of current activity under FCO proposed objectives is contained at Annexes A and B. Reservations about methodology. Compilation of some new priorities and opportunities, including for export promotion, at Annex C. This analysis to provide background for possible DOP discussion, in context of Comprehensive Spending Review (CSR) process and work in hand in PX.

Timing

2. Non-urgent.

Detail

3. Following the minute of 8 April from the Foreign and Commonwealth Secretary, the Prime Minister agreed that officials should present to DOP an analysis of Government activity overseas based on the following elements:

- figures for public expenditure on such activity, in the light of the work already circulated by the Foreign Secretary;
- a list of objectives for such activity, drawing on those already established by the FCO;
- suggestions for new priorities and opportunities for Government activity overseas.

This material for DOP should inform the Ministerial debate on the allocation of Government resources as part of the CSR handled by the PX Committee.

4. This work has now been completed, under Cabinet Office chairmanship, within the short time-scale requested by Ministers in order for it to feed into the CSR process. All relevant Government Departments have been associated with it, to the extent necessary. In the process a number of comments were made about the procedures, and some reservations were expressed on the approach. It was recognised that the CSR process focused on outputs and the allocation of resources between Departments. The current exercise was intended as a contribution to this wider debate by providing an overall picture of inputs in terms of public expenditure; and of potential areas for new activity. The precise relationship between inputs and outputs is beyond the scope of this Note.

5. Annex A contains the main product of this Group's work in the form of a revised version of the statistics originally submitted by the Foreign Secretary. These figures more fully reflect the extent of Government activity overseas; they also include some expenditure incurred domestically but with a direct contribution to such activity. Non-Governmental public bodies are covered to the extent possible. The figures, which follow a more consistent pattern than in the earlier version, are largely based upon gross public expenditure; receipts are indicated in footnotes which also cover the issue of some contingent liabilities. Most figures are given for the Financial Year 1996/97, but in some cases it has been possible to provide these for the 1997/98 Financial Year. Given the differing bases for the figures, these tables remain indicative rather than definitive. In the broad terms used in this paper, the gross public expenditure on overseas activity is estimated to be around £7.4 billion a year.

6. The Group drew the following conclusions from the revised version of the FCO paper, and their discussions over the past month:

- i. The Government has a set of overall objectives for policy, of which those selected by the FCO are a sub-set related primarily to Government activity overseas.
- ii. The figures in the Annex have been validated and reflect the activities under the headings given.
- iii. There are however a number of qualifications to be made if these figures are to be taken as reflecting in its entirety Government activity overseas:
 - a. the 1996/97 figures, relating to the pre-CSR process and the previous Government's decisions, do not sit easily with the new Departmental objectives established under the present Government (and still to be confirmed under the CSR process), and with the reallocations already made during the 1997/98 Financial Year or proposed as part of the CSR;
 - b. some Departments believe that, while it is possible to group their Departmental activities under the broad headings set by the FCO, this risks masking the real objective of the activity for the benefits of the UK as a whole;
 - c. it also risks drawing an artificial distinction between areas of overseas and domestic activity, when the two often coincide and should not be separated. Doubts exist whether

such a distinction corresponds to the reality of work in Whitehall;

- d. in some cases spending by the FCO abroad is the mirror image of spending by OGDs in the UK. Entry Clearance is a case in point. The FCO currently incurs gross costs of around £71.3m a year (£15.3 net) in running entry clearance operations at Posts. But in the UK Departments costs of nearly £700m arise from applications for asylum. These costs would undoubtedly rise if overseas operations were less effective;
- e. in some cases it has been difficult to categorise activities under a specific heading, given the interconnection between many of them.
- iv. Subject to those reservations, for the purposes of this exercise the FCO objectives have been used as the basis for analysing Government activity overseas. These objectives are listed at Annex B. However, a complete picture of Government objectives would need to reflect the full set established by each Department;
- v. A breakdown of these numbers demonstrates that:
 - a high proportion of expenditure on overseas activity has for this exercise been grouped under the headings of Security for the UK, Prosperity and Quality of Life Overseas (ie largely MOD, DTI and DFID) representing [00]% of spending;

the resources expended by the FCO representatives less than 12 per cent of the

total expenditure on overseas activities by Government.

vi. The Foreign Secretary has identified certain priorities and areas for new opportunities, including several for the promotion of further export and inward investment activity. In addition, there are a number of other areas to which more Government resources could be devoted. These are listed at Annex C in no order of priority. In the time available this list should not be considered as definitive.

vii. This overall exercise has highlighted the problems in tackling a broad subject which cuts across several Departmental responsibilities and involves a wide range of Whitehall activity. A static analysis of individual Departments may not respond in full to broader national interests. For any future work, questions of definition, and of what the work was intended to achieve, would need to be considered very carefully.

viii. As noted above, the Group was struck by the difficulty of distinguishing between what we do abroad and what we do at home, and the reasons for which we do it. The Group concluded that everything which we do is done in support of UK objectives. The Government's overseas activities and objectives are aspects of domestic policy and increasingly integrated with the operation of domestic policy.

7. The Group recognised that under the CSR procedures PX was responsible for considering both the individual expenditure by Departments and the overall allocation of Government resources, and for making recommendations to Cabinet. In the

light of the Prime Minister's instructions, it also recognised that DOP, with the strategic responsibility for setting defence and overseas policy, had a particular role to play in decision-making on overseas activity; its members were all active within the CSR debate and most of them were responsible for Departments directly affected by such decisions. ~~Given this background and timetable, this Note does not contain recommendations to DOP for such specific decisions.~~ It is submitted for senior Ministers, to provide background for further DOP discussion and key decisions in the CSR process.

28 May 1998

OF HER BRITANNIC MAJESTY'S GOVERNMENT

COPY NO

CABINET

ON DEFENCE AND OVERSEAS POLICY

GOVERNMENT ACTIVITY OVERSEAS

the Secretaries

submitted for the consideration of DOP.
analysis of Government Activity Overseas,
requested in the Foreign Secretary's
letter. The Group, with which all
met, met on four occasions under
the has, additionally, been sent to all
with an invitation to bring it to the

RICHARD WILSON
M A PAKENHAM
D R FISHER

ANNEX A: OVERSEAS ACTIVITIES OF UK GOVERNMENT DEPARTMENTS BY FCO OBJECTIVE

NOTE: Judgements have had to be made about where overseas activity ends and domestic activity begins. The entire FCO budget is included because, although much of it is spent in the UK, it is all spent on overseas-related activity. But we have not, for example, included the entire defence budget (£22 billion) in this paper. We have listed only the MoD activities taking place overseas and the costs of supporting those activities at the UK end.* A similar judgement has been made over EU work (see paragraph 11) and other areas. Treasury expenditure has been excluded as the Treasury makes no distinction between expenditure overseas and domestically in pursuit of its objectives.

Figures are FY 1996/97 outturn except where stated otherwise. In total, around £7.6 billion is allocated annually to our overseas activities and commitments.

Objective 1. To ensure the Security of the UK; and to promote International Peace and Stability.

<u>MoD</u>	<u>Cost £ million</u>
- 29,810 service and civilian personnel in Europe (1997-98 estimate)	1300
- 5,000 troops on temporary deployment with SFOR in Bosnia	224
- 380 defence attaches, advisers and staff in FCO posts around the world	29
	(£8m of which is funded by FCO)
- 1900 UK military posts in NATO HQs and WEU	86.6
- Contribution to NATO Military Budget	60
- Contribution to NATO Security Investment	50
- Share of UK contributions to WEU	1.2
- 4,430 personnel in Cyprus SBAs	170
- Armilla Patrol (2 frigates – one on station at a time)	36
- 564 personnel in the Gulf and Near East	est 22
- Iraqi No Fly zones	6.4
- Five power Defence Arrangement; 300 personnel in the Far East	est 21
- Joint Arms Control Implementation Group (JACIG)	6
- 400 Loan Service Personnel around the world (offsetting receipts £27.4m)	32.4 (£5m net)

* In one sense, most if not all of this expenditure relates to Objective 1, and at least some of it could also be said to contribute to Objectives 2 (by creating jobs in the defence sector), 3 (humanitarian and disaster relief deployments), 4 (military support to diplomatic efforts in the Gulf) and 5 (the credibility and influence our military capabilities bring us in European security institutions). But it is difficult to allocate annual defence expenditure meaningfully to these objectives. And some activity overseas occurs at minimal marginal cost as a by-product of maintaining military capabilities (such as port visits by ships deployed for operational or training purposes). This is not captured here.

Objective 2: To improve, through international action, economic opportunities for a prosperous UK.

<u>FCO</u>	<u>Costs £ million</u>
- Trade promotion, economic, financial and S&T work at posts and in FCO headquarters	232.8
- Inward investment work	6.7
- Trade policy work	3.8
- Protection of UK resources and assets (incl fisheries)	1.3
 <u>DTI</u>	
- <u>Trade promotion</u> work – Joint (with FCO) Export Promotion Directorate, Export Services Directorate, Six geographical Market Directorates, Projects and Export Policy Directorate, Oil and Gas Petrochemicals Supplies Office and 89 Business Links. 719 staff in all.	31.9 (running costs)
-	56.2 (programme)
- Trade work by other DTI directorates	8.6
- Trade policy directorate	4
- WTO subscription	4.3
 - <u>Inward Investment</u> work	
- Invest in Britain Bureau (joint operation with FCO)	7.3
- Partial funding of 10 English regional development offices (47 staff overseas)	10.5
 - <u>Science and Technology</u> work	
- OST (contribution to EU Framework Programme)	280
- OST (International subscriptions for Research Councils)	120
- OST/Royal Society international activity	5
- Other OST bilateral activity	0.4
- BNSC contribution to European Space Agency	128
 <u>British Council</u> (FCO/DFID-funded)	
- Trade promotion (education, training, arts)	7.7
- Science and Technology	14
 <u>Other Departments</u>	
- contribution to EU Framework Programme	70

	<u>£ million</u>
<u>Scottish Office</u>	
- Scottish Trade International: <u>trade promotion</u>	5
- Locate in Scotland: <u>inward investment</u> (9 overseas offices and 33 staff)	5.5
<u>Welsh Office</u>	
- Industry Dept: <u>trade promotion</u>	0.8
- Welsh Tourist Board: overseas marketing	2
- Welsh Development Agency: <u>inward investment</u> (11 overseas offices and 31 staff)	5
<u>NIO</u>	
- <u>Trade promotion</u>	6.5
- <u>Inward investment</u> (9 overseas offices and 37 staff)	5.4 (staff)
<u>Bank of England</u>	
- Support for British Invisibles	0.2 (running costs)
<u>DETR</u>	
- <u>Export promotion</u> division for transport, water and construction sectors	11.9 (running costs)
- Air Services negotiators and promotion of UK aviation interests	6.7
<u>Inland Revenue</u>	
- Cross-border taxation	3.0 (running costs)
	0.1 (technical assistance)
<u>HMCE</u>	
- International assistance (full cost recovery)	3.0 (£0.1m net)
<u>Department of Health</u>	
- Promotion of healthcare exports	0.4
<u>MoD</u>	
- DESO (excluding disposals team) 331 staff (1998-99 estimate)	12.9 (£11.9m net)
<u>MAFF</u>	
- International Relations and Export Promotion Division	5.6

	<u>£ million</u>
- Non-EU trade negotiations (staff costs and attendance at meetings)	5
- Fisheries protection	2.2
 <u>DCMS</u>	
- Grant-in-aid to British Tourist Authority (present in 37 countries)	35
[The BTA also raised an estimated £16.2m from the private sector]	
- DCMS staff engaged in overseas promotion and EU liaison relating to tourism	0.2
- UK Sports Council – International Relations & Major Events Directorate	0.8
 <u>DfEE</u>	
- Trade promotion through ministerial visits	0.1 (staff)
 <u>ECGD -</u>	
- Fixed Rate Export Finance (1997-98 – £16m in 1996-97)	42*
 Total	<hr/> 1158.9 (£1155 net) <hr/>

* ECGD's primary function is to help UK exporters win business and UK firms to invest overseas by issuing guarantees and insurance against loss. ECGD is required to break even. Its trading activities do not therefore count as public expenditure although the cash flow resulting from its operations will impact on the PSBR. The Exchequer stands behind ECGD operations which had accumulated total contingent liabilities of £35 billion as at 31 March 1998 covering both its trading and non-trading activities. In support of its main trading activities ECGD provides a number of facilities which involve public expenditure, the principal facility being interest rate support for exporters – the cost of these facilities in 1997-98 came to £42m.

Objective 3: To improve Quality of life worldwide; and develop a strong international community

	£ million
<u>DFID</u>	
- the elimination of poverty in poorer countries	2,144
<u>FCO</u>	
- aid administration	30
- environmental work	1.9
- drugs, terrorism, international crime	7.6
- fund MoD anti-drugs work	2.3
- promotion of human rights, civil liberties and democracy, rule of law and good governance	6.3 (staff) 42.8 (prog)
- participation in multilateral institutions	4 (staff costs)
- subscriptions to multilateral institutions (UN, Council of Europe, OECD and Commonwealth)	69.4
<u>MoD</u>	
- anti-drugs work	funded by FCO
- overseas counter-terrorism work	0.3
- Met Office contribution to WMO	1.4
<u>Home Office</u>	
- anti-drugs work	2.3
- share of UNDCP subscription	0.2
- counter-terrorism	0.1
- judicial cooperation unit (extradition etc)	1.4
<u>DETR</u>	
- Transport security work	0.3
- ICAO/ECAC contributions and CAA support	2.6
- IMO contributions	0.6
- Environment work	8.8
- UNEP and environmental UN contributions	6.2
<u>HMCE</u>	
- customs cooperation	1.4

	<u>£ million</u>
- indirect tax cooperation	0.3
- drug and fiscal liaison officers world-wide and other drugs work	10
 <u>DfEE</u>	
- ILO contribution	9
 <u>Bank of England</u>	
- supervision of overseas banks, offshore financial centres, financial crime	7.6
- international payments policy	0.5
- technical assistance through Centre for Central Banking Studies	1.8
 <u>DTI and agencies (Patent Office, Radio Comms Office)</u>	
- UPU, ITU, WIPO contributions	3.7
 <u>D of H</u>	
- WHO contributions	14.8
 <u>DCMS</u>	
- WHF contributions	0.1
 Total	<hr/> 2,381.7 <hr/>

Objective 4: To increase the impact of and respect for British foreign policy and values

	<u>£ million</u>
<u>FCO</u>	
- promotion of British policies, cultivation of opinion-formers etc	87 (staff)
- scholarships - Chevening	14.5
- other	4
- UKMTAS	17
 <u>British Council</u> (FCO/DFID-funded)	
- cultural work, education, information, promotion of English language	106
- English language teaching (118 centres in 51 countries)	(self-funding)
 <u>BBC World Service</u> (FCO-funded)	161
 <u>DfEE</u>	
- scholarships (Overseas Research Student Award Scheme)	11
 <u>DCMS</u>	
- Government Art Collection overseas activities	0.2
 Total	<hr/> 400.7 <hr/>

Objective 5: To ensure the UK plays a strong role in a strong Europe, responsive to people's needs

Our fifth foreign policy objective is to ensure the UK is a leading player in Europe. Every department of government is engaged in EU work. Gross payments to the EU (after abatement) were £6.9 billion in 1996/97; our net UK contribution to the EU budget, after receipts and abatement, was £2.3 billion. For the purposes of this study of overseas activity we have included contributions to EU programmes, participation in EU deliberations and the London-end costs of supporting and directing these activities; we have not included the costs of implementing EU policies and directives domestically.

	<u>£ million</u>
<u>FCO</u> - coordination of EU activity and promotion of EU objectives in Brussels and elsewhere	
overseas, and EU work in headquarters	17.4
<u>Cabinet Office</u> - European Secretariat	0.9
- Legal advisers	1
- European fast stream, national experts etc	2.4
<u>DFEE</u> - cost of EU policy work	5.3
<u>MAFF</u> [total cost of CAP - £3.14 billion] - cost of EU policy work	13
<u>Inland Revenue</u> - cost of EU policy work	0.3
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<u>DTI</u> - cost of EU policy work	2.4
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<u>DSS</u> - cost of EU policy work	0.3
<u>Scottish Office</u> - cost of general EU work	1.2
<u>Welsh Office</u> - cost of EU policy work	1
<u>NIO</u> - cost of EU policy work	3.2
<u>Bank of England</u> - preparations for euro & EMI/ECB policy	3.3
<u>DCMS</u>	
- EU cultural heritage and arts programmes (Raphael, Kaleidoscope)	0.9
- Cost of EU policy work on audiovisual matters	6.5
Total	68.8

Objective 6: To ensure the protection of British Citizens Abroad

The MOD also contributes through the evacuation of British citizens in circumstances where civil means are not available. It is not possible to put annual figure on this; there have been three operations in the 1990s, costing some £7.4m in total.

