

This settlement recognises the importance of public diplomacy, provides funding to engage regionally and worldwide in pursuit of the UK's interests. The settlement:

- provides for an increase in FCO spending (excluding conflict prevention) of £219 million a year between 2002-03 and 2005-06, equivalent to an average growth rate of 2.8 per cent a year after inflation. This is the FCO's highest growth rate since the end of the Cold War;
- establishes a Global Opportunities Fund of £120 million over three years to promote global security and sustainable development significantly increasing programme spending in key areas; and
- additional funding for the BBC World Service including funding for programming in south-west Asia and the Arab world, services in Africa and further capital investment.

EUROPEAN ENLARGEMENT, WORLDWIDE ENGAGEMENT

13.1 The events of 11 September marked a major shift in foreign affairs, to which the Foreign and Commonwealth Office (FCO) has responded. The 2002 Spending Review recognises these changes, as well as the need to support Britain's long-term and global interests to ensure that Britain remains an effective international actor.

13.2 New Public Service Agreement targets have been agreed with the FCO. These reflect the twin themes of European Enlargement and Worldwide Engagement, and notably include a contribution to reducing opium production in Afghanistan by 70 per cent in five years and eradicating opium production within ten years; strengthening the EU's crisis management capability and enhancing European defence capability; improving international quality of life by promoting democracy and the rule of law, good governance, and the security of long-term energy supplies.

13.3 As a leading member of the UN, the European Union, the G8, NATO, the OECD and the Commonwealth, the UK plays a major role in preventive diplomacy, economic reform and international development – key strands in promoting international peace and security. The FCO has played a leading role in driving the EU and UN counter-terrorism agendas and making international institutions more effective. Recent notable achievements include chairing the UN's Counter-Terrorism Committee to raise counter-terrorist standards worldwide and a key role in stabilising Afghanistan after the fall of the Taleban.

FCO for the 21st century

13.4 The 2002 Spending Review for the first time requires the FCO to deliver **2.5 per cent annual efficiency savings** across all of the activities funded through the FCO budgets. In this Review period, FCO will reap the benefits of increased investment in IT and an evolving staffing mix, to improve its flexibility and responsiveness. To part-fund this, the FCO are on track to deliver £100 million from asset sales to be recycled into modernisation initiatives.

13.5 The FCO also promotes a range of UK interests overseas including assistance to exporters through British Trade International, as well as providing consular assistance and protection to UK citizens abroad. With increased funding in the 2000 Spending Review, the BBC World Service has been renewing transmitters and investing in on-line technology, as well as producing new programming. As a result, the BBC World Service audience has grown to 159 million per week, the highest ever, and surveys indicate that up to 71 per cent of Pashto and 62 per cent of Persian households in Afghanistan were listening to the BBC.

13.6 Since the 2000 Spending Review, the British Council has continued to refocus its activities on transitional economies and the developing world. With funding from the Review, the Council is piloting new Knowledge and Learning Centres in three cities, and the Centre for English Language Learning Support. When fully operational, the Council expects these pilot centres to reach 30,000 young people a year on site.

Public Diplomacy

BBC World Service **13.7** This settlement provides substantial funding for the BBC World Service's programming proposals, including for South-West Asia and the Arab world, Africa, China and Europe, improved FM reception worldwide, and additional investment in the World Service's successful on-line services.

British Council **13.8** The settlement provides the British Council with funding to refocus its activities on transitional countries and the developing world. The centrepiece of the new work is "Connecting Futures" which will increase mutual understanding and dialogue between young people in the UK and the Arab and Islamic world. The British Council will also increase its support for the Prime Minister's Initiative to recruit more fee-paying international students to the UK.

Global Opportunities Fund **13.9** The Spending Review creates the "Global Opportunities Fund" (GOF) of £120 million over three years to facilitate international engagement with middle income and transitional countries as well as developing countries. The GOF provides substantial new funding for projects that promote global security and sustainable development. In promoting multiparty democracy, the FCO will use the specialist skills and experience of the Westminster Foundation for Democracy.

European Enlargement

13.10 The GOF also provides additional resources to increase UK engagement with the EU applicant states, tailored to the individual circumstances of each country. In supporting their transition to the EU, we will strengthen the UK's relationships with our new partners. Engagement will take several forms, with new funding for technical assistance and public diplomacy in the applicant states.

13.11 Enlargement's success will also depend on promoting reform amongst the EU's new eastern and southern neighbours. Additional resources are provided in the Review to foster human rights, promote the rule of law and tackle corruption, and facilitate judicial reform. This will help to combat international crime, promote economic growth and improve the quality of life for their citizens.

SPENDING PLANS

13.12 Over the Spending Review, FCO spending will increase by an average of 2.8 per cent per year after inflation. This means that by 2005-06, FCO spending will have increased by £219 million over 2002-03. Spending by the British Council will increase by an average of 3.1 per cent per year after inflation – an increase of £28 million in 2005-06 compared to 2002-03. The BBC World Service's spending will rise by an average of 3.4 per cent per year after inflation and will be £38 million higher in 2005-06 than in 2002-03.

Table 13.1: Key figures

	£ million			
	2002-03	2003-04	2004-05	2005-06
Foreign and Commonwealth Office				
Resource Budget	1,327	1,446	1,503	1,581
Capital Budget	112	132	136	143
Total Departmental Expenditure Limit¹	1,347	1,452	1,502	1,572
BBC World Service ¹	201	220	225	239
British Council ¹	157	170	175	185
Conflict prevention ¹	68	74	74	74
Near-cash spending in FCO DEL ²	1,262	1,364	1,411	1,477

¹ Full resource budgeting basis, net of depreciation.

² Consistent with previous control basis.

