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OVERSEAS DEVELOPMENT ADMINISTRATION  
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*From the Minister*

19 July 1983

*Dear Willie,*

REPLY TO THE HOUSE OF COMMONS FOREIGN AFFAIRS COMMITTEES' REPORT ON THE ODA'S SCIENTIFIC AND SPECIAL UNITS (HC 25 I/II)

I am writing to seek agreement to publication as a White Paper of the Government's reply to this report.

... I enclose a copy of the proposed reply which has been agreed by Sir Geoffrey Howe and Mr Raison. The Foreign Affairs Committee was highly critical of the cuts which have had to be made to ODA's Scientific and Special Units and of the scrutinies which led to these economies, and a certain amount of unfavourable press comment has resulted. The reply rejects these criticisms.

Mr Raison hopes the reply can be published before the summer recess, in part to dispel any notion within the Units themselves that the FAC report will allow them to re-open the decisions on their future. He would like to publish the reply on Wednesday, 27 July, and proposes to hold a short press conference that morning. HMSO have advised that to meet this timetable they need clearance by midday tomorrow at the latest.

I should be grateful for your confirmation that we can proceed on this basis.

Copies of this letter and enclosures go to the Chief Press Secretary and to the Private Secretaries of the Chancellor of the Exchequer, the Lord President of the Council, the Chief Whip and the Secretary of the Cabinet.

*Yours ever,  
Mike Power.*

(M A Power)  
Private Secretary

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4TH REPORT FROM THE FOREIGN AFFAIRS COMMITTEE  
SESSION 1982-1983

THE OVERSEAS DEVELOPMENT ADMINISTRATION'S SCIENTIFIC AND  
SPECIAL UNITS

OBSERVATIONS BY THE SECRETARY OF STATE FOR FOREIGN AND  
COMMONWEALTH AFFAIRS

(Marginal references are to the relevant paragraphs;  
numbers in parentheses with the prefix 'Q' refer to  
Questions in oral evidence in Volume II of the Report)

1. The Government has studied with interest the Report published on 16 June and has noted its conclusions and recommendations. It regrets however that the Committee in its Report did not take into account more fully the context within which the Government decisions on the future of the scientific and special units of the Overseas Development Administration (ODA) were taken.

2. A variety of factors was considered and carefully balanced by the Government before reaching decisions about future arrangements for the units. A key factor was the likely demand for the services of the units in the future. The services are provided to developing countries as aid. The needs of developing countries are legion, but only a limited proportion of them can be met by the British aid programme. The programme is very effective: but because of increasing expenditure arising from multilateral commitments, notably membership of the European Community and of the World Bank, resources available for bilateral aid have necessarily been squeezed. Within the bilateral aid programme, priorities have to be

/determined



determined in agreement between developing country governments and the British Government and not all developing countries give the highest priority to the types of aid which engage the services of the ODA's scientific units.

3. The Rayner Scrutinies and other reviews showed that the effective demand for the units' services in future would be somewhat less than in the past, the likely fall in demand being more marked in the case of the services provided by the Directorate of Overseas Surveys and the Land Resources Development Centre. The demand for the units' services may also be affected by the cost as compared with outside alternatives; although the evidence suggests that they will be competitive with private sector alternatives where these are available. It has also been concluded that the level of demand for the units' services will be uncertain and likely to fluctuate. These conclusions have been an important factor in the Government's thinking about the future size of the units: the decisions that have been taken should have the result that, for the foreseeable future, the standing capacity in the units will be fully occupied, provided they remain cost-effective and competitive. Temporary excess demand, or upward fluctuations in demand can best be met by contracting work out rather than by retaining larger standing capacity within the Civil Service.

4. The reviews were also concerned with questions of cost-effectiveness and efficiency. The Government has made good management and the efficient use of resources policies

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in their own right and has sought to reduce manpower levels generally in the Civil Service. The need to contain public expenditure is a further reason to make sure that the units are as cost-effective as possible. Two scrutinies carried out for ODA under the direction of Lord Rayner, one of the Directorate of Overseas Surveys and the other of support services in the Centre for Overseas Pest Research and the Tropical Products Institute recommended economies - which are being realised - in support costs such as those for communications, printing and office services. The scrutinies directed attention to the need to consider the relocation of widely scattered units as a means of lowering costs and securing closer management by their directors. They provided guidance on the capacity of the private sector to handle some of the work done by the units and on ways to measure and compare costs. They also argued that the units should be more subject to competition for aid funds, and recommended that this could be achieved by new arrangements for commissioning, in which particular pieces of work are clearly specified and priced so that their bids for resources within the aid programme can be weighed properly against other claims.