	<u>£ million</u>
<u>FCO</u>	
- Consular services	64.1
	<hr/>
Total	64.1
	<hr/>

Objective 7: To ensure efficient and effective implementation of entry clearance arrangements

	<u>£ million</u>
<u>FCO</u>	
- entry clearance work ¹	71.3
	(£56m recovered through fees)

¹ Additionally, annual costs of nearly £700 million arise in connexion with applications for asylum. They are incurred by the DSS (£200 million); Department of Health (£154 million); DfEE (£56 million); and Lord Chancellor's Department (£37.5 million).

Objective 8: To ensure the security of UK Overseas Territories, promote their prosperity, and uphold sustainable development and good government

	<u>£ million</u>
<u>FCO</u>	
- Promotion of good governance and sustainable development (1996/7 figures include £5.4m for Hong Kong)	13.0 (running costs)
	3.5 (prog)
- Work on behalf of OGDs	59 (staff costs)
<u>DFID¹</u>	
- Gibraltar Pensions	8+
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- 2000 personnel in the Falklands	81
- Naval element (1 frigate, 1 OPV, 55/365 x 1 SSN)	est 40
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- Other DT deployments (Ascension airfield, Diego Garcia, South Georgia Ice Patrol vessel etc)	est 40
<u>DETR</u>	
- Aviation security	0.4
	<hr/>
Total	330.9
	<hr/>

¹ DFID is also responsible for expenditure of £149 million annually on former Colonial and Indian pensions. This figure is not included under Objective 8; it is, however, included in the global total for overseas expenditure.

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- civilians	4,342
FCO	2200
British Council	219
Bank of England	2*
BTA	27
DETR/CAA	9
DfEE	10*
DfID	70
- DSS	2*
DTI	38*
HMCE	55¶
Home Office – posted abroad	108*
- short term (<6 months) postings	90* (annually)
MAFF	10*
Police	9
Treasury	12*

The Scottish, Welsh and Northern Ireland Offices also have small numbers of UK-based staff overseas, in some cases paid for by the FCO.

* Wholly or partly funded from FCO Vote

¶ Excluding temporary term secondments in international assistance programme

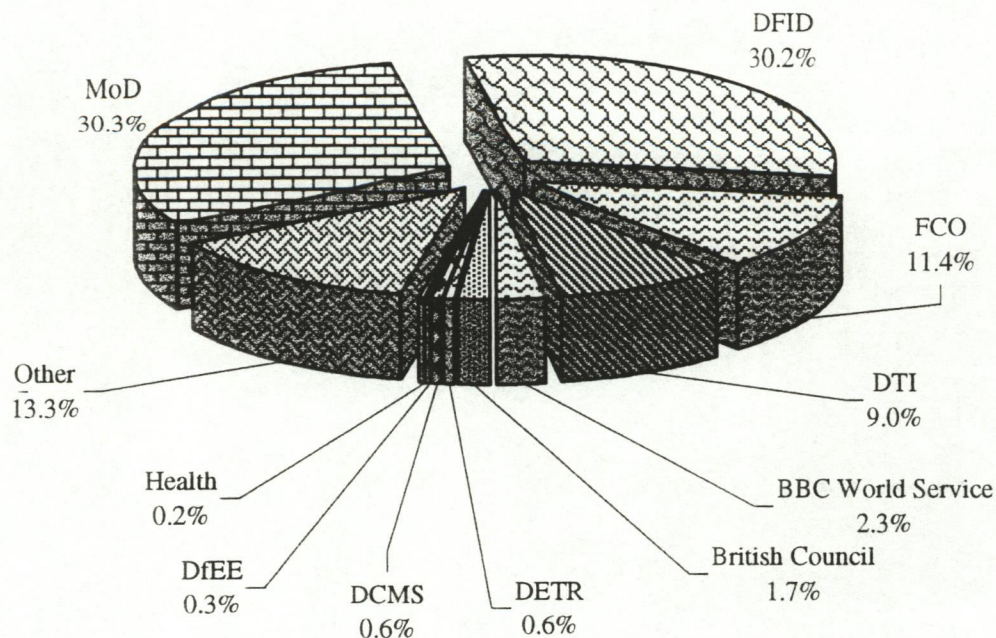
ATTRIBUTION OF EXPENDITURE ON GOVERNMENT ACTIVITIES OVERSEAS
AGAINST FCO OBJECTIVES *

<u>Objective 1:</u>	To ensure the security of the UK; and to promote international peace and stability	£2,995m	39%
<u>Objective 2:</u>	To improve, through international action, economic opportunities for a prosperous UK	£1,159m	15%
<u>Objective 3:</u>	To improve quality of life worldwide; and develop a strong international community	£2,382m	31%
<u>Objective 4:</u>	To increase the impact of and respect for British foreign policy and values	£401m	5%
<u>Objective 5:</u>	To ensure the UK plays a strong role in a strong Europe, responsive to people's needs	£66m	1%
<u>Objective 6:</u>	To ensure the protection of British citizens abroad	£64m	1%
<u>Objective 7:</u>	To ensure efficient and effective implementation of entry clearance arrangements	£7m	1%
+ <u>Objective 8:</u>	To ensure the security of UK Dependent Territories, promote their prosperity, and uphold sustainable development and good government	£480m	6%

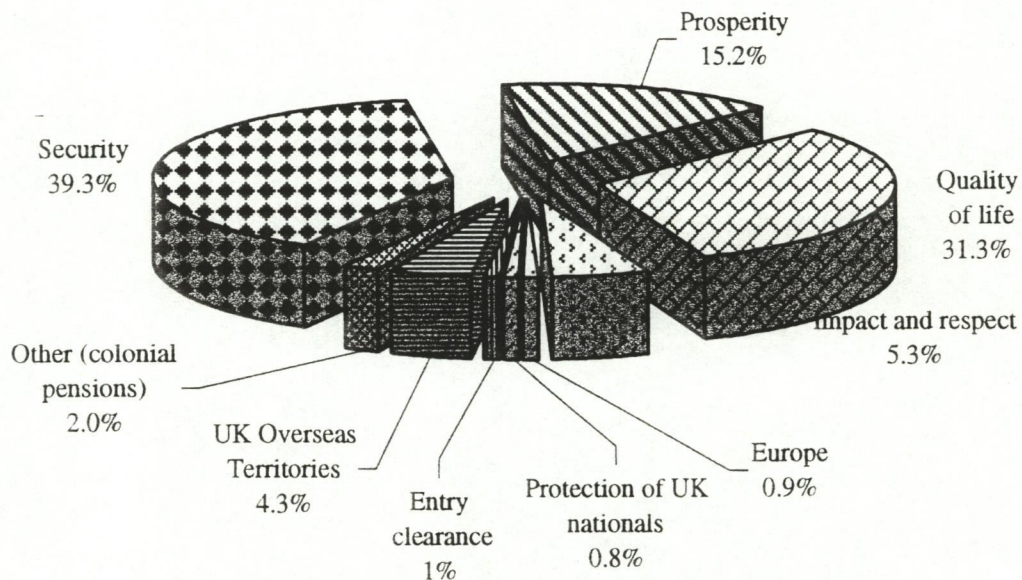
* It should be noted that significant proportions of the expenditure listed against Objectives 1, 2, 3, 4, 5 and 7 is incurred in support of other objectives.

+ Additionally £149m annually is spent on former colonial and Indian pensions.

**EXPENDITURE ON OVERSEAS ACTIVITY BY UK GOVERNMENT
DEPARTMENTS (total c. £7.6 billion)
(percentages of total spending on overseas activity)**



**TOTAL UK GOVERNMENT DEPARTMENTS' ACTIVITY
OVERSEAS CLASSIFIED BY FCO OBJECTIVE**



NEW OPPORTUNITIES AND PRIORITIES

Building on the Foreign Secretary's suggestions, the Group identified the following activities as ones to which greater priority might be given. These are in no order of priority and should not be regarded as definitive.

- environmental protection;
- conflict prevention, including support for independent media, police training and military decommissioning;
- stopping proliferation of weapons of mass destruction;
- combating international crime (including drug trafficking and fiscal fraud) and terrorism;
- mobilising international commitment to Third World development and the elimination of poverty;
- promoting UK food and food technology exports;
- preparations for the establishment of EMU;
- supporting UK exporters in developing markets;
- monitoring and responding to threats to international financial stability;
- defence diplomacy, including military attache posts;
- improving our ability to support deployed armed forces;
- promoting good governance and human rights;
- improving the projection of the UK overseas;
- exploiting modern systems for communication within government, and with business, the media and the public both at home and overseas.

A number of geographical areas were identified as ones where the UK's activities - particularly on trade promotion - were under-resourced in comparison with some other countries.

These were:

- Central Asia and the Caspian
- Latin America
- China

Additionally

- European Union accession candidates in Eastern Europe

were seen as an important priority both for political and technical coverage (agriculture, environment, finance and justice and home affairs).

R (POLIO)
20*(typo) Mr Pakenham*

Ref: BO.2740

Many thanks for

SIR RICHARD WILSON

*keeping me in touch.*cc Mr Holmes
Mr Sanderson*M. 28/5**R12/20*

GOVERNMENT ACTIVITY OVERSEAS: INTER-DEPARTMENTAL EXERCISE

(POLIO)
17

Since I last minuted you on this work in progress on 8 May I have taken two further meetings of the ad hoc Group to prepare the analysis for DOP which the Foreign Secretary requested and the Prime Minister endorsed. I had hoped that three meetings would be enough but we shall need at least one more, next week. That should still enable us to meet the deadline of end-May.

2. As you agreed, the objectives of this exercise have been somewhat scaled down from the Foreign Secretary's earlier ambitions, and notably his call for proposals to DOP on re-balancing Government expenditure on overseas activity. The paper on which the Group is now working should manage to produce three elements:

- a rough and ready confirmation of the picture of overseas activity portrayed in the FCO paper, subject to reservations and qualifications by a range of other Departments;
- a treatment of Government/FCO objectives for such activity which provides something of a baseline for the future; and
- a compilation of new priorities and opportunities overseas.

None of these is ground breaking stuff and what we achieve will be done in the face of very considerable opposition, notably from the Treasury (no surprise) but also from other Departments led by DFID. On the whole, MOD and DTI have been more helpful. But the Group's work has been permeated by resentment at an obvious attempt by the FCO to bounce Whitehall, by conceptual disagreements over how to define overseas activity, and by an implicit belief that in the end this exercise will play only a minor role in the final haggling over the FCO budget in the CSR context.

3. No-one has yet touched on the possibility of a more comprehensive look at overseas activity, nor do I detect much enthusiasm for this either in the FCO or elsewhere.

MPakenham

MICHAEL PAKENHAM

22 May 1998

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FOLIO
19

Department for
International Development
94 Victoria Street, London SW1E 5JL

Telephone: 0171-917 0500

Fax: 0171-917 0732

E-Mail: j-vereker@dfid.gtnet.gov.uk

John M M Vereker CB
Permanent Secretary

Sir John Kerr KCMG
FCO
King Charles Street

11 May 1998



e. Mr Barker

Dear Sir John,

MX

GOVERNMENT ACTIVITY OVERSEAS

Thank you for your letter of 7 May. We are always ready to dance with you and tried repeatedly to do so.

We replied substantively to your invitation. Rob Young's letter of 28 August asked us to nominate someone to be on an ad hoc group to be convened when the paper was being drawn up. We did so but were never invited to any meeting, and as far as we know none was ever held.

Nick Westcott in ERD followed up Rob Young's letter on 1 September asking DFID to contribute to the paper which ERD were then preparing for this exercise. Martin Surr sent a detailed reply to ERD on 11 September, supplemented by letters to Richard Teuten in ERD on 15 and 25 September. Ms Phillips minuted to Mr Pearce on 15 October.

We then saw a draft of the note prepared by your CSR Unit. On 21 October Graham Stegmann wrote to Richard Teuten questioning the treatment of DFID expenditure. He gave a breakdown of our expenditure against our own objectives, and suggested how it could be attributed to FCO objectives.

Michael Arthur's letter of 7 November circulated formally a first draft which did not take account of our suggestions. Graham Stegmann therefore sent Michael a letter on 19 November which gave figures for DFID expenditure against each FCO objective.

We heard nothing more until the Foreign Secretary's minute was received in April. The paper enclosed still took no account of our comments. Naturally we were disappointed, but the restrained reference in Clare Short's minute was in sorrow rather than anger.

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We should move on. I understand that the first meeting of the Cabinet Office Group yesterday agreed that DFID (and other Departments) will let you have revised figures for our expenditure against the FCO objectives.

I am copying my letter also to Richard Wilson and John Holmes.

Yours sincerely

Lorraine Histed

for John Vereker (overseas)

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Secretary of the Cabinet and Head of the Home Civil Service

FOILIO
18

~~12/15~~

R12/20

MICHAEL PAKENHAM

cc John Holmes

GOVERNMENT ACTIVITY OVERSEAS

The Chief Secretary's letter of 7 May is a very belated reaction to the Foreign Secretary's letter.

2. We do not want to get bogged down in a debate with the Treasury about the exercise but it seems to me that it is very cheeky of them to intervene in this way. Would it be a good idea - and a helpful one - if John Holmes were to write to the Chief Secretary's Private Secretary on something like the following lines:

"The Prime Minister was grateful for the Chief Secretary's minute of 7 May about the Foreign and Commonwealth Secretary's overview of total Government spending on overseas activity.

The Prime Minister has of course already endorsed the Foreign Secretary's proposal that the Cabinet Office should work up quickly an agreed analysis, as my minute of 22 April made clear. He understands that the Cabinet Office has already started work on the exercise which he commissioned. He thinks the right course is for the Cabinet Office to continue to take the work forward and for the Treasury to contribute to it on the basis which he agreed; and for Ministers to take stock at the end of May."

RMW.

RICHARD WILSON

8 May 1998

MICHAEL PARKINHAM

cc JOHN HOLMES

GOVERNMENT ACTIVITY OVERSEAS

but it seems to me that
~~that~~ it is very cheeky of
them to intervene in this way.

The Chief Secretary's letter of 7 May is a very belated reaction
to the Foreign Secretary's letter.

2. ~~should it~~ but do not want to get bogged down in a
debate with the Treasury about the exercise ~~of~~ ~~it~~ ~~by~~
~~to~~ ~~open~~ ~~a~~ ~~good~~ ~~idea~~ ~~-~~ ~~and~~ ~~a~~ ~~helpful~~ ~~one~~ ~~-~~
~~body~~ [of John Holmes now to minimize the Chief
Secretary's private secretary on something like the following lines;

"The Prime Minister was grateful for the Chief Secretary's
minute of 7 May about ~~Relations~~ ~~to~~ the Foreign and
Commonwealth Secretary's overview of home Government spending
on overseas activity.

The Prime Minister has ^{7 June} already endorsed the Foreign
Secretary's proposal that the Cabinet Office should work up
quickly an agreed analysis; ~~and then~~ ~~to~~ as my minute

~~of 22 April made clear. He understands that ^{started the exercise} the Cabinet Office has already begun work on the exercise and that the Treasury is represented in which he commissioned the and the Treasury are represented in it. He thinks the right course is for the Cabinet Office to take the work as far~~

of 22 April made clear. He understands that the Cabinet Office has already ~~to~~ started work on the exercise which he commissioned. He thinks that the right course is for the Cabinet Office ^{to continue} to take the work forward ~~as the~~ basis which he agreed and for the Treasury to contribute to it on the basis which he agreed; and for Ministers to take stock at the end of May."

~~This would have the added merit of beginning to lead edge~~
out

^ - -

Ref: BO.2717

SIR RICHARD WILSON

cc Mr Sanderson
Mr Holmes

Many thanks. On para 7 I am inclined to think the, like you, that direction is the better path of action. On para 8 I hope we can leave matters where they are. On the Chief Sec's letter I have offered a number 10 reply for you to consider. My. 10/5.

GOVERNMENT OVERSEAS ACTIVITY: CABINET OFFICE EXERCISE

I promised a read-out on work in progress.