5. As the result of careful consideration of all factors, the Government decided to make changes. It was decided that the standing capacity represented by the Tropical Products Institute and the Centre for Overseas Pest Research should for the most part be maintained, but that some staff reductions were desirable and that the two units should be combined into a single Tropical Development and Research Institute, concentrated so far as possible on one site; that the Land Resources Development Centre should also be maintained within the ODA, but on a reduced scale in view of reduced demand; and that the work of the Directorate of Overseas Surveys to developing countries could most effectively be provided by amalgamating that unit with the Ordnance Survey.

6. The following paragraphs respond to the conclusions and recommendations of the Committee in paragraphs 112 to 117 of the Report.

/The unit's



The unit's reputation, and their role in pursuit of the aid programme's objectives

7. The Government agrees with the Committee's principal  
Para 102 conclusion that the ODA's own in-house units enjoy and deserve an extremely high international reputation for the valuable work they do. There are now three such units following the amalgamation of the former Centre for Overseas Pest Research (COPR) and the Tropical Products Institute (TPI) as the Tropical Development and Research Institute (TDRI). Changes made in the last four years in the organisation of ODA and of the units have given a more flexible and cost-effective aid programme. The two units, the Tropical Development and Research Institute and the Land Resources Development Centre (LRDC), which will remain within the Administration are concerned directly with increasing food production in the developing world, which is one of Government's major aid objectives.

The units' costs and the consequences of cost savings

8. The units are funded from the aid programme of which they  
Para 103 form an integral part. The ODA has been forced to re-examine all activities within the aid programme to ensure that they meet the needs of developing countries in the most cost-effective way and many economies have been made. As explained in ODA evidence (Q12) a reduction in the resources available for the bilateral aid programme has already been made, and this cannot but affect the resources available for work in the scientific units. Within the bilateral programme the priorities of developing country governments vary: not all at present give the highest priority to British aid in the

/development of



development of natural resources or survey and mapping services. Their demands fluctuate and it is necessary to offer a flexible response. This can be done by supplementing, as necessary, the work of somewhat smaller staffs in the units by expertise available in government departments, universities, research institutions and the private sector.

9. The report over-emphasises the loss of specialist staff likely to arise from the planned cuts in unit budgets. The decrease in staff numbers of the TDRI will amount to some 25% over the 7 year period from 1979 to 1986. The Government does not accept that cuts of this order are likely to damage the units' reputation and effectiveness. The change is being achieved partly by a concentration of scientific activities and partly by reductions in support staff proportionately greater than reductions in operational staff: in other words, by improving the direction, efficiency and cost-effectiveness of TDRI's work. The reduction in the LRDC from 78 staff in 1982 to 45 in 1985 is based on a careful assessment of likely demand for the Centre's services. It also takes account of the need to cope with fluctuations in demand and the opportunities for using an increasing capacity in the private sector. The largest change, the reduction of some 60% in the Directorate of Overseas Surveys (DOS), the case for which was argued conclusively in the Rayner Scrutiny of the Unit is, again, made necessary by changing and uncertain demand and the intention that some work will be contracted out.



10. The Committee's concern about the dispersal of specialist expertise is focussed on the expertise available in the in-house units, but British expertise is available to the aid programme from a variety of sources. The evidence given to the Committee by Professor Bunting (Annex 8 to the Committee's Report) points out that what he calls 'the knowledge services' available to the aid programme have always been largely obtained from outside the ODA. He rightly draws attention to some disadvantages as well as advantages in a heavy reliance on other agencies' capacity, but there is nothing in the Government's present plans for reorganisation which should impair the special features of the in-house units to which Professor Bunting calls attention: namely, their inter-disciplinary character and the continuity which they offer.