2. We had our first meeting yesterday, with a dozen Government Departments, having circulated papers to the 20 or --- so potentially involved. I attach the minutes which, like the discussion, are somewhat stodgy.

3. We got off to a bad start, after a clear steer from No 10, by the Treasury circulating at the meeting comments from the Chief Secretary on the original Cook paper of end-March which suggested a somewhat different approach. I have agreed with Mr Holmes that you need not offer advice on this latest Treasury paper, but that it should be folded into our work in the same way as earlier comments from Mr Robertson and Ms Short. We shall try to meet as many of the Chief Secretary's points as possible in the process.

4. The meeting made some progress on two points: the figures compiled by the FCO for expenditure on overseas activity, and the categories (corresponding to the FCO's Mission Objectives) under which these figures are to be registered. More work on both elements will be done by Departments with a view to creating an overall structure on both points next week.

5. However, the meeting threw up two basic difficulties with the exercise:

- (i) After I had dodged the question posed by a number of Departments of how this fitted into work already in

progress in the CSR context and where DOP would relate with PX, the DFID representative made the point explicit: Departments throughout Whitehall had already bid for extra funding for a wide range of new priorities and opportunities (as Mr Cook had for the FCO in his paper); these bids were being considered in PX and that process was presumably designed to decide on any rebalancing; in which case, it was strange to expect a group of officials to do the job on behalf of and prior to PX. Until PX decisions were taken, no Department would voluntarily resile from its bid to enable another to rebalance its own budget.

- (ii) (Although this was not said) the rebalancing process must rely on recommendations compiled by a small team independent of a single departmental interest. A separate Unit in the Cabinet Office (though Mr Cook and his officials have never argued for that, and might well resist it) could do the job, ie a Wilson Review II? But it would go way beyond the bounds of the Secretariats' role to impose recommendations by dictat on Departments in such a sensitive area.

6. We may still produce some useful outcome from the exercise. Mr Sanderson and I are now working up a skeleton paper for DOP which we may circulate after next week's meeting. This would include the following elements:

- (a) the figures once agreed under FCO definitions will be an improvement and also provide a useful template for future policy decisions;
- (b) (perhaps) a list of general Government objectives for overseas activity, either echoing those already

assumed by the FCO or refining these to take account of different interests;

- (c) a summary of all PX bids by Departments with implications for overseas activity, to provide a different basis for the policy overview; and
- (d) a list of priorities/perceived opportunities drawn from the above.

7. Our original remit would call for a fifth element: recommendations on where rebalancing of resources to meet the new priorities etc was required. But for the reasons in para 3 above I doubt we shall be able to achieve this in the group. I therefore conceive of the paper concluding that DOP, given its own responsibilities, will want to consider the decisions emerging from PX in the light of the priorities/opportunities identified in the paper. If you think this is unduly timorous, I shall try to be bolder.

8. One final point; you earlier indicated that you did not want the Agencies included in this exercise. At yesterday's meeting I was asked whether they would be included, on the grounds (as the FCO have argued separately) that they represent significant resources expended on overseas activity. I waffled, along the lines that they were rather sui generis, and concluded that you were reflecting. I hope the subject will not be raised again. If so, I can say you are still reflecting but I could also point to the practical difficulties which had driven you to conclude that they should be omitted from the exercise. When I told the FCO privately of your view they accepted it without much difficulty.

MPakenham

MICHAEL PAKENHAM

8 May 1998

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NOTE OF A MEETING HELD ON CONFERENCE ROOM A IN THE CABINET
OFFICE AT 2.30pm on THURSDAY 7 MAY 1998

GOVERNMENT ACTIVITY OVERSEAS

Present: Mr Pakenham (Chairman)
Mr Young (FCO)
Mr Aron (FCO)
Ms Thomson (HMT)
Mr Chesterton (DCMS)
Mr Haigh (Inland Revenue)
Mr Johnson (MOD)
Mr Lunn-Rockcliffe (ECGD)
Mr Stegmann (DFID)
Ms Williams (MAFF)
Mr Bidewell (DfEE)
Mr Hosker (DTI)
Mr Sanderson (Secretary)

The meeting had before it a letter of 5 May from the Chairman to the Chief Clerk in the FCO, covering a copy of a minute of early April from the Foreign Secretary to the Prime Minister; and a minute of 7 May from the Chief Secretary to the Prime Minister. The latter had been circulated just before the meeting, and a copy is attached to this note, together with copies of earlier minutes from the Defence Secretary and International Development Secretary.

2. The Chairman said that, as instructed by the Prime Minister, he planned for Departments to meet at the same time over the course of the next few weeks, to prepare a report to DOP by the end of May, along the lines set out in his letter of 5 May. The meeting would want to note the somewhat different approach suggested in the Chief Secretary's minute. For the present, and given the very tight timescale to which the group was working, they might prefer to follow the scheme in the Chairman's letter of 5 May, which had been approved by the Prime Minister. For this first meeting he proposed to confine discussion to the figures and the categories contained in the Foreign Secretary's minute.

3. In discussion of the figures contained in the Foreign Secretary's minute, the following points were agreed:

- The aim should be to base the figures on full costs (ie including overheads) although this would not be possible in all cases. Where, for example, a piece of work spanned both overseas activities and internal implementation, it could be difficult to disaggregate the overheads. In such cases a footnote should be used to explain the basis of the calculation.

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- Expenditure figures should be given in gross form, with a footnote setting out any receipts which could be netted against the gross expenditure.
- The position of publicly funded bodies was complex since a significant proportion of their expenditure might be privately funded. A consistent approach would be to record all the gross public expenditure given to such bodies and to note any other funding or receipts in a footnote. The Treasury would consider this point further and report back at the next meeting. All Departments would consider whether it would be possible to list the public bodies involved in overseas activities for which they were responsible, which might be recorded either in the body of the report or in an annex.
- The question of contingent liabilities was important. These should be covered in footnotes.
- It was anomalous that only the MOD's overseas costs were ascribed to maintaining the security of the UK. All the MOD's costs, with the exception of purely domestic expenditure, such as security duties in Northern Ireland, should be included.
- It was noted that the costs of Scottish, Welsh and Northern Ireland tourism promotion did not seem to include the same categories as those for the British Tourist Authority. The figures should be put onto a consistent basis.
- The figures needed to capture expenditure which was spent purely within the country, but on matters which were principally to do with overseas activities, for example research on nuclear proliferation.
- It was anomalous to include Social Security payments to British citizens overseas since the cost would have to be met if the people involved chose to live in the United Kingdom. The expenditure should be taken out of the main table, but noted in a footnote.
- Conversely, pension payments by DFID to former overseas public servants (amounting to some £130m) should be included (under objective 8) since they derived from previous overseas activity. The fact that some of these pension payments might be made to people resident in the United Kingdom (the figures could not be disaggregated) should be indicated in a footnote.
- The figures for consular services should be cast in terms of gross expenditure with receipts from sales of passports footnoted, to make them consistent with other categories.

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- MOD expenditure on evacuation operations should be included in objective 6.
- The figures in Annex 2 (overseas staff) needed to be updated and placed on a consistent basis. For example, they did not include British Tourist Authority staff employed overseas.
- The pie chart would need to be updated in the light of the discussion.

4. Summing up this part of the discussion, the Chairman invited all Departments to review the figures in the Foreign Secretary's minute and update them or refine them as necessary, and to pass this information on to Michael Aron in the FCO (fax no. 238-4797) in time for its inclusion in a revised draft to be considered the following week.

5. Introducing the issue of categories and definitions, the Chairman noted that the Foreign Secretary's paper categorised overseas activity under eight FCO objectives. In subsequent discussion it was proposed that these did not necessarily reflect other Departments' objectives and priorities; and it might be desirable to identify wider Government objectives for overseas activity and to recategorise the expenditure accordingly. It was also noted that all Departments were engaged in Comprehensive Spending Reviews, which included the compilation of Departmental objectives. For the present all Departmental objectives were technically interim, pending the outcome of the CSRs. The Treasury had receipt of all Departmental objectives, but it would be a major task to recast these in the form of general Government objectives. A simpler approach would be to examine the objectives of the Departments most closely involved in overseas activity - namely most of those at the present meeting, together with the Home Office - and consider whether their objectives were adequately captured within the eight FCO objectives set out in the Foreign Secretary's minute. If there were obvious anomalies, these should be addressed.

6. Summing up this part of the discussion, the Chairman invited the Treasury and the FCO to examine the objectives of other Government Departments, to compare them with the existing FCO objectives, and to report back to the next meeting. This would take place in Conference Room B in the Cabinet Office at 2.30pm on Thursday 14 May, and would look at the results of the two sections of work so far. It would then look at other aspects of the Foreign Secretary's minute, as set out in the Chairman's letter of 5 May, in the context of the work in progress in the CSR process and in the light of the Prime Minister's interest in DOP taking recommendations on this area of policy.

CABINET OFFICE
8 May 1998

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cc Those attending the meeting
Mr J W Hepburn (MAFF)
Mr M Legge (MOD)
Mr P H Allen (HM Customs & Excise)
Mr R Dudding (DETR)
Mrs N Oppenheimer (CO)
Miss A Perkins (DOH)
Mrs H Douglas (DfEE)
Mr J Gant (Inland Revenue)
Miss P Drew (Home Office)
Mr J Spencer (DTI)
Mrs E Grimsey (LCD)
Mr B Blackwell (NIO)
Mr A Ramsey (DCMS)
Mr R Manning (DFID)
Mr C MacDonald (Scottish Office)
Mr S Hewitt (DSS)
Miss M O'Mara (HMT)
Mr D Clementi (Bank of England)
Mr S Martin (Welsh Office)
Mr J Hunter (Dept of Finance and Personnel)
Mr H V B Brown (Export Credit Guarantees Dept)

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CONFIDENTIAL - PX

PRIME MINISTER

GOVERNMENT ACTIVITY OVERSEAS

Issue:

Robin Cook's overview of total government spending on overseas activity sent to you before Easter.

Recommendations:

- PX consider whether the total put money currently spent abroad would be better reallocated to our priorities of health and education at home;
- DOP consider what activities/outputs we need to fund to reflect our objectives; and
- Further work by Cabinet Office to firm up the current expenditure figures and agree basis for future costings.

Background:

Robin's minute to you helpfully set out what the Government spends on overseas activities. But, as Robin admitted, this is very much a first attempt and I know that it has been difficult to decide what should or should not be included.

2. However, before we decide whether we need to reallocate the current

CONFIDENTIAL - PX

expenditure to match our objectives, I think there is a prior question PX will need to consider: would this money be better spent on the Government's priorities - health and education - at home?

3. We also need to decide how and where we spend this money to reflect our objectives rather than those of the last Government.

4. As a first step in this process I think that Cabinet Office should begin to identify departmental objectives relating to the UK's interests abroad, and the expenditure attributed to them. This is a slightly different question from overseas activities: but it does not seem sensible, for example, to count the cost of social security pensions paid to those living overseas as contributing to FCO objectives abroad - we do this as a consequence of the UK benefits system. I also think that it would be helpful if all relevant EU expenditure could be included, and all figures should be on a consistent (full cost) basis.

5. I also think that we should not waste too much time trying to collect historical figures - they will be difficult to unearth and agree - I do think it would be helpful if we could establish an agreed and internally consistent baseline from which we can measure changes for the future: this could aid general policy formation.

6. But in doing so, we should not lose sight of the fact that these figures will be input measures: they will tell us what we are spending, rather than what we are getting. It is of course the outputs which we need to capture for resource allocation decisions. The real question we face is not whether the allocation of various expenditure items between FCO objectives is the right one: it is rather whether we should be spending such sums on these objectives or on others. The key task for PX is to make allocation recommendations based on each departments' forecast

CONFIDENTIAL - PX

outputs against its own objectives.

7. I am copying this minute to Gordon Brown, other members of PX and DOP and to Sir Richard Wilson.

ALISTAIR DARLING

7 May 1998

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SECRETARY OF STATE

MO 9/33R

PRIME MINISTER

GOVERNMENT ACTIVITY OVERSEAS

Robin Cook's minute on Government Activity Overseas raises a number of important issues. I agree with his view that this activity has evolved to a large extent in a piecemeal fashion and that we need to target resources more effectively in future. His conclusions are broadly consistent with those reached in the Strategic Defence Review, although his wider perspective has inevitably produced some differences in emphasis.

2. The breakdown of spending and deployment in paragraph 3 of the minute is helpful but, as far as defence is concerned, incomplete. For example:

- the Armed Forces make a valuable contribution to improving quality of life by their humanitarian activities in Bosnia and elsewhere;
- the MOD's contribution to preserving security is not simply the cost of individual military deployments. Most of the defence budget goes to provide the capability needed to mount and sustain such deployments successfully;
- the Armed Forces play important parts in helping UK citizens abroad (Service-assisted evacuations are an increasingly frequent commitment), generating UK jobs through support for defence sales, and projecting Britain abroad.

I hope this will be reflected in further work.

3. The SDR, which started from a foreign policy baseline produced jointly by FCO and the MOD, identifies Europe, the Mediterranean and the Gulf as the m


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important regions for the UK from a security and defence perspective, and it is in these areas that I have proposed that the majority of our defence effort should be directed. This is not in my view inconsistent with the Foreign Secretary's assessment and should be seen as complementary to non-defence activity elsewhere. Defence diplomacy, particularly in Central and Eastern Europe (not just the Accession candidates) and Russia, is an increasingly important means of achieving our wider objectives and my Strategic Defence Review proposals include an increased effort in this area.

4. I support the proposal that this issue should be taken forward by the Cabinet Office. My officials will need to be involved in this work, which should produce a more coherent Government-wide approach to our activities overseas.

5. I am copying this to all members of DOP and PX, and to Sir Richard Wilson.

Ministry of Defence
20 April 1998


(G R)



Department for
International Development
94 Victoria Street, London SW1E 5JL

Telephone: 0171-917 0134

From the Secretary of State

The Rt Hon Tony Blair MP
10 Downing Street

22 April 1998

Dear Tony,

GOVERNMENT ACTIVITY OVERSEAS

Robin Cook kindly copied to me his undated minute to you (PM/98/017) on Government spending on overseas activities. As my Department contributes substantially to this overseas activity I thought it might be helpful if I offered a few comments.

The starting point for this debate should surely be what the Government as a whole is trying to achieve. Robin's minute is built round the FCO's own objectives drawn from their Departmental Spending Review. But we have other commitments as a Government which bear significantly on our overseas work. This paper does not capture fully the richness of our overall objectives. It surely understates the degree to which most Departments are necessarily involved in activities overseas as a normal part of their business. The sustainable development agenda, on which the Deputy Prime Minister leads but to which both FCO and my own Department contribute, is one example. I think the Review would have benefited from some inter-departmental discussion.

The Government's International Development White Paper commits us to the elimination of poverty worldwide. But to allocate virtually the entire development budget to the single heading of "Improving Quality of Life" is misleading. Our overall goal can be achieved only if we work closely with others; there is sustained growth with equity; conflicts can be reduced or prevented; there is an open macro-economic framework underpinned by sound policies; there is good governance, transparent and accountable administration; action is taken against corruption, drugs and crime; we manage properly our physical and natural resources and protect the global environment. These are all objectives served directly by our development programme.

\ For example, in 1996/97 my Department spent

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For example, in 1996/97 my Department spent £103 million on projects which principally targeted good government; £156 million promoting bilaterally programmes of economic reform; £172 million to enhance productive capacity; £119 million on emergency aid to help promote peace and security, and £71 million on environmental programmes. Robin's minute says that we spend only £24 million on maintaining Commonwealth ties. But last year, we spent £500 million in bilateral aid to Commonwealth countries, in addition to the contribution made to the Commonwealth by the multilateral agencies to which my Department contributes. Through our Departmental Spending Review we are focusing future spending on the White Paper priorities.

In the case of China, which I shall be visiting in June, I have already agreed that we will make significant extra resources available for the provision of British know-how for China through the aid programme. We are discussing with the FCO and others our strategy for the use of these funds, and there is likely to be a focus not only on the social sectors, but also on the environment and on the reform of State enterprises, which will certainly involve us in regulation and reform.

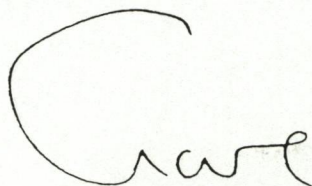
Robin's minute says that we invest relatively little in generating UK jobs. I think we need to look at the broader picture. We trade and invest more overseas than any other country as a proportion of our wealth. British jobs depend on peace, stability and the health of the world economy. The Government's White Paper makes clear how the development programme will contribute to this. My Department is building a close and constructive relationship with British business, which recognises the short and long-term benefits to them of our work.

Robin notes the comparative resources deployed by France and Germany in posting diplomats overseas. Again this is part of a wider picture. France and Germany have bilateral development programmes three times and two and a half times respectively the size of our own, and are able to do correspondingly more.

Whilst I welcome the debate Robin has launched, I wonder whether yet another review is required. The Departmental Spending Reviews and the CSR process generally have considered the Government's objectives in the round, identified and addressed possible duplication of effort, and have promoted complementary actions. We should not appear to call into question agreements reached in the CSR on Departmental objectives, priorities, and (I hope soon) expenditure baselines. No doubt the request for topping up of the particular FCO programmes identified in paragraph 5 of Robin's minute can be dealt with by PX.

I am copying my minute to all members of DOP and PX, and to Sir Richard Wilson.

Yours



CLARE SHORT

RESTRICTED - POLICY

RESTRICTED



Foreign &
Commonwealth
Office

London SW1A 2AH

Sir John Kerr KCMG

The Permanent Under Secretary of State

Telephone: 0171-270 2150

Facsimile: 0171-270 3776



7 May 1998

J M M Vereker Esq CB
DfID
94 Victoria Street
London SW1E 5JL

Dear Sir,

MX

GOVERNMENT ACTIVITY OVERSEAS

1. Your Secretary of State's minute of 22 April struck me as containing a number of good points, well worth exploring in the Cabinet Office/DoP exercise which the Prime Minister has authorised.

2. But I was puzzled by the suggestion that the paper enclosed with my Secretary of State's minute "would have benefited from some inter-departmental discussion". His minute of 2 July, announcing the exercise, was copied to Clare Short, but evoked no response. Rob Young's letter of 28 August, asking Departments for help with the exercise, was copied to you, but evoked no response. Michael Arthur's letter of 7 November to PFOs, setting out provisional findings, invited comments; and evoked several, but none from DfID. It would seem that we provided ample opportunity for FCO/DfID "inter-departmental discussion"; but it takes two to tango.

3. Anyway, the collective tango now starts, as my Secretary of State suggested, and maestro Wilson is already on the rostrum, baton in hand. I am sending copies of this letter to him, and to John Holmes, but not more widely: let's bury, rather than brandish, any hatchets. !

Yours ever,
John Kerr
John Kerr

RESTRICTED



CONFIDENTIAL - PX

*The alternative**Michael Ashcroft**Presumably we just let this be on the record
and get on with it**e. Mr. Ashcroft
Mr. Bender
Mr. Wilkinson*

PRIME MINISTER

GOVERNMENT ACTIVITY OVERSEAS

*Issue:*

Robin Cook's overview of total government spending on overseas activity sent to you before Easter.

Recommendations:

- PX consider whether the total put money currently spent abroad would be better reallocated to our priorities of health and education at home;
- DOP consider what activities/outputs we need to fund to reflect our objectives; and
- Further work by Cabinet Office to firm up the current expenditure figures and agree basis for future costings.

Background:

Robin's minute to you helpfully set out what the Government spends on overseas activities. But, as Robin admitted, this is very much a first attempt and I know that it

**CONFIDENTIAL - PX**

has been difficult to decide what should or should not be included.

2. However, before we decide whether we need to reallocate the current expenditure to match our objectives, I think there is a prior question PX will need to consider: would this money be better spent on the Government's priorities - health and education - at home?

3. We also need to decide how and where we spend this money to reflect our objectives rather than those of the last Government.

4. As a first step in this process I think that Cabinet Office should begin to identify departmental objectives relating to the UK's interests abroad, and the expenditure attributed to them. This is a slightly different question from overseas activities: but it does not seem sensible, for example, to count the cost of social security pensions paid to those living overseas as contributing to FCO objectives abroad - we do this as a consequence of the UK benefits system. I also think that it would be helpful if all relevant EU expenditure could be included, and all figures should be on a consistent (full cost) basis.

5. I also think that we should not waste too much time trying to collect historical figures - they will be difficult to unearth and agree - I do think it would be helpful if we could establish an agreed and internally consistent baseline from which we can measure changes for the future: this could aid general policy formation.

6. But in doing so, we should not lose sight of the fact that these figures will be input

**CONFIDENTIAL - PX**

measures: they will tell us what we are spending, rather than what we are getting. It is of course the outputs which we need to capture for resource allocation decisions. The real question we face is not whether the allocation of various expenditure items between FCO objectives is the right one: it is rather whether we should be spending such sums on these objectives or on others. The key task for PX is to make allocation recommendations based on each departments' forecast outputs against its own objectives.

7. I am copying this minute to Gordon Brown, other members of PX and DOP and to Sir Richard Wilson.

A handwritten signature in black ink, appearing to read 'Alistair Darling'.

ALISTAIR DARLING

7 May 1998

CONFIDENTIAL



Secretary of the Cabinet and Head of the Home Civil Service

From the Private Secretary

~~12/15~~
R12/20

FOLIO
14

MICHAEL PAKENHAM

GOVERNMENT OVERSEAS ACTIVITY: AGENCIES

Thank you for your minute of 1 May. I have shown it to Sir Richard who has said that he is doubtful about the wisdom of including the Agencies in this exercise. It seems to him that the SIV review has been enough excitement and we already have a mechanism for deciding on agency priorities. Unless you feel strongly on the matter, he would be inclined to leave them out of your exercise.

Jan Polley

JAN POLLEY

5 May 1998

CONFIDENTIAL

Ref. AO98/839

CONFIDENTIAL

Ref: BO.2700

MS POLLEY

GOVERNMENT OVERSEAS ACTIVITY: AGENCIES

I am doubtful about the wisdom of including the Agencies in this. The SIVR has been enough excitement, it seems to me; and we have a mechanism for deciding on their priorities overseas, which is more than you are doing for the rest of Whitehall. Unless you feel strongly, I will leave them out. M.P.s/s

CABINET OFFICE
A 96132
- 1 MAY 1998
FILING INSTRUCTIONS
FILE No. R12/20

POLY
13

I minuted you yesterday about how to pursue the Cook initiative. I did not, partly for classification reasons, touch there on the way to handle the Agencies, on which Robin Cook sent a separate minute to the Prime Minister. Since then I have had brief discussions with Rob Young, 'C' and Kevin Tebbit (all at their request).

2. The FCO are clear that the Agencies (ie SIS and GCHQ at least) should be involved in this exercise. The latter (who were peeved at not being brought into the picture earlier) both want to be excluded entirely, on the grounds that the SIV Review has already answered many of the questions relevant to them and in any case they are sui generis. In my view the Foreign Office have the stronger point, in principle: the Agencies do spend a lot of money overseas and they are an integral part of the Government activity. If the Welsh Office, then GCHQ in spades. But it is clearly impractical to associate them directly with the wide-ranging Whitehall exercise we have in mind. Instead, I was thinking earlier of a special sub-Committee which would link the wider work into a group involving only the Agencies (and I think the Security Service would be largely immune), the FCO, MOD and Treasury.

3. The latest contacts still seem to me to point in that direction. I would be grateful for a steer. I see no need to refer to all this in the letter I still hope to send around Whitehall tonight, but would plan to cover the point in a separate letter early next week.

M Pakenham

MICHAEL PAKENHAM

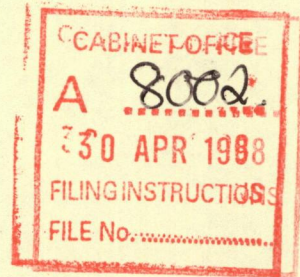
1 May 1998

CONFIDENTIAL

Ref: Mr Pakenham

Ref: BO.2695

MS POLLEY



GOVERNMENT OVERSEAS ACTIVITY

In the light of the Prime Minister's endorsement of Sir R Wilson's advice, I attach a draft letter which I would like to get off this week to Whitehall Departments, notifying them of the first meeting here on 7 May. I would be grateful to know that Sir Richard was content with this way forward.

2. There are two other points on which a steer would be helpful:

- I assume that Sir Richard does not wish to be actively involved in this exercise, but would like to know regularly how we are getting on; and
- I also assume that he would not want me to surface at this stage the further-reaching ideas on which he touched in para 5 of his minute to the Prime Minister of 28 April. It may well be that OGDs have come to the same conclusion, and that the release of his Report may stimulate such thinking. But for the moment I think we should concentrate on the task in hand, without unnecessarily alarming other horses.

MPakenham

MICHAEL PAKENHAM

30 April 1998

RESTRICTED - POLICY

DRAFT LETTER FROM MICHAEL PAKENHAM TO

J R Young Esq CMG
Chief Clerk
FCO
Room 1PS 2.1.6

GOVERNMENT ACTIVITY OVERSEAS

The Prime Minister has now accepted the Foreign Secretary's proposal, in his undated minute PM/98/017, that the Cabinet Office should work up an analysis based on the enclosure to that minute, of Government Activity Overseas for DOP to consider; and that this exercise should take account of the other points made in the Foreign Secretary's minute. The Prime Minister has also agreed that we should aim to complete this work in the course of the month of May, so that the CSR can take account of any points of relevance flowing from it.

This means that we shall have to move fast, and I propose to call the first meeting, in what I expect to be a series of at least three, in the second half of next week. Fuller details will be available shortly, but I am looking at the afternoon of Thursday 7 May for a first go-round.

The Foreign Secretary's minute and enclosure covered the work of a large variety of Government Departments, some 15 by my count. Arguably, all of these should be available to play a part if they wished in our work, although the Foreign Secretary's minute was only copied to members of DOP and PX. With Sir Richard Wilson's agreement, I am therefore inviting those Departments named in the enclosure to be represented, at Grade 3 level preferably, even if some of them decide that they need not attend.

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RESTRICTED - POLICY

We will circulate some specific points for discussion before the meeting. In the Prime Minister's view we should aim to reach agreement (even if the process does not prove entirely straightforward) on four main elements of the exercise:

- i. the numbers contained in the Foreign Secretary's enclosure which I understand were worked up with other Whitehall Departments;
- ii. the categories and definitions used in that paper;
- iii. areas where Government activity overseas, notably by the FCO but not excluding other Departments - such as the fields of "prosperity" and "security" should be expanded; and
- iv. if possible, recommendations to DOP on how this shift of activity should be resourced.

It will be for each Department to decide whether to be represented by their Establishment or Policy side. For the moment I am copying this letter only to Senior Establishment Officers, with the invitation that they notify the OD Secretariat as soon as possible of whether they wish to attend and in what capacity.

RESTRICTED - POLICY

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*e. Mr Pakenham
Mr Bender
Mr Wilkinson*

10 DOWNING STREET

LONDON SW1A 2AA

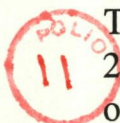
*Mr Pakenham will suggest
a way ahead.*

From the Principal Private Secretary

SIR RICHARD WILSON
CABINET OFFICE



**GOVERNMENT ACTIVITY OVERSEAS:
FOREIGN SECRETARY: PROPOSED REVIEW**



The Prime Minister was grateful for your minute of 28 April. He is content that you should proceed as set out in paragraph 3.

E. McGowan
p.p. **JOHN HOLMES**
29 April 1998

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Secretary of the Cabinet and Head of the Home Civil Service

PRIME MINISTER

R12/20

B1F
✓ Mr Robertson
Mr Bander
Mr Wilkinson
~~12/15~~ R (11)

**GOVERNMENT ACTIVITY OVERSEAS:
FOREIGN SECRETARY - PROPOSED REVIEW**

Robin Cook has proposed that the Cabinet Office should work up an analysis of the extent and balance of Government activity overseas and the resources devoted to it on the basis of FCO figures; and that it should submit this analysis, considering whether re-balancing of resources is needed, to DOP for consideration. I understand that the Foreign Secretary is keen that this should play into the CSR conclusions. To be useful it therefore needs to be completed over the next month or so.

2. This will be a tricky exercise and may generate more heat than light. George Robertson has said he is content for it to go ahead but contests some of the FCO numbers. Clare Short is more sceptical and similarly contests the numbers, proposing that this should be looked at by PX rather than DOP as part of the CSR process. There has been no comment from the Treasury but I would expect them to resist strongly any attempt to take classic spending decisions out of their control.

3. John Holmes' letter of 22 April says that you favour the Cabinet Office working up quickly an agreed analysis for DOP. I will therefore put this work in hand. I propose that the Secretariat should take a series of meetings over the next month, aiming:

- i. to reach Whitehall consensus on the numbers contained in the FCO paper (which were originally put forward by other Departments, but were not jointly worked up by them);
- ii. to establish a consensus on the categories and definitions used in that paper. This will not be easy. Other Departments will contest the FCO's methodology and the conclusions implicit in the outcome: see above;

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Ref. AO98/790

- iii. to point to areas where Government activity overseas, notably by the FCO but not excluding other Departments, could be boosted eg in the "prosperity" and "security" fields; and
- iv. if possible, to make recommendations to DOP on how this shift of activity should be resourced.

Whatever the success of this work, the report to DOP should be available by the end of May, for it to be relevant to the CSR debate. This would fit with conclusions on the latter beginning to emerge in the month of June.

4. Frankly I do not expect too much from this exercise. The Foreign Secretary's paper is already seen by a number of Departments in Whitehall as a none-too-subtle bid for their resources. Nor do I believe that there is sufficient time to carry out a substantial analysis with potentially far-reaching implications. We shall however do our best.

5. Depending on progress, this exercise may be a useful stepping stone - or Scoping Study - for a broader review of overseas activity. This might fall under the remit of the Performance and Innovation Unit (PIU) to which I referred in my draft report to you on the organisation of the Cabinet Office. That would still be a controversial step, likely to be resisted by the FCO and throw up a range of serious problems for other Government Departments. The fate of the Duncan Review, the CPRS study, and - more recently - the Fundamental Expenditure Review of the FCO indicates the scale of the likely difficulties. Nevertheless it is what we ought to be doing if we really want to take a serious look at the issues.

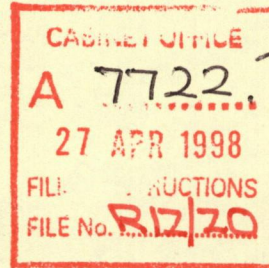
6. In the meantime, if you are content we will proceed on the lines of paragraph 3.



RICHARD WILSON
28 April 1998

Ref: BO.2690

SIR RICHARD WILSON



GOVERNMENT ACTIVITY OVERSEAS: MINUTE TO PRIME MINISTER

--- Following your meeting on 24 April I now attach a draft minute for you to send the Prime Minister, which reflects your conclusions then. As you agreed, and as the Prime Minister's own initial response seemed to imply, we shall need to get a move on if the analysis is to have any value. I therefore hope these papers can be worked through No 10 in the course of this week.

2. I have **not** attempted to clear this draft with Messrs Bender and Liddle, although I believe it represents their views. Nor have I taken the FCO over this ground. Given the Prime Minister's response, I see no need to do so at present, nor for you to copy your internal minute outside No 10. But once we have the green light from the Prime Minister we shall need to move fast to bring the others into the act. I envisage doing this with Mr Sanderson. It would be helpful to have a steer on how much you yourself wish to be involved. Would copying the papers to you be sufficient?

Yes pl.
M

M Pakenham

MICHAEL PAKENHAM

27 April 1998

DRAFT MINUTE FROM SIR RICHARD WILSON TO

PRIME MINISTER

on the basis of FCO figures offered to him circulated
 GOVERNMENT ACTIVITY OVERSEAS:
 FOREIGN SECRETARY - PROPOSED REVIEW

- A ~~Against the background of the CSR process~~ Robin Cook has *proposed* argued that the Cabinet Office should work up an analysis, based on figures earlier supplied by the FCO, of the extent and balance of Government activity overseas and the resources devoted to it; and that it should submit this analysis, considering whether re-balancing of resources is needed, to DOP for consideration. I understand that the Foreign Secretary is keen that this should play into the CSR conclusions. *To be useful in* Such an analysis would therefore need to be completed. *completed.* conducted with relative speed ~~is~~ over the next month or so.
This will not be a tricky exercise and may generate more heat than light.
- B 2. *it to go ahead but* George Robertson has said he is content for this to happen, though he contests some of the FCO numbers. Clare Short ~~has shown herself to be~~ *is* more sceptical ~~while also~~ *and minority* contesting the numbers, and proposing that this should be looked at by PX rather than DOP, as part of the CSR process. There has been no comment from the Treasury but I would expect them to resist strongly any attempt to take classic spending decisions out of their control.
- D 3. *John Brennan* According to your Private Secretary's letter of 22 April *says that* to the FCO you favour ~~this concept proposed by Mr Cook to being examined,~~ with the Cabinet Office working up quickly an agreed analysis for DOP. I ~~have~~ *will* therefore ~~begin to~~ put this work in hand. I propose that the Secretariat should take a series of meetings over the next month, aiming:

- i. to reach Whitehall consensus on the numbers contained in the FCO paper (which were originally put forward by other Departments, but were not jointly worked up by them);
- ii. to establish a consensus on the categories and definitions used in that paper. *This will not be easy.*

~~I anticipate some difficulty in achieving this second objective, since I expect ^{will} other Departments to contest (as some already have) the ^{FCO's} methodology adopted by the FCO and the conclusions implicit in the outcome: see above;~~

- iii. to point to areas where Government activity overseas, notably by the FCO but not excluding other Departments, could be boosted eg in the "prosperity" and "security" fields; and
- iv. if possible, to make recommendations to DOP on how this shift of activity should be resourced.