The 'Rayner Scrutinies' of the COPR, TPI and DOS

11. The Government is well satisfied that the scrutiny programme  
Para 104 has in general proved its value many times over. The improvements stemming from Rayner Scrutinies are on record and are substantial. The scrutiny of COPR and TPI was in two parts. The first part looked at support services, all of which are provided in Britain. The second part compared costs for work done by the units with work contracted out to the private sector, i.e. costs of achieving similar benefits by different means; this was made clear in evidence (Q660). The study of DOS covered benefits to developing countries and to Britain, as was made clear by the examining officer (Q781). In considering the recommendations ODA took into account the need

/to compare



to compare the benefits arising from work done by the units with the benefits from other aid programme activities.

- (a) The evidence given to the Committee by ODA witnesses made it clear that the work of all of the units and their impact is examined annually by Management Committees and also that areas of work had been subjected to external technical review by peer groups: what was lacking was a full costing of the work and an examination of its efficiency. The examining officers' terms of reference were deliberately directed towards this.
  
- (b) The evidence needed about costs was available in this country. The views of developing country governments and international agencies are well known to ODA from a continual feedback of views and comment on the work of the units from ODA visits to developing countries, from Heads of Missions and Development Divisions and from representatives of developing country governments.
  
- (c) On training and information dissemination, it should be explained that the scrutinies were more concerned with alternative methods of providing services than with assessing the value of those services. The examining officers of the COPR/TPI did not undervalue the importance of training or suggest that too much information was being provided, as was made clear to

/the Committee



the Committee in oral evidence. Despite this the Committee appeared to think, for example, that shorter print runs implied that less information would be disseminated (Q685). This is not the case. The concern was only that the aid programme should not pay for publications that will be unwanted and unused.

- (d) The inter-disciplinary character of individual projects undertaken by COPR and TPI was taken into account by the examining officer and was reported. ODA took into account the inter-disciplinary character of TPI and COPR and the qualitative aspects of all the units in reaching decisions on recommendations on this and other studies on the future of the units.

#### Size of the LRDC

12. The Committee claims that the decision to reduce the size of the Centre was not based on considerations of cost-effectiveness. Cost comparisons were made by an independent accountant and this was recognised by the Committee as shown by the second sentence in paragraph 41 of their Report. No significant cost difference was found between similar work done in the Centre or contracted out. The principal factor taken into account in reaching these decisions, as mentioned above, was concern about a reduced and fluctuating demand. Special efforts were made to assess that demand and it was



necessary to distinguish between the wishes expressed for assistance that the Centre could give and the priority accorded to such work by developing country governments in their requests for aid. LRDC has been encouraged to win contracts from others but the volume of such contracts is small. The evidence available about future demand, understood as work that could be paid for, showed a likely reduction in demand and also much difficulty in

/making



making confident estimates of demand. The evidence of demand was not considered strong enough to justify retaining a Centre of the present size.

#### Cost comparisons

13. The Government does not accept the Committee's  
Para 106 contention that cost comparisons, a major part of the Rayner scrutinies, were of doubtful validity.

(a) At the time of the examination of COPR and TPI, methods of calculating their overheads were not well developed, but valid comparisons could still be made between the total costs of work carried out by the units and by analogues; much useful comparative material is set out in the appendices to part II of the study. Comparisons of overhead costs in the DOS scrutiny were difficult but not impossible.

(b) The comparison of costs of a representative sample of the work of COPR and TPI with similar work done by universities and firms in the private sector gave no conclusive evidence that the units were more or less expensive. The Committee does not appear to have appreciated that no major decisions on the future of COPR and TPI were made on the basis of this examination. The uncertainties surrounding the comparisons used for DOS were considered not to be so large as to throw doubt on the conclusion that



contracting out would be significantly cheaper.

- (c) ODA has considerable experience in supervising the performance of projects by outside contractors and the likely burden of this work was taken into account before reaching any decision on the recommendations made by the examining officers.

Effectiveness of TPI and COPR; need for work by DOS

14. The Government agrees that COPR and TPI were very effective and their funds generally well spent; that is why they are being retained. There is room for even greater efficiency (see paragraph 4 above) through their amalgamation as TDRI.