4. ~~Whatever the success of this work, I believe that the report to DOP should be available by the end of May, for it to be relevant to the CSR debate. This would fit with conclusions on the latter beginning to emerge in the month of June. That said, I~~ ^{frankly} ~~do not expect too much from this exercise. The Foreign Secretary's paper is already seen by a number of Departments in Whitehall as a none-too-subtle bid for their resources. Nor do I believe that there is sufficient time to carry out a substantial analysis with potentially far-reaching implications. We shall however do our best.~~

5. ~~(As an extension of this work, and depending on the degree of consensus possible, it might conceivably serve as a useful~~

It goes, this exercise may be

stepping stone - or Scoping Study - for a broader review of overseas activity. This might fall under the remit of the Performance and Innovation Unit (PIU) to which I referred in my draft report to you on the organisation of the Cabinet Office. That would still be a controversial step, likely to be resisted by the FCO and throw up a range of serious problems for other Government Departments. The fate of the Duncan Review, the CPRS study, and - more recently - the Fundamental Expenditure Review of the FCO indicates the scale of the likely difficulties.

Whether it is what we agree to do or if we really want to take a serious look at the issues.

6. ~~I do not in any case imagine that any conclusions on such a longer-term piece of work would be needed before the autumn.~~
~~In the meantime, if you are content with these proposals, I will get the work started along the lines of para 3 above.~~

→ If you are content we will proceed on the lines of para 3.

RICHARD WILSON

April 1998

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10 DOWNING STREET
LONDON SW1A 2AA

Handwritten: c. Mr Bender
Mr Wilkins
Mr Buchanan

Stamp: POLIO 9

From the Principal Private Secretary



22 April 1998

Dee Idm.

GOVERNMENT ACTIVITY OVERSEAS

The Prime Minister was interested to see the Foreign Secretary's minute, circulated just before Easter. He agrees that this concept is worth looking at, and endorses the proposal that the Cabinet Office should work up quickly an agreed analysis for DOP.

I am copying this letter to the Private Secretaries of other members of DOP and PX, and to Jan Polley (Cabinet Office).

Handwritten signature: John Holmes

JOHN HOLMES

John Grant Esq
Foreign and Commonwealth Office

RESTRICTED - POLICY



Department for
International Development
94 Victoria Street, London SW1E 5JL

Telephone: 0171-917 0134

From the Secretary of State



The Rt Hon Tony Blair MP
10 Downing Street

22 April 1998

Dear Tony,

C. Mr Yang
Mr Blenheim
Mr Bender

GOVERNMENT ACTIVITY OVERSEAS

Robin Cook kindly copied to me his undated minute to you (PM/98/017) on Government spending on overseas activities. As my Department contributes substantially to this overseas activity I thought it might be helpful if I offered a few comments.

The starting point for this debate should surely be what the Government as a whole is trying to achieve. Robin's minute is built round the FCO's own objectives drawn from their Departmental Spending Review. But we have other commitments as a Government which bear significantly on our overseas work. This paper does not capture fully the richness of our overall objectives. It surely understates the degree to which most Departments are necessarily involved in activities overseas as a normal part of their business. The sustainable development agenda, on which the Deputy Prime Minister leads but to which both FCO and my own Department contribute, is one example. I think the Review would have benefited from some inter-departmental discussion.

The Government's International Development White Paper commits us to the elimination of poverty worldwide. But to allocate virtually the entire development budget to the single heading of "Improving Quality of Life" is misleading. Our overall goal can be achieved only if we work closely with others; there is sustained growth with equity; conflicts can be reduced or prevented; there is an open macro-economic framework underpinned by sound policies; there is good governance, transparent and accountable administration; action is taken against corruption, drugs and crime; we manage properly our physical and natural resources and protect the global environment. These are all objectives served directly by our development programme.

\ For example, in 1996/97 my Department spent

For example, in 1996/97 my Department spent £103 million on projects which principally targeted good government; £156 million promoting bilaterally programmes of economic reform; £172 million to enhance productive capacity; £119 million on emergency aid to help promote peace and security, and £71 million on environmental programmes. Robin's minute says that we spend only £24 million on maintaining Commonwealth ties. But last year, we spent £500 million in bilateral aid to Commonwealth countries, in addition to the contribution made to the Commonwealth by the multilateral agencies to which my Department contributes. Through our Departmental Spending Review we are focusing future spending on the White Paper priorities.

In the case of China, which I shall be visiting in June, I have already agreed that we will make significant extra resources available for the provision of British know-how for China through the aid programme. We are discussing with the FCO and others our strategy for the use of these funds, and there is likely to be a focus not only on the social sectors, but also on the environment and on the reform of State enterprises, which will certainly involve us in regulation and reform.

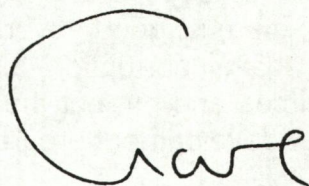
Robin's minute says that we invest relatively little in generating UK jobs. I think we need to look at the broader picture. We trade and invest more overseas than any other country as a proportion of our wealth. British jobs depend on peace, stability and the health of the world economy. The Government's White Paper makes clear how the development programme will contribute to this. My Department is building a close and constructive relationship with British business, which recognises the short and long-term benefits to them of our work.

Robin notes the comparative resources deployed by France and Germany in posting diplomats overseas. Again this is part of a wider picture. France and Germany have bilateral development programmes three times and two and a half times respectively the size of our own, and are able to do correspondingly more.

Whilst I welcome the debate Robin has launched, I wonder whether yet another review is required. The Departmental Spending Reviews and the CSR process generally have considered the Government's objectives in the round, identified and addressed possible duplication of effort, and have promoted complementary actions. We should not appear to call into question agreements reached in the CSR on Departmental objectives, priorities, and (I hope soon) expenditure baselines. No doubt the request for topping up of the particular FCO programmes identified in paragraph 5 of Robin's minute can be dealt with by PX.

I am copying my minute to all members of DOP and PX, and to Sir Richard Wilson.

Yours



CLARE SHORT

RESTRICTED



SECRETARY OF STATE

MO 9/33R

PRIME MINISTER

Mr Bakenham
Mr Bander
Mr Wilkinson



GOVERNMENT ACTIVITY OVERSEAS

Robin Cook's minute on Government Activity Overseas raises a number of important issues. I agree with his view that this activity has evolved to a large extent in a piecemeal fashion and that we need to target resources more effectively in future. His conclusions are broadly consistent with those reached in the Strategic Defence Review, although his wider perspective has inevitably produced some differences in emphasis.

2. The breakdown of spending and deployment in paragraph 3 of the minute is helpful but, as far as defence is concerned, incomplete. For example:

- the Armed Forces make a valuable contribution to improving quality of life by their humanitarian activities in Bosnia and elsewhere;
- the MOD's contribution to preserving security is not simply the cost of individual military deployments. Most of the defence budget goes to provide the capability needed to mount and sustain such deployments successfully;
- the Armed Forces play important parts in helping UK citizens abroad (Service-assisted evacuations are an increasingly frequent commitment), generating UK jobs through support for defence sales, and projecting Britain abroad.

I hope this will be reflected in further work.

3. The SDR, which started from a foreign policy baseline produced jointly by the FCO and the MOD, identifies Europe, the Mediterranean and the Gulf as the most

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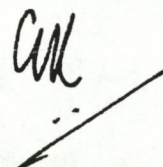
Recycled Paper

important regions for the UK from a security and defence perspective, and it is in these areas that I have proposed that the majority of our defence effort should be directed. This is not in my view inconsistent with the Foreign Secretary's assessment and should be seen as complementary to non-defence activity elsewhere. Defence diplomacy, particularly in Central and Eastern Europe (not just the Accession candidates) and Russia, is an increasingly important means of achieving our wider objectives and my Strategic Defence Review proposals include an increased effort in this area.

4. I support the proposal that this issue should be taken forward by the Cabinet Office. My officials will need to be involved in this work, which should produce a more coherent Government-wide approach to our activities overseas. IX

5. I am copying this to all members of DOP and PX, and to Sir Richard Wilson.

Ministry of Defence
20 April 1998


(G R)

RESTRICTED - POLICY

t.p.d.

Roger L

cc: as before
R7
DS

24th April

CABINET OFFICE	
A	7274
20 APR 1998	
FILING INSTRUCTIONS	
FILE No.	81720

6

X directly & slight
misconception I think. A

From: Roger Liddle
Date: 17 April 1998

JOHN HOLMES

of 500m real cut translated cc:
into increases in the cash
baseline for the CSR

Jeremy Heywood
Jonathan Powell
David Miliband
Michael Pakenham
Jan Polley

GOVERNMENT ACTIVITY OVERSEAS

20/4

Mr Yang
Mr Wilkinson

The Foreign Secretary has now minuted the PM with his proposal for a Cabinet Office review of total government spending on overseas activity, following up the discussions at their bilaterals.

In principle the concept of an integrated overseas budget has a lot to recommend it and ought to result in a better alignment of spending outcomes with government priorities. (I understand that the criminal Justice CSR is looking at the same idea.) But I don't see how we have the time to refine the concept to inform properly CSR decisions this summer. To have done that, we should have had to embark on this study last July.

There is bound to be huge interdepartmental infighting about the numbers (for example why aren't the intelligence agencies included in the analysis?). At this stage it looks a pretty transparent attempt by the FCO to boost its own CSR bid against Defence, DFID etc.

A possible way forward would be as follows:

- Go for a rough and ready overseas package as part of the CSR outcome. Defence is already accepting a £500m real terms cut by the end of the

~~Richard~~

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~~c.~~ Mr Bender R
Ms Phippard

There is a meeting to discuss
this on Friday 24th at 12.30pm

Good. Then. I
agree minutes with X.

AA 21/4

FOLIO
5

JOHN HOLMES

CABINET OFFICE
A 7204
20 APR 1998
FILING INSTRUCTIONS
FILE No. 12/15

R12/20

From: Roger Liddle
Date: 17 April 1998

cc: Jeremy Heywood
Jonathan Powell
David Miliband
Michael Pakenham
Jan Polley

GOVERNMENT ACTIVITY OVERSEAS

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There is bound to be huge interdepartmental infighting about the numbers (for example why aren't the intelligence agencies included in the analysis?). At this stage it looks a pretty transparent attempt by the FCO to boost its own CSR bid against Defence, DFID etc.

A possible way forward would be as follows:

- Go for a rough and ready overseas package as part of the CSR outcome.
Defence is already accepting a £500m real terms cut by the end of the

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Parliament and doubtless can be pushed to offer up a bit more. Use ^{some of} that money for a modest redistribution of overseas spending to satisfy the Manifesto commitments on international development plus tens million here and there on for example study scholarships for overseas students, modernisation of the World Service, stronger UK presence in Eastern Europe, and possibly China/ Latin America. This could win a lot of goodwill and be politically attractive.

- Postpone the wider issue of an integrated budget until after the CSR end-game and, hopefully as a result of the Richard Wilson reorganisation of the Cabinet Office, we have more strategic capacity at the centre to examine long term cross- cutting issues of this kind.

[Handwritten signature]

Ref: BO.2671

SIR RICHARD WILSON

Do you want a meeting with
Messrs Pakenham, Bender & MG?

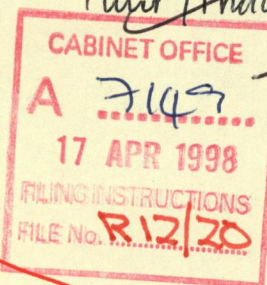
Jan 17/4

8 April

Up please.

M3.

20/4.



GOVERNMENT ACTIVITY OVERSEAS:
FOREIGN SECRETARY PROPOSED REVIEW

I understand you would like to discuss the handling of the Foreign Secretary's undated minute to the Prime Minister (Ref PM/98/017) before deciding what advice to submit to No 10. I imagine that you will also want to associate Mr Bender (and Mr Young?) with that discussion. I offer the following thoughts; some of them are somewhat sensitive and for the moment I am not copying them elsewhere.

Background

2. I understand that in an earlier talk with Sir J Kerr you said you were not necessarily opposed to his evident attempts to use this exercise to secure more resources; but that you were concerned about a possible diversion of scarce Cabinet Office resources to what in the end might prove an unproductive exercise, and highly contentious between Whitehall Departments. I share that view, personally. I know there is widespread cynicism in Whitehall about the rationale for the Foreign Secretary's approach (ie it is seen as a blatant money-grabbing ploy, no doubt at the expense of others). That said, I also understand that Mr Powell favours the idea of an analysis of budgets devoted to overseas activities and even the prospect of an overall integrated budget. Mr Holmes has told me that Sir J Kerr received a largely green light from the No 10 Private Office for the Cabinet Office to conduct the sort of analysis which Mr Cook has requested. In these circumstances I suspect that we are compelled to go through the motions, at least, and probably to do rather more.

Scope (ranging from the reasonably simple to the very hard)

3. Mr Cook has asked for "an analysis [of his numbers and proposals], based on the enclosure, for DOP to consider". It might be possible to conduct this at one of at least four levels:

- i. to review the raw numbers in the FCO annex and try to secure Whitehall agreement on them, without pointing to further policy implications;
- ii. to review the categories identified as relevant to overseas activities and the budgets collated with them;
- iii. to offer recommendations, on that basis, for greater efforts by the FCO and other Departments in various areas such as (the Cook version) security and projecting the UK, plus perhaps prosperity;
- iv. to make recommendations, picking up Parliamentary media and other Ministerial comment, to divert and/or enlarge current efforts to certain regions - Central Asia/the Caspian, CEEs, Latin America, China as identified by the Foreign Secretary; and/or in certain areas of policy eg political work overseas, Posts in Western Europe and consular work there, MOD civilians (almost twice the strength of DS staff overseas) and entry clearance operations (a lot of hoary chestnuts).

Going beyond that would be even more contentious. But an analysis could look at the case for a wholly-integrated overseas budget, which would merge into one single pot of money all the activities identified by the Foreign Secretary. This might then move into the area previously occupied by the

CPRS in the 1970s, with a possible merger of the DS into the HCS.

4. There would be much familiar ground to be covered here, at a considerable resource cost. There would also be considerable conflict in Whitehall over the numbers already used in the FCO enclosure. For example:

- a. the FCO claim to spend only 3.4 per cent of total UK resources devoted overseas to security. Their CSR figure is almost three times greater and both must be an underestimate by many calculations;
- b. the MOD definitions would be definitely open to dispute, with the FCO allotting to their contribution only the money spent overseas and support costs in the UK;
- c. all DFID aid (over £2 billion) is counted towards improving "quality of life" and developing a strong international community. I wonder if Ms Short would agree to this categorisation;
- d. the allocation of £400 million to increasing the impact of and respect for British foreign policy and values is an odd number. It covers only information work overseas, the British Council, and the World Service. Arguably, far more money is spent on that objective, including efforts made in this country, eg by the Government in the Northern Ireland settlement. I see a long debate on this issue alone;
- e. £12.4 million (the CSR names a figure twice as great) is named as the total FCO contribution to EU work. This cannot be right, given the enormous

amount of time and effort given by Posts overseas and notably in Western Europe to this area;

- f. naming the £1 billion of DSS pensions to UK citizens overseas as part of "consular protection" is perhaps ambitious;
- g. I suspect others in Whitehall would dispute the FCO claim to meet only 2.2 per cent of the net costs of entry clearance and immigration practices;
- h. Annex 2 makes no mention of Locally Engaged staff in posts overseas (7,800 in 1998, more than three times the number of UK-based DS staff).

5. In the end, this debate all comes down to money, the FCO wish to have greater resources to halt what is seen as the continuous decline in its ability to implement Government objectives, and the fears/suspensions of other Government Departments including MOD that they might find themselves paying pay for it. I can provide you personally with further details on all this. But it is clear to me that a far-reaching Duncan/CPRS review could not be carried out by the Cabinet Office; and that any lesser beast would be open to inevitable criticism from all round the houses.

Conclusion

6. Nonetheless, I believe that we could pursue two aims in parallel:

- i. to place our focus on objectives 1-2 in para 3 above and to pursue objectives 3-4 without going into great detail. The aim would be to provide DOP with a set of recommendations building and, if necessary, diverting from the Foreign Secretary conclusions; and

- ii. to use this Review of the numbers and the policy as cover for the inevitable under-table bargaining which will take place in the CSR context between now and July.

Timing

7. If a Review is to fit with this CSR timetable, then we need to initiate action very soon. I imagine that you would see the exercise led by the OD Secretariat here (I would be happy to direct, despite my "native origins", provided you agreed). Conversely, if we could not get the project launched and largely completed by the end of May, then I see it as risking irrelevancy, since it would lose touch with the CSR debate. In extremis I imagine that the FCO would still be prepared to go through the exercise, in the hope of it influencing the normal PES out-years, but this would be *faute de mieux*.

MPakenham

MICHAEL PAKENHAM

17 April 1998

f

Ref: BO.2672

SIR RICHARD WILSON

FCO RESOURCES

A footnote to my separate minute of today on Mr Cook's note to the Prime Minister.

2. According to Sir J Kerr, when disclosing his intentions to you earlier, the question at the top of your mind was how much extra money the FCO needed. At that stage he named two figures:

- i. sums of £40, £60 and £80 million over the next three years, the minimum needed simply to halt the current decline in FCO resources - 14 per cent since the mid-1990s and growing to 22 per cent if current figures were not increased;
- ii. the FCO bid in the CSR for £80, £120 and £150 million (for FY 2001/2).

3. That said, Sir J Kerr told me yesterday that he felt confident he could persuade Mr Cook to settle for a compromise of two-thirds of the headline figures, ie £60, £80 and £100 million. If he were to get a cast-iron promise that this sum would be provided, even if the actual allocation would have to await the end of the CSR process, then he felt he could deliver to the Prime Minister the Cook vote on every other CSR issue; the Foreign Secretary would be motivated not only by his absolute need to secure more resources for his Department, but by his determination not to allow the Treasury to proclaim a budget victory over the FCO. All of this is of course highly sensitive.

MPakenham

MICHAEL PAKENHAM

17 April 1998

RESTRICTED - POLICY

*Pl. copy to David Wilkins.
and to Robin Yang.*



19/4
FOLIO
3

PM/98/017

PRIME MINISTER

Richard
Mr Pakenham will let you
have advice to the PM
on this.

Jan 15/4



Mr Pakenham

Government Activity Overseas

1. As background to the Departmental Spending Reviews, I have, as you know, commissioned, with Treasury agreement, an overview of total Government spending on the overseas activity which, as Foreign Secretary, I co-ordinate.
- ... 2. The main findings of the review, which I attach, are:
 - (a) our external interests and exposure are such that there is an international dimension to the work of almost all Government Departments; our activity overseas costs some £10 billion a year ie less than 3% of total government expenditure.
 - (b) Apart from the Armed Forces, this includes the costs of posting some 7,400 UK officials abroad: 4,300 from MOD, 2,200 from the FCO, 700 from other Government Departments, 220 from the British Council, plus staff of regional trade promotion and inward investment organisations.
3. Much of this spending and deployment is the product of individual past decisions, rather than any conscious assessment of objectives and priorities. A breakdown by broad objectives produces some surprising results when looked at against this Government's priorities:

RESTRICTED - POLICY



- (a) Improving Quality of Life is the largest single category, with the Aid programme (£2.2 billion a year) the largest single item. Contributions to the United Nations and its Agencies amount to over £200 million. By contrast, spending abroad on combating drugs, terrorism and international crime, with six Departments involved (MOD, FCO, Home Office, Treasury, Bank of England and Customs and Excise) amounts to only £56 million; only £33 million is spent on Environment work; and only £24 million on maintaining Commonwealth ties.
- (b) Preserving Security, including by military deployments abroad, costs us rather less foreign expenditure: £2.16 billion a year. The largest element, naturally, is MOD's, at 93% of the total. Of the remaining £143 million, just over a third (£53 million) is the UK financial contribution to UN peacekeeping deployments. We spend only £30 million on the fight for non-proliferation, and only £15 million on preventive diplomacy.
- (c) Helping the 10 million UK Citizens who live, and the 40 million a year who travel, abroad costs only £64 million. But the DSS pays some £970 million per year to the 750,000 UK pensioners who live abroad. (Similarly the total annual cost across Whitehall of entry clearance at our frontier is some £750 million: but the costs of such work in our posts abroad is only £56 million, and is fully recovered in fees.)



- (d) We invest relatively little on generating UK jobs, by promoting exports and inward investment, though the work involves a strikingly wide spectrum of Departments and Agencies. The FCO and DTI jointly deploy on trade and investment promotion some 1,700 staff at home and overseas, at a cost of some £314 million. But many other Departments have also developed their own sector-specific export promotion units, eg the Defence Exports Sales Organisation, which costs some £12 million; and Scottish, Welsh and NI Agencies cost another £12 million.
- (e) Similarly, our effort on projecting Britain abroad looks relatively under-resourced, with some £122 million of FCO expenditure, plus spending by the British Council (£106 million) and the BBC World Service (£161 million).
4. Our convictions and policies should mean our spending relatively more than our predecessors did on environmental protection; conflict prevention; stopping proliferation of weapons of mass destruction; and fighting the terrorist, drug-runner, and cross-border criminal.
5. The geographical distribution of UK effort is also the product of history, and doesn't necessarily reflect today's priorities. For example, taking foreign deployments:
- (a) Central Asia and the Caspian Region are important to our political and commercial interests. The region will provide 10% of the world's additional oil demand by 2010. As its wealth increases, the potential opportunities for British oil companies and exporters are huge. But in all the countries concerned the deployment we inherited is far outstripped by our competitors, whose greater investment of resources is already bringing returns.



The Germans have 84 home-based staff in the area; the French 48; we have 13. Not surprisingly, our export performance is similar (1996: German exports £600m, French £172m, ours £115m).

- (b) Accession candidates in Eastern Europe (Poland, Hungary, Czech Republic, Estonia and Slovenia). We are making a deliberate effort (eg at the European Conference) to get alongside the leaders of these countries. It is important that we should, not least because they will shortly be voting, in EU Councils, on our laws. But our deployment in the five capitals is woefully thin: half that of the French: still further behind the Germans.
- (c) The picture is even worse if one considers trade promotion in the rapidly expanding markets of Latin America. There the Germans have 427 home-based staff (and 5.0% of the market), the French have 384 (and 2.1%), we have 117 (and 1.5%). The House Foreign Affairs Committee criticised this disparity last year: it partly reflects cuts made, surely mistakenly, by our predecessors.
- (d) China. Margaret Beckett and I were convinced, by our visits earlier this year, that the UK has a major opportunity to exert influence and help British business in the rapidly expanding Chinese market now that the relationship is no longer dominated by the Hong Kong issue. Your talk with the Chinese Premier on 2 April got us off to a good start; your plan to get to Beijing in October; we envisage a Chinese State Visit next year. But the effort needs underpinning.



Not counting Hong Kong, the French and the Germans have two to three times as many home-based staff in China as we do, and both are planning to open new posts. In my view, a new UK/China Partnership Fund, on the lines of the highly successful Know-How Fund for Central/Eastern Europe, to encourage reform and focus on regulation, services and infrastructure, would bring major dividends, and would require only a relatively small rebalancing of our overall resource allocation.

6. That's my point in a nutshell. The Government's activity abroad has grown up piecemeal, over many years. It consumes substantial resources. We need to ensure that we are using them to optimum effect, in line with new opportunities and new priorities; and to check whether any rebalancing of available resources is needed to keep up with our competitors in key areas and on key issues. I suggest that the Cabinet Office work up an analysis, based on the enclosure, for DOP to consider.

7. Copies of this minute go to all members of DOP and PX, and to Sir Richard Wilson.

A handwritten signature in cursive script, reading "Robin Cook".

ROBIN COOK

ANNEX 1: OVERSEAS ACTIVITIES OF UK GOVERNMENT DEPARTMENTS BY FCO OBJECTIVE

NOTE: Judgements have had to be made about where overseas activity ends and domestic activity begins. The entire FCO budget is included because, although much of it is spent in the UK, it is all spent on overseas-related activity. But we have not, for example, included the entire defence budget (£22 billion) in this paper, even though the primary purpose of the armed forces is external defence; we have instead listed only the MoD activities taking place overseas and the costs of supporting those activities at the UK end. A similar judgement has been made over EU work (see paragraph 11) and other areas. In total, close to £10 billion is allocated annually to our overseas activities and commitments.

We have tried to use FY 1996/97 outturn figures where available. But Departments have sometimes had problems producing these. Some figures are therefore estimates.

Objective 1. To ensure the Security of the UK; and to promote International Peace and Stability.

<u>MoD</u>	<u>Cost £ million</u>
- 29,810 service and civilian personnel in Europe	1300
- 5,000 troops on temporary deployment with SFOR in Bosnia	224
- 380 defence attaches, advisers and staff in FCO posts around the world	29
	(£8m of which is funded by FCO)
- 1900 UK military posts in NATO HQs and WEU	86.6
- Contribution to NATO Military Budget	60
- Contribution to NATO Security Investment	50
- Share of UK contributions to WEU	1.2
- 4,430 personnel in Cyprus SBAs	170
- Armilla Patrol (2 frigates – one on station at a time)	36
- 564 personnel in the Gulf and Near East	est 22
- Iraqi No Fly zones	6.4
- Five power Defence Arrangement; 300 personnel in the Far East	est 21
- Joint Arms Control Implementation Group (JACIG)	6
- 400 Loan Service Personnel around the world	5 (net)
- Outreach programme	5.5
- Other DMAF loan service personnel	1.5
- "BATSUB" team in Belize (40 personnel)	est 2
- Other visits and exchanges	2

	<u>£ million</u>	
<u>DTI</u>		
- non-proliferation running costs	6	
- non-proliferation programme expenditure (including IAEA and Organisation for the Prohibition of Chemical Weapons)	12	
<u>FCO</u>		
- Preventive diplomacy/diplomacy on security issues	15	
- Non-proliferation diplomacy	5.8	
- Contribution to NATO HQ Brussels	20	
- UK contribution to UN peacekeeping	20	
	(see also Treasury Reserve below)	
- UK contribution to WEU costs	2.8	
- UK contribution to OSCE costs	2	
<u>BBC Monitoring Service</u> (FCO, MoD and Cabinet Office-funded)	18	
<u>HM Treasury Reserve</u>		
- UK contribution to international peacekeeping	33	
Total	2162.8	
Of which:		
MoD	2028.2	(93.4%)
FCO	73.6	(3.4%)
BBC	18.0	(<1%)
HMT	33.0	(1.5%)
DTI	18.0	(<1%)

Objective 2: To improve, through international action, economic opportunities for a prosperous UK.

FCO

Costs £ million

- Trade promotion, economic, financial and S&T work at posts and in FCO headquarters	232.8
- Inward investment work	6.7
- Trade policy work	3.8
- Protection of UK resources and assets (incl fisheries)	1.3

DTI

- <u>Trade promotion</u> work – Joint (with FCO) Export Promotion Directorate, Export Services Directorate, Six geographical Market Directorates, Projects and Export Policy Directorate, Oil and Gas Petrochemicals Supplies Office and 89 Business Links. 719 staff in all.	24.9 (running costs)
	56.2 (prog)
- Trade work by other DTI directorates	6.7 (running costs)
- Trade policy directorate	3.1 (running costs)
- WTO subscription	4.3
- <u>Inward Investment</u> work	
- Invest in Britain Bureau (joint operation with FCO)	5.7
- Partial funding of 10 English regional development offices (47 staff overseas)	10.5
- <u>Science and Technology</u> work	
- OST (contribution to EU Framework Programme)	280
- OST (International subscriptions for Research Councils)	120
- OST/Royal Society international activity	3.9
- Other OST bilateral activity	0.4
- BNSC contribution to European Space Agency	128

British Council (FCO/DFID-funded)

- Trade promotion (education, training, arts)	7.7
- Science and Technology	14

Other Departments

- contribution to EU Framework Programme	70
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	<u>£ million</u>
<u>Scottish Office</u>	
- Scottish Trade International: <u>trade promotion</u>	5
- Locate in Scotland: <u>inward investment</u> (9 overseas offices and 33 staff)	5.5
<u>Welsh Office</u>	
- Industry Dept: <u>trade promotion</u>	0.5 (staff)
	0.3 (prog)
- Welsh Tourist Board: overseas marketing	2
- Welsh Development Agency: <u>inward investment</u> (11 overseas offices and 31 staff)	5
<u>NIO</u>	
- <u>Trade promotion</u>	1.5 (running costs)
	5 (prog)
- <u>Inward investment</u> (9 overseas offices and 37 staff)	5.4 (staff)
<u>Bank of England</u>	
- Global monetary issues, supervision of overseas financial and settlement systems (79 full time staff equivalents)	11.9 (running costs)
<u>DETR</u>	
- <u>Export promotion</u> division for transport, water and construction sectors	11.9 (running costs)
- Air Services negotiators and promotion of UK aviation interests	1.7 (staff)
	5 (prog)
<u>Treasury</u>	
- Global economic/financial issues – IMF, IBRD, G7, OECD, etc	1.4 (running costs)
<u>Inland Revenue</u>	
- Cross-border taxation	3.0 (running costs)
	0.1 (technical) assistance)
<u>HMCE</u>	
- <u>Trade promotion</u> of customs systems (15 staff)	full cost recovery
- Indirect tax cooperation	0.3
- Customs cooperation	1.4

£ million

Department of Health

- <u>Promotion</u> of healthcare exports	0.2 (staff)
	0.2 (prog)

MoD

- DESO (excluding disposals team) 331 staff	12 (net)
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MAFF

- International Relations and Export Promotion Division (34 staff)	1 (staff)
	4.6 (prog)
- Non-EU trade negotiations (staff costs and attendance at meetings)	5
- Fisheries protection	0.2 (staff)
	2 (prog)

DCMS

- Grant-in-aid to British Tourist Authority (present in 37 countries)	35
- Six DCMS staff engaged in overseas promotion and EU liaison relating to tourism	0.2
- UK Sports Council – International Relations & Major Events Directorate	0.8

DfEE

- Trade promotion through ministerial visits	0.1 (staff)
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ECGD

- 430 staff	24
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Total	1130.5
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FCO share: £244.6m = 21.5%

Objective 3: To improve Quality of life worldwide; and develop a strong international community

	<u>£ million</u>
<u>DfID</u>	
- bilateral development aid, including promotion of good government	1101
	(including administration)
- multilateral development aid	1098
	(of which £732m is EU/Lome and £143m is UN & agencies)
- environmental aid	16
- scholarships (including £11m for the Commonwealth)	24
<u>FCO</u>	
- aid administration	30
- environmental work	1.5 (staff)
	0.4 (prog)
- drugs, terrorism, international crime	3 (staff)
	4.6 (prog)
- fund MoD anti-drugs work	2.3
- promotion of human rights, civil liberties and democracy, rule of law and good governance	6.3 (staff)
	42.8 (prog)
- participation in multilateral institutions	4 (staff costs)
- subscriptions to multilateral institutions (UN, Council of Europe, OECD and Commonwealth)	69.4
<u>MoD</u>	
- anti-drugs work	funded by FCO
- overseas counter-terrorism work	0.3
- Met Office contribution to WMO	1.4
<u>Home Office</u>	
- anti-drugs work	1.4 (staff)
	0.9 (prog)
- share of UNDCP subscription	1.2
- counter-terrorism	0.1 (staff)
- judicial cooperation unit (extradition etc)	1.2
	0.2 (legal costs)

	<u>£ million</u>
<u>DETR</u>	
- Transport security work	0.3
- ICAO/ECAC contributions and CAA support	2.6
- IMO contributions	0.6
- Environment work	0.9 (staff)
	7.9 (prog)
- UNEP and environmental UN contributions	6.2
 <u>HMCE</u>	
- Drug Liaison Officers worldwide (52) and other international drugs work	42
- international trade and anti-smuggling work	312.1
- international assistance	0.1
 <u>DfEE</u>	
- ILO contribution	9
 <u>Treasury</u>	
- financial crime	0.1
 <u>Bank of England</u>	
- money laundering	0.2
 <u>DTI and agencies (Patent Office, Radio Comms Office)</u>	
- UPU, ITU, WIPO contributions	3.7
 <u>D of H</u>	
- WHO contributions	14.8
 <u>DCMS</u>	
- WHF contributions	0.1
	<hr/>
Total	2,810.6
	<hr/>
of which DfID	2239 (79.9%)
FCO	168.3 (6.0%)

Objective 4: To increase the impact of and respect for British foreign policy and values

	<u>£ million</u>
<u>FCO</u>	
- promotion of British policies, cultivation of opinion-formers etc	87 (staff)
- scholarships - Chevening	14.5
- other	4
- UKMTAS	17
 <u>British Council</u> (FCO/DFID-funded)	
- cultural work, education, information, promotion of English language	106
- English language teaching (118 centres in 51 countries)	(self-funding)
 <u>BBC World Service</u> (FCO-funded)	161
 <u>DfEE</u>	
- scholarships (Overseas Research Student Award Scheme)	11
 Total	<hr/> 400.3
 Of which FCO	<hr/> 122.3 (30.5%)
British Council	106 (26.4%)
BBC	161 (40.2%)

Objective 5: To ensure the UK plays a strong role in a strong Europe, responsive to people's needs

Our fifth foreign policy objective is to ensure the UK is a leading player in Europe. Every department of government is engaged in EU work. Gross payments to the EU (after abatement) were £6.9 billion in 1996/97; our net UK contribution to the EU budget, after receipts and abatement, was £2.3 billion. For the purposes of this study of overseas activity we have included contributions to EU programmes, participation in EU deliberations and the London-end costs of supporting and directing these activities; we have not included the costs of implementing EU policies and directives domestically.