15. The ability of the British aid programme to meet the needs for survey and mapping work must be judged by the priority given to that work within the scarce resources available for development. In the past a core-funded DOS used its resources to offer survey and mapping projects to developing countries free of charge in addition to their normal aid allocation (as was explained by ODA in evidence to the Committee, Q840). Now, in the new system, developing country governments, in co-operation with the British Government, will be able to choose between survey and mapping and other aid projects.

Benefits: standards of work

16. The Committee's complaints that the Rayner Scrutiny



examining officers did not examine benefits as well as  
Para 108 costs is misconceived. One object of the scrutinies  
was to examine the costs of alternative methods of  
providing the services available from the units whose  
value is known and accepted; and, as part of that  
question, how much standing capacity should be maintained  
in view of likely demand for those services. (See para-  
graph 3 above.)

17. The reference to needlessly high standards  
referred to certain particular pieces of work and was  
not a general comment. One examining officer made the  
point that DOS should ascertain the relationship between  
increased accuracy and resulting costs; the other  
reported comments made to him on the technical  
standards adopted for one or two pieces of work in  
TPI. However, these comments did not affect the overall  
results and conclusions of their studies.

#### Training in DOS

Para 109 18. The claim that the changes proposed will lead  
to a very substantial reduction in the capacity to  
offer practical training to survey and mapping staff  
of developing countries is not accepted. It is recog-  
nised that opportunities for on-the-job training  
will depend on the number of survey projects under-  
taken overseas. Such training can, however, be pro-  
vided by survey staff seconded overseas as at present.  
The Overseas Directorate of the Ordnance Survey will  
be able to offer practical training in Britain in map



production on a similar scale to that offered at present by DOS.

#### Relocation and the 'Rothschild Principle'

19. The Committee was informed by ODA that TPI and Para 110 COPR were to be amalgamated and relocated on a single site if this relocation proved to be cost-effective. Amalgamation took place on 1 April this year and is showing savings in support staff even before relocation. A detailed feasibility study on possible new locations is currently in progress.

20. The Committee provides no evidence for its view that the 'Rothschild Principle' has only a limited applicability to the kind of work the units do. No comment is offered here on the matter except that the introduction of a system to commission work should allow the programmes of the units to reflect more accurately the requests of client countries as explained in more detail in paragraph 24 below.

#### Reuniting DOS and LRDC

21. Other than in its use of cartographers and maps Para 111 the LRDC has now little but its origins in common with DOS. Amalgamating DOS and LRDC would give neither any significant advantage. On the other hand, the possibility of co-locating LRDC with TDRI on a new site has much to commend it and is already being considered.

22. The committee questions the wisdom of placing



overseas survey and mapping work under another government department. There are a number of successful models already existing for such an arrangement and it is an option which the Committee itself recommends for study in paragraph 117(b) of its Report.

23. ODA's decision to decrease the size of LRDC does not reflect any lack of appreciation for the Centre but rather the reduced demand on the aid programme for work of the type done by the Centre.

FIRST MAIN RECOMMENDATION: THAT RESOURCES OF COPR AND TPI BE INCREASED

Para 112 24. The Government recognises the high quality and value of the work done by the COPR and TPI. It is because of this that it was decided to continue these units, merged into a single Tropical Development and Research Institute. Indeed, it was decided that reductions in the overall size of the Institute would be proportionately less than reductions in the bilateral aid budget. Some concentration on areas of highest priority to developing countries was called for but a major reduction in numbers of senior scientific staff was not foreseen. It has been necessary already to drop some activities which are of lower priority or which can be carried out elsewhere. Any increase in resources for the Institute, as suggested by the Committee, would have to be at the expense of other parts of the aid programme. The bulk of the activities of



the TDRI will be organised as discrete projects and, as these projects end, the redeployment of resources will thereafter depend upon the willingness and ability of spending divisions in ODA to commission new work in the light of priorities agreed with developing country governments. In the event that this process leads to an increased demand for work in post-harvest technology or pest control, which are the two activities covered by TDRI, the surplus may be contracted out, not necessarily used to expand the Institute.