	<u>£ million</u>
<u>FCO</u>	
- coordination of EU activity and promotion of EU objectives in Brussels and elsewhere overseas, and EU work in headquarters	12.4 (staff) 5 (prog)
<u>Cabinet Office</u>	
- European Secretariat	0.9
- Legal advisers	1
<u>DFEE</u>	
- International Directorate EU activities (European Social Fund etc)	5.3 (staff) 325 (prog)
- Central and Eastern European programme	1.3 (staff) 14.8 (prog)
- Health and Safety Agency EU work	0.4
<u>MAFF</u> [total cost of CAP - £3.14 billion] - cost of EU policy work	13
<u>HMT</u> - cost of EU policy work	1.5
<u>Inland Revenue</u> - cost of EU policy work	0.3
<u>HMCE</u> - cost of EU policy work	2.4
<u>DTI</u> - cost of EU policy work	1.9
<u>DETR</u> - cost of EU policy work	6.2
<u>Home Office</u> - cost of EU policy work	2.2
<u>DSS</u> - cost of EU policy work	0.3

	<u>£ million</u>
<u>Scottish Office</u> - cost of general EU work	1.2
<u>Welsh Office</u> - cost of EU policy work	1
<u>NIO</u> - cost of EU policy work	3.2
 <u>DCMS</u>	
- EU cultural heritage and arts programmes (Raphael, Kaleidoscope)	0.1 (staff)
	0.8 (prog)
- Government Art Collection overseas activities	0.2
- Cost of EU policy work on audiovisual matters	0.3 (staff)
	6.2 (prog)
	<hr/>
Total	406.9
	<hr/>

FCO share: £17.4m = 4.2%

Objective 6: To ensure the protection of British Citizens Abroad

	<u>£ million</u>
<u>FCO</u>	
- Consular services	64.1
<u>DSS</u>	
- Pensions to 750,000 UK nationals resident abroad	970.0
Total	<hr/> 1034.1 <hr/>

Objective 7: To ensure efficient and effective implementation of entry clearance arrangements

	<u>£ million</u>
<u>FCO</u>	
- entry clearance work	71.3
	(£56m recovered through fees)
<u>Home Office</u>	
- immigration work	222
<u>Costs arising from applications for asylum* (1997/98 figures)</u>	
- <u>DSS</u>	200
- <u>Dept of Health</u>	152
- <u>DfEE</u>	56
<u>Lord Chancellor's Department</u>	
- Immigration Appellate Authority	11.4
- Legal Aid, costs of immigration work (excludes Judicial Review)	26.1
Total	<hr/> 738.8 (682.8 net) <hr/>

FCO share (of net expenditure after cost recovery) = 2.2%

* 94% of asylum applicants in 1996 were determined not to qualify.

Objective 8: To ensure the security of UK Dependent Territories, promote their prosperity, and uphold sustainable development and good government

	<u>£ million</u>
<u>FCO</u>	
- Promotion of good governance and sustainable development (1996/7 figures include £5.4m for Hong Kong)	13.0 (running costs)
	3.5 (prog)
- Work on behalf of OGDs	59 (staff costs)
<u>DfID</u>	
- Programmes	30
- Emergency Aid to Montserrat	18
- Gibraltar Pensions	9
<u>MoD</u>	
- 2000 personnel in the Falklands	81
- Naval element (1 frigate, 1 OPV, 55/365 x 1 SSN)	est 40
- airbridge	est 5
- 547 personnel in Gibraltar	63
- West Indies Guardship	18
- Other DT deployments (Ascension airfield, Diego Garcia, South Georgia Ice Patrol vessel etc)	est 40
<u>DETR</u>	
- Aviation security	0.4
Total	<hr/> 379.9

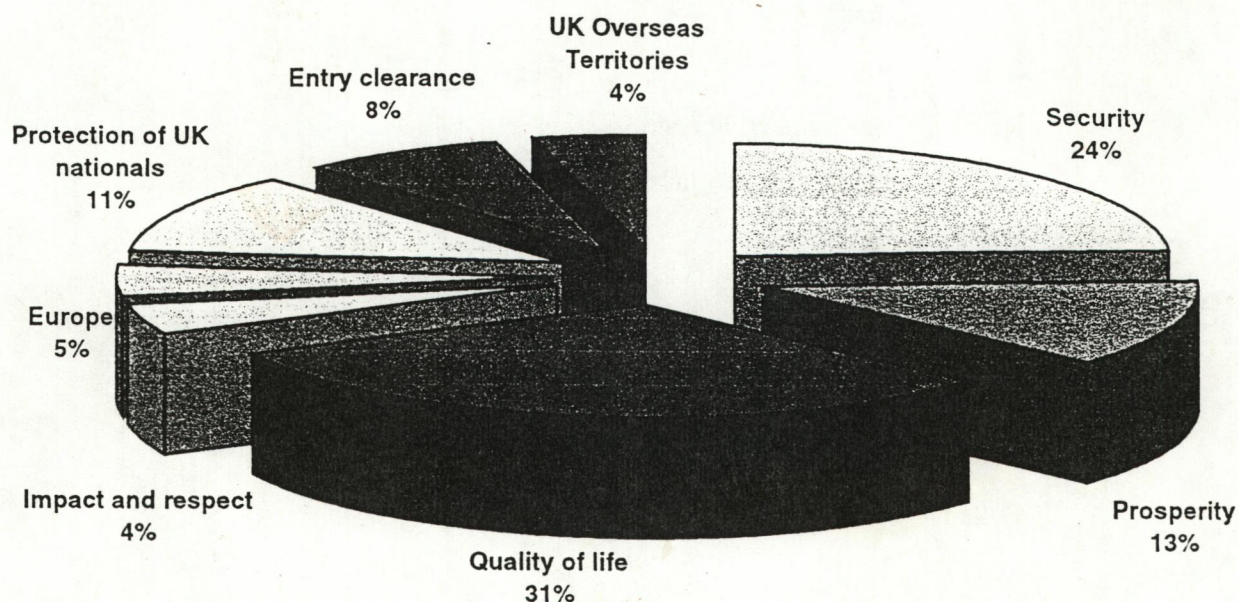
Annex 2: UK-based staff serving overseas

FCO	2200
MoD – servicemen	43,347
- civilians	4,342
British Council	219
Home Office – posted abroad	108*
- short term (<6 months) postings	90* (annually)
DfID	70
DTI	38*
Treasury	12*
Bank of England	2*
HMCE	37
Police	9
MAFF	10*
DfEE	10*
DSS	2*
DETR/CAA	9*

The Scottish, Welsh and Northern Ireland Offices also have small numbers of UK-based staff overseas, in some cases paid for by the FCO.

* Wholly or partly funded from FCO Vote

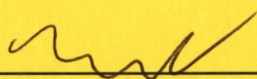
OVERSEAS ACTIVITIES OF UK GOVERNMENT DEPARTMENTS BY FCO
OBJECTIVE



OBJECTIVE

1. Security and International Peace and Stability
2. Economic opportunities for a prosperous UK
3. Quality of life worldwide; and a strong international community
4. Impact of and respect for British foreign policy and values
5. A strong role in a strong Europe, responsive to people's needs
6. Protection of British Citizens Abroad
7. Efficient and effective entry clearance arrangements
8. Security and prosperity of UK Dependent Territories

THE	
NATIONAL	
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DEPARTMENT/SERIES CAB 164 PIECE/ITEM 2378 (one piece/item number)	Date and sign
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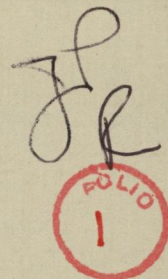
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COVERING SECRET - UK EYES A



Foreign &
Commonwealth
Office



6 April 1998

London SW1A 2AH

Sir John Kerr KCMG

The Permanent Under Secretary of State

Telephone: 0171-270 2150

Facsimile: 0171-270 3776

Sir Richard Wilson KCB
Secretary of the Cabinet and
Head of the Home Civil Service
Cabinet Office
70 Whitehall
London SW1A 2AS



c(tpo) Mr Pakenham

Dear Richard,

1. I think that our offices are arranging for me to call on you tomorrow.
2. Two of the issues which I hope to discuss are in fact favours being sought of the Cabinet Office! First, I think you know of the likely Cook/Beckett suggestion that you should take a look at the Whitehall arrangements for the support of exports. Michael Scholar and I have discussed this a few times, and agree with the proposal. Michael tells me that he mentioned it to you, but it is on my conscience that I haven't: I seek absolution tomorrow.
3. Also on my conscience is a likely Cook proposal, which he has discussed with the Prime Minister, and I have mentioned to Michael Pakenham, for a Cabinet Office exercise to verify/improve a survey of government activity overseas, broken down by Objectives. The Foreign Secretary has shown the Prime Minister the attached draft minute, which he currently proposes to circulate fairly soon. I didn't know if you have seen it: plainly you should, and I hope we could talk about it tomorrow.

Yours truly,
John

John Kerr

COVERING SECRET - UK EYES A

DRAFT MINUTE FROM SECRETARY OF STATE TO THE PRIME MINISTER

GOVERNMENT ACTIVITY OVERSEAS

1. Departmental Spending Reviews are due to be submitted next month. As you know, with Treasury agreement I commissioned an overview of total Government spending on the overseas activity which, as Foreign Secretary, I co-ordinate.

/ 2. The main findings of the review, which I attach, are:

(a) our external interests and exposure are such that there is an international dimension to the work of almost all Government Departments; our activity overseas costs some £10 billion a year ie less than 3% of total government expenditure.

(b) Apart from the Armed Forces, this includes the costs of posting some 7,400 UK officials abroad: 4,300 from MOD, 2,200 from the FCO, 700 from other Government Departments, 220 from the British Council, plus staff of regional trade promotion and inward investment organisations.

non-proliferation, and only £15 million on preventive diplomacy.

- (c) Helping the 10 million UK Citizens who live, and the 40 million a year who travel, abroad costs only £64 million. But the DSS pays some £970 million per year to the 750,000 UK pensioners who live abroad. (Similarly the total annual cost across Whitehall of entry clearance at our frontier is some £750 million: but the costs of such work in our posts abroad is only £56 million, and is fully recovered in fees.)
- (d) We invest relatively little on generating UK jobs, by promoting exports and inward investment, though the work involves a strikingly wide spectrum of Departments and Agencies. The FCO and DTI jointly deploy on trade and investment promotion some 1,700 staff at home and overseas, at a cost of some £314 million. But many other Departments have also developed their own sector-specific export promotion units, eg the Defence Exports Sales Organisation, which costs some £12 million; and Scottish, Welsh and NI Agencies cost another £12 million.

- (e) Similarly, our effort on projecting Britain abroad looks relatively under-resourced, with some £122 million of FCO expenditure, plus spending by the British Council (£106 million) and the BBC World Service (£161 million).

4. Our convictions and policies should mean our spending relatively more than our predecessors did on environmental protection; conflict prevention; stopping proliferation of weapons of mass destruction; and fighting the terrorist, drug-runner, and cross-border criminal.

5. The geographical distribution of UK effort is also the product of history, and doesn't necessarily reflect today's priorities. For example, taking foreign deployments:

- (a) Central Asia and the Caspian Region are important to our political and commercial interests. The region will provide 10% of the world's additional oil demand by 2010. As its wealth increases, the potential opportunities for British oil companies and exporters are huge. But in all the countries concerned the deployment we inherited is far outstripped by our competitors, whose greater investment of resources is already bringing returns.

The Germans have 84 home-based staff in the area; the French 48; we have 13. Not surprisingly, our export performance is similar (1996: German exports £600m, French £172m, ours £115m).

- (b) Accession candidates in Eastern Europe (Poland, Hungary, Czech Republic, Estonia and Slovenia).

You and I are making a deliberate effort eg at the European Conference here next week to get alongside the leaders of these countries. So are our colleagues. It is important that we should, not least because they will shortly be voting, in EU Councils, on our laws. But our deployment in the five capitals is woefully thin: half that of the French: still further behind the Germans.

- (c) The picture is even worse if one considers trade promotion in the rapidly expanding markets of Latin America. There the Germans have 427 home-based staff (and 5.0% of the market), the French have 384 (and 2.1%), we have 117 (and 1.5%). The House Foreign Affairs Committee criticised this disparity last year: it partly reflects cuts made, surely mistakenly, by our predecessors.

(d) China. Margaret Beckett and I were convinced, by our visits earlier this year, that the UK has a major opportunity to exert influence and help British business in the rapidly expanding Chinese market now that the relationship is no longer dominated by the Hong Kong issue. You will see the Chinese Premier on 2 April: I hope you and John Prescott will get to Beijing over the summer; we plan a Chinese State Visit next year. But the effort needs underpinning. Not counting Hong Kong, the French and the Germans have two to three times as many home-based staff in China as we do, and both are planning to open new posts. In my view, a new UK/China Partnership Fund, on the lines of the highly successful Know-How Fund for Central/Eastern Europe, to encourage reform and focus on regulation, services and infrastructure, would bring major dividends, and would require only a relatively small rebalancing of our overall resource allocation.

6. That's my point in a nutshell. The Government's activity abroad has grown up piecemeal over many years. It consumes substantial resources. We need to ensure that we are using them to optimum effect, in line with new opportunities and new priorities; and to check whether any rebalancing of available

resources is needed to keep up with our competitors in key areas and on key issues. You may want to ask the Cabinet Office to work up an analysis, based on the enclosure, for DOP to consider.

7. Copies of this minute go to all members of DOP and PX, and to Sir Richard Wilson.

Robin Cook

ANNEX 1: OVERSEAS ACTIVITIES OF UK GOVERNMENT DEPARTMENTS BY FCO OBJECTIVE

NOTE: Judgements have had to be made about where overseas activity ends and domestic activity begins. The entire FCO budget is included because, although much of it is spent in the UK, it is all spent on overseas-related activity. But we have not, for example, included the entire defence budget (£22 billion) in this paper, even though the primary purpose of the armed forces is external defence; we have instead listed only the MoD activities taking place overseas and the costs of supporting those activities at the UK end. A similar judgement has been made over EU work (see paragraph 11) and other areas. In total, close to £10 billion is allocated annually to our overseas activities and commitments.

We have tried to use FY 1996/97 outturn figures where available. But Departments have sometimes had problems producing these. Some figures are therefore estimates.

Objective 1. To ensure the Security of the UK; and to promote International Peace and Stability.

MoD

Cost £ million

- 29,810 service and civilian personnel in Europe	1300	
- 5,000 troops on temporary deployment with SFOR in Bosnia	224	
- 380 defence attaches, advisers and staff in FCO posts around the world	29	
(£8m of which is funded by FCO)		
- 1900 UK military posts in NATO HQs and WEU	86.6	
- Contribution to NATO Military Budget	60	
- Contribution to NATO Security Investment	50	
- Share of UK contributions to WEU	1.2	
- 4,430 personnel in Cyprus SBAs	170	
- Armilla Patrol (2 frigates – one on station at a time)	36	
- 564 personnel in the Gulf and Near East	est 22	
- Iraqi No Fly zones	6.4	
- Five power Defence Arrangement; 300 personnel in the Far East	est 21	
- Joint Arms Control Implementation Group (JACIG)	6	
- 400 Loan Service Personnel around the world	5	(net)
- Outreach programme	5.5	
- Other DMAF loan service personnel	1.5	
- "BATSUB" team in Belize (40 personnel)	est 2	
- Other visits and exchanges	2	

	£ million	
<u>DTI</u>		
- non-proliferation running costs		6
- non-proliferation programme expenditure (including IAEA and Organisation for the Prohibition of Chemical Weapons)		12
<u>FCO</u>		
- Preventive diplomacy/diplomacy on security issues		15
- Non-proliferation diplomacy		5.8
- Contribution to NATO HQ Brussels		20
- UK contribution to UN peacekeeping		20
	(see also Treasury Reserve below)	
- UK contribution to WEU costs		2.8
- UK contribution to OSCE costs		2
<u>BBC Monitoring Service</u> (FCO, MoD and Cabinet Office-funded)		18
<u>HM Treasury Reserve</u>		
- UK contribution to international peacekeeping		33
		<hr/>
Total		2162.8
		<hr/>
Of which:		
MoD	2028.2	(93.4%)
FCO	73.6	(3.4%)
BBC	18.0	(<1%)
HMT	33.0	(1.5%)
DTI	18.0	(<1%)

Objective 2: To improve, through international action, economic opportunities for a prosperous UK.

FCO

Costs £ million

- Trade promotion, economic, financial and S&T work at posts and in FCO headquarters	232.8
- Inward investment work	6.7
- Trade policy work	3.8
- Protection of UK resources and assets (incl fisheries)	1.3

DTI

- Trade promotion work – Joint (with FCO) Export Promotion Directorate, Export Services Directorate, Six geographical Market Directorates, Projects and Export Policy Directorate, Oil and Gas Petrochemicals Supplies Office and 89 Business Links.

719 staff in all. 24.9 (running costs)

56.2 (prog)

- Trade work by other DTI directorates	6.7 (running costs)
- Trade policy directorate	3.1 (running costs)
- WTO subscription	4.3

- Inward Investment work

- Invest in Britain Bureau (joint operation with FCO)	5.7
- Partial funding of 10 English regional development offices (47 staff overseas)	10.5

- Science and Technology work

- OST (contribution to EU Framework Programme)	280
- OST (International subscriptions for Research Councils)	120
- OST/Royal Society international activity	3.9
- Other OST bilateral activity	0.4
- BNSC contribution to European Space Agency	128

British Council (FCO/DFID-funded)

- Trade promotion (education, training, arts)	7.7
- Science and Technology	14

Other Departments

- contribution to EU Framework Programme	70
--	----

	<u>£ million</u>
<u>Scottish Office</u>	
- Scottish Trade International: <u>trade promotion</u>	5
- Locate in Scotland: <u>inward investment</u> (11 overseas offices and 33 staff)	5.5
<u>Welsh Office</u>	
- Industry Dept: <u>trade promotion</u>	0.5 (staff)
	0.3 (prog)
- Welsh Tourist Board: overseas marketing	2
- Welsh Development Agency: <u>inward investment</u> (11 overseas offices and 31 staff)	5
<u>NIO</u>	
- <u>Trade promotion</u>	1.5 (running costs)
	5 (prog)
- <u>Inward investment</u> (9 overseas offices and 37 staff)	5.4 (staff)
<u>Bank of England</u>	
- Global monetary issues, supervision of overseas financial and settlement systems (79 full time staff equivalents)	11.9 (running costs)
<u>DETR</u>	
- <u>Export promotion</u> division for transport, water and construction sectors	11.9 (running costs)
- Air Services negotiators and promotion of UK aviation interests	1.7 (staff)
	5 (prog)
<u>Treasury</u>	
- Global economic/financial issues – IMF, IBRD, G7, OECD, etc	1.4 (running costs)
<u>Inland Revenue</u>	
- Cross-border taxation	3.0 (running costs)
	0.1 (technical assistance)
<u>HMCE</u>	
- <u>Trade promotion</u> of customs systems (15 staff)	full cost recovery
- Indirect tax cooperation	0.3
- Customs cooperation	1.4

Department of Health

- Promotion of healthcare exports

£ million

0.2 (staff)

0.2 (prog)

MoD

- DESO (excluding disposals team) 331 staff

12 (net)

MAFF

- International Relations and Export Promotion Division (34 staff)

1 (staff)

4.6 (prog)

- Non-EU trade negotiations (staff costs and attendance at meetings)

5

- Fisheries protection

0.2 (staff)

2 (prog)

DCMS

- Grant-in-aid to British Tourist Authority (present in 37 countries)

35

- Six DCMS staff engaged in overseas promotion and EU liaison relating to tourism

0.2

- UK Sports Council - International Relations & Major Events Directorate

0.8

DfEE

- Trade promotion through ministerial visits

0.1 (staff)

ECGD

- 430 staff

24

Total 1130.5

FCO share: £244.6m = 21.5%

Objective 3: To improve Quality of life worldwide; and develop a strong international community

£ million

DAID

- bilateral development aid, including promotion of good government	1101
	(including administration)
- multilateral development aid	1098
	(of which £732m is EU/Lome and £143m is UN & agencies)
- environmental aid	16
- scholarships (including £11m for the Commonwealth)	24

FCO

- aid administration	30
- environmental work	1.5 (staff)
	0.4 (prog)
- drugs, terrorism, international crime	3 (staff)
	4.6 (prog)
- fund MoD anti-drugs work	2.3
- promotion of human rights, civil liberties and democracy, rule of law and good governance	6.3 (staff)
	42.8 (prog)
- participation in multilateral institutions	4 (staff costs)
- subscriptions to multilateral institutions (UN, Council of Europe, OECD and Commonwealth)	69.4

MoD

- anti-drugs work	funded by FCO
- overseas counter-terrorism work	0.3
- Met Office contribution to WMO	1.4

Home Office

- anti-drugs work	1.4 (staff)
	0.9 (prog)
- share of UNDCP subscription	1.2
- counter-terrorism	0.1 (staff)
- judicial cooperation unit (extradition etc)	1.2
	0.2 (legal costs)

£ million

DETR

- | | |
|---|-------------|
| - Transport security work | 0.3 |
| - ICAO/ECAC contributions and CAA support | 2.6 |
| - IMO contributions | 0.6 |
| - Environment work | 0.9 (staff) |
| | 7.9 (prog) |
| - UNEP and environmental UN contributions | 6.2 |

HMCE

- | | |
|---|-------|
| - Drug Liaison Officers worldwide (52) and other international drugs work | 42 |
| - international trade and anti-smuggling work | 312.1 |
| - international assistance | 0.1 |

DfEE

- | | |
|--------------------|---|
| - ILO contribution | 9 |
|--------------------|---|

Treasury

- | | |
|-------------------|-----|
| - financial crime | 0.1 |
|-------------------|-----|

Bank of England

- | | |
|--------------------|-----|
| - money laundering | 0.2 |
|--------------------|-----|

DTI and agencies (Patent Office, Radio Comms Office)

- | | |
|--------------------------------|-----|
| - UPU, ITU, WIPO contributions | 3.7 |
|--------------------------------|-----|

D of H

- | | |
|---------------------|------|
| - WHO contributions | 14.8 |
|---------------------|------|

DCMS

- | | |
|---------------------|-----|
| - WHF contributions | 0.1 |
|---------------------|-----|

Total	2,810.6
-------	---------

of which DfID	2215 (80.9%)
---------------	--------------

FCO	115.2 (4.2%)
-----	--------------

Objective 4: To increase the impact of and respect for British foreign policy and values

	<u>£ million</u>
<u>FCO</u>	
- promotion of British policies, cultivation of opinion-formers etc	87 (staff)
- scholarships - Chevening	14.5
- other	4
- UKMTAS	17
<u>British Council</u> (FCO/DFID-funded)	
- cultural work, education, information, promotion of English language	106
- English language teaching (118 centres in 51 countries)	(self-funding)
<u>BBC World Service</u> (FCO-funded)	161
<u>DfEE</u>	
- scholarships (Overseas Research Student Award Scheme)	11
Total	400.3
Of which FCO	122.3 (30.5%)
British Council	106 (26.4%)
BBC	161 (40.2%)

Objective 5: To ensure the UK plays a strong role in a strong Europe, responsive to people's needs

Our fifth foreign policy objective is to ensure the UK is a leading player in Europe. Every department of government is engaged in EU work. Gross payments to the EU (after abatement) were £6.9 billion in 1996/97; our net UK contribution to the EU budget, after receipts and abatement, was £2.3 billion. For the purposes of this study of overseas activity we have included contributions to EU programmes, participation in EU deliberations and the London-end costs of supporting and directing these activities; we have not included the costs of implementing EU policies and directives domestically.

	<u>£ million</u>
<u>FCO</u>	
- coordination of EU activity and promotion of EU objectives in Brussels and elsewhere overseas, and EU work in headquarters	12.4 (staff) 5 (prog)
<u>Cabinet Office</u>	
- European Secretariat	0.9
- Legal advisers	1
<u>DFEE</u>	
- International Directorate EU activities (European Social Fund etc)	5.3 (staff) 325 (prog)
- Central and Eastern European programme	1.3 (staff) 14.8 (prog)
- Health and Safety Agency EU work	0.4
<u>MAFF</u> [total cost of CAP - £3.14 billion] - cost of EU policy work	13
<u>HMT</u> - cost of EU policy work	1.5
<u>Inland Revenue</u> - cost of EU policy work	0.3
<u>HMCE</u> - cost of EU policy work	2.4
<u>DTI</u> - cost of EU policy work	1.9
<u>DETR</u> - cost of EU policy work	6.2
<u>Home Office</u> - cost of EU policy work	2.2
<u>DSS</u> - cost of EU policy work	0.3

Scottish Office - cost of general EU work

£ million

1.2

Welsh Office - cost of EU policy work

1

NIO - cost of EU policy work

3.2

DCMS

- EU cultural heritage and arts programmes (Raphael, Kaleidoscope)

0.1 (staff)

0.8 (prog)

- Government Art Collection overseas activities

0.2

- Cost of EU policy work on audiovisual matters

0.3 (staff)

6.2 (prog)

Total 406.9

FCO share: £17.4m = 4.2%

Objective 6: To ensure the protection of British Citizens Abroad

	<u>£ million</u>
<u>FCO</u>	
- Consular services	64.1
<u>DSS</u>	
- Pensions to 750,000 UK nationals resident abroad	970.0
	<hr/>
Total	1034.1
	<hr/>

Objective 7: To ensure efficient and effective implementation of entry clearance arrangements

	<u>£ million</u>
<u>FCO</u>	
- entry clearance work	71.3
	(£56m recovered through fees)
<u>Home Office</u>	
- immigration work	222
<u>Costs arising from applications for asylum* (1997/98 figures)</u>	
- <u>DSS</u>	200
- <u>Dept of Health</u>	152
- <u>DIIE</u>	56
<u>Lord Chancellor's Department</u>	
- Immigration Appellate Authority	11.4
- Legal Aid, costs of immigration work (excludes Judicial Review)	26.1
Total	738.8 (682.8 net)

FCO share (of net expenditure after cost recovery) = 2.2%

* 94% of asylum applicants in 1996 were determined not to qualify.

Objective 8: To ensure the security of UK Dependent Territories, promote their prosperity, and uphold sustainable development and good government

	<u>£ million</u>
<u>FCO</u>	
- Promotion of good governance and sustainable development (1996/7 figures include £5.4m for Hong Kong)	13.0 (running costs)
	3.5 (prog)
- Work on behalf of OGDs	59 (staff costs)
<u>DfID</u>	
- Programmes	30
- Emergency Aid to Montserrat	18
- Gibraltar Pensions	9
<u>MoD</u>	
- 2000 personnel in the Falklands	81
- Naval element (1 frigate, 1 OPV, 55/365 x 1 SSN)	est 40
- airbridge	est 5
- 547 personnel in Gibraltar	63
- West Indies Guardship	18
- Other DT deployments (Ascension airfield, Diego Garcia, South Georgia Ice Patrol vessel etc)	est 40
<u>DETR</u>	
- Aviation security	0.4
Total	379.9

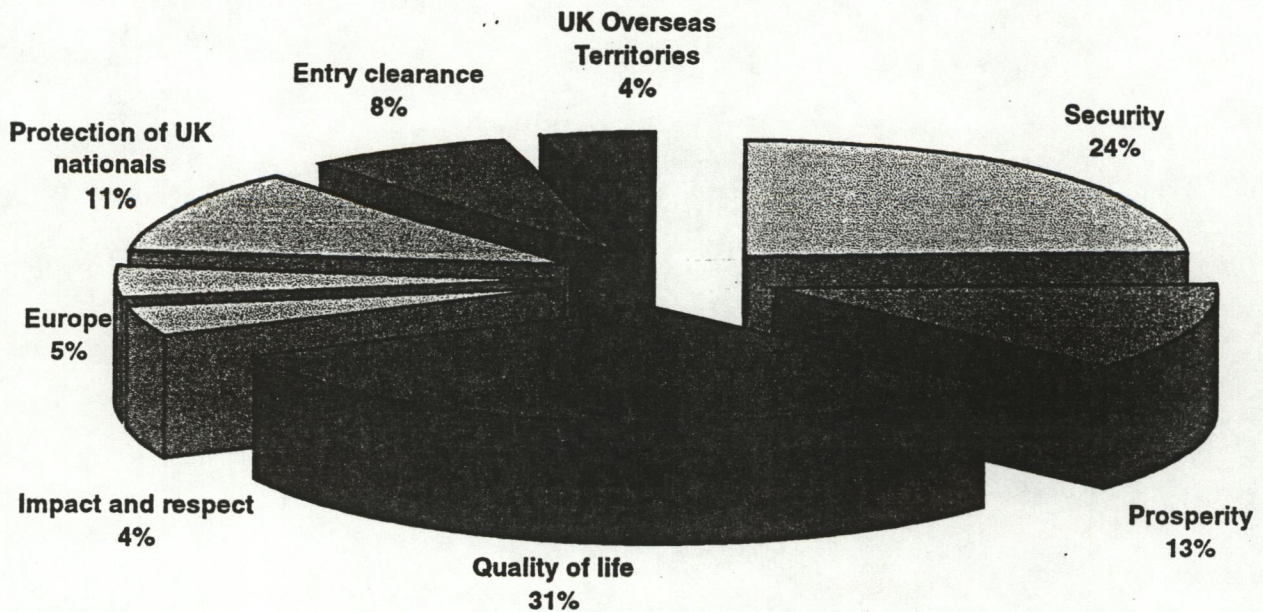
Annex 2: UK-based staff serving overseas

FCO	2200
MoD – servicemen	43,347
- civilians	4,342
British Council	219
Home Office – posted abroad	108*
- short term (<6 months) postings	90* (annually)
DIID	70
DTI	38*
Treasury	12*
Bank of England	2*
HMCE	37
Police	9
MAFF	10*
DfEE	10*
DSS	2*
DETR/CAA	9*

The Scottish, Welsh and Northern Ireland Offices also have small numbers of UK-based staff overseas, in some cases paid for by the FCO.

* Wholly or partly funded from FCO Vote

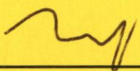
OVERSEAS ACTIVITIES OF UK GOVERNMENT DEPARTMENTS BY FCO
OBJECTIVE



OBJECTIVE

1. Security and International Peace and Stability
2. Economic opportunities for a prosperous UK
3. Quality of life worldwide; and a strong international community
4. Impact of and respect for British foreign policy and values
5. A strong role in a strong Europe, responsive to people's needs
6. Protection of British Citizens Abroad
7. Efficient and effective entry clearance arrangements
8. Security and prosperity of UK Dependent Territories

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