Need for the work of DOS

25. The Committee's claim that the need for work by  
Para 113 DOS may increase is surprising. It gives no evidence for this, however, and the Committee's views need to be considered together with its own recognition that demand for the work of DOS has declined and will continue to decline (paragraph 47 of the Report). The introduction of the arrangements described in paragraph 15 above has made survey and mapping projects compete directly with other technical cooperation activities for limited resources and a study of demand conducted while the Committee met indicated that demand will fall. An Overseas Directorate enjoying the much wider resources of the Ordnance Survey is the best way to meet the varied needs for work in this sector. The Rayner Scrutiny in recommending the size of staff took into account the services that should be retained and all the other work that needs to be done. The Ordnance Survey is an



internationally respected organisation and will seek to foster the esprit de corps of staff working on its overseas programme.

#### The LRDC

Para 114 26. The need for the development of land resources is well recognised; indeed, one of the goals of the aid programme is to reach the poorer sections of the population living in rural areas. However, the effective demand for work of the type done by LRDC fluctuates and is very difficult to predict. Some work of this type has always been handled by direct recruitment and contracting out hence it was thought right to reduce the size of the LRDC, knowing that an excess demand could be met by these alternative means. ODA professional advisers, both in headquarters and in the Development Divisions, normally monitor all work in the renewable natural resources sector. The LRDC will retain the capacity to monitor specialised projects within the natural resources sector as needed, but this should place no great burden on the Director and his staff.

#### Benefits to the United Kingdom and the renewal of the national cadre of expertise

Para 115 27. The committee's reference to the benefits to the United Kingdom of the units is endorsed. The need to renew and sustain the pool of experience in the UK is fully recognised and ODA is currently examining the future needs for specialised manpower in all sectors. The staff of the in-house units have an important part



to play in their specialised areas.

Training, the size of the units and the avoidance of false economy

Para 116 28. The importance of training as an aspect of the units' work is well recognised but the training carried out by the units is only a small proportion of the total training provided in the natural resources sector. Commissioning should make demand for training more apparent. The need for the units not to fall below a certain minimum size is self-evident: making them genuinely more cost-effective has been the primary aim of the detailed examinations since 1979.

SECOND MAIN RECOMMENDATION: TO SUSPEND THE IMPLEMENTATION OF DECISIONS AND TO INVESTIGATE OTHER OPTIONS

Para 117 29. The Government has carefully considered the Committee's proposal that the main decisions on the future of the units should be suspended. These decisions were taken, as explained above, as a result of detailed examination of the likely levels of demand for the services of each of the units and of the most cost-effective way of providing those services.

30. The Government believes that the decisions which have been taken on the future organisation of the units will enable them to play an effective and important part in the British aid programme, maintaining the high standards which have earned them world-wide respect. The amalgamation of the Tropical Products Institute and



the Centre for Overseas Pest Research to form the Tropical Development and Research Institute has already taken place. It will enable important cost savings and improvements in efficiency to be made without any significant reductions in scientific activity. These benefits of the merger will be all the greater when most of the new Institute is located on a single site; plans for this relocation are already well advanced. The Land Resources Development Centre will continue in being at a level which will enable it to meet fully the likely demands for its services and the Government will consider whether it too should be co-located with the TDRI. The incorporation of the Directorate of Overseas Surveys into the Ordnance Survey is in the Government's view the best means of providing high class survey and mapping services from the UK to developing countries. Arrangements for this reorganisation are also well advanced.

31. The activities of the units have been under investigation for a long period. The Government believes that it is now in the best interests of all concerned that the decisions which have been taken and are being implemented should stand, so that they can make the most effective contribution to the British development effort.



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10 DOWNING STREET

*From the Private Secretary*

19 July, 1983.

Reply to the House of Commons Foreign Affairs  
Committees' Report on the ODA's Scientific and  
Special Units (HC 25 I/II)

Thank you for your letter of 19 July. Subject to the comments of the Lord Privy Seal's Office, we have no objection to your publishing the Government's reply to this Report as a White Paper on 27 July.

I am sending copies of this letter to Nicholas Huxtable (Lord Privy Seal's Office), and Murdo Maclean (Chief Whip's Office).

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M.A. Power, Esq.,  
Overseas Development Administration.

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