

This Spending Review provides additional resources for ongoing diplomatic work to further the Government's objectives for global prosperity and security as well as strengthening security at overseas posts.

Over the 2004 Spending Review period the Foreign and Commonwealth Office will continue to modernise so that it has the flexibility to respond effectively to evolving priorities.

As a result of this Spending Review the budget for the Foreign and Commonwealth Office will be £188 million higher in 2007-08 than in 2004-05. This constitutes average real terms growth of 1.4 per cent a year over the 2004 Spending Review period and builds on the additional resources delivered in the 2002 Spending Review.

GLOBAL PROSPERITY AND SECURITY

14.1 The Foreign and Commonwealth Office (FCO) works to further the Government's objectives for global prosperity and security through diplomacy, negotiation and relationship-building with governments and non-governmental stakeholders around the world. This work is particularly important in the current international context and FCO's network of overseas posts serve as a key delivery mechanism for the United Kingdom's international agenda.

14.2 As well as using the overseas network to help deliver priority international objectives, FCO diplomats work to further UK objectives through multilateral institutions such as the United Nations (UN), the G8, the Organisation for Economic Co-operation and Development (OECD) and the Commonwealth. From July 2005, the UK will be hosting the European Union (EU) Presidency for six months as well as the G8 Presidency for the 2005 calendar year. This coincidence means that the UK has a unique opportunity to help set the agenda on strategic international issues and FCO will be central to driving this forward.

FCO strategy 14.3 The period since the 2002 Spending Review has been particularly significant for FCO, with fundamental changes to the geopolitical landscape following the terrorist attacks of September 11th. The Foreign and Commonwealth Office strategy, published in December 2003, sets out how FCO is responding to the challenges presented by these events. The strategy highlights the key international priorities for the UK over the next decade and emphasises the need to address the causes of instability at their roots and to deal with the threats of tomorrow before they materialise.

Priorities for 2005-08 14.4 In recognition of this, a priority for FCO over the Spending Review period will be increasing the engagement with and understanding of Islamic communities around the world. The Foreign and Commonwealth Office will develop further its existing expertise on this issue and will drive delivery of outcomes through a new Public Service Agreement (PSA) target on the facilitation of peaceful and consensual reform in Islamic countries.

14.5 Combating the production and proliferation of Weapons of Mass Destruction (WMD) will also be a key priority for FCO. The agreement by the Libyan Government to relinquish their WMD capability was brought about by concerted diplomatic pressure from the United Kingdom and United States and provides clear evidence of what can be achieved through consistent and sustained diplomatic effort. This proactive approach will be critical in the coming years, and delivery in this area will be driven by a new PSA target that specifically addresses the need to check and roll back the WMD programmes of key countries of concern around the world.

14.6 Promoting stability and preventing future conflict in Iraq will be a further priority for the Spending Review period. The FCO has already responded well to the difficult situation in Iraq, working with other governments to help staff the Coalition Provisional Authority (CPA) in Baghdad in very demanding conditions. Post-handover, their work with the fledgling institutions of a democratic Iraqi Government will be essential to ensure a stable and prosperous future for the Iraqi people.

Global Opportunities Fund **14.7** The Global Opportunities Fund (GOF) supports engagement with developing countries and transitional and middle-income countries on global issues that are of strategic importance to the UK. From climate change to economic stability, this fund helps deliver the UK's foreign policy agenda. **The 2004 Spending Review announces that resources for the Global Opportunities Fund will be maintained at £60 million a year in 2006-07 and 2007-08, locking in the increase in funding delivered in the 2002 Spending Review.**

Public diplomacy **14.8** The work of the British Council and BBC World Service will continue to be important in engaging with transitional countries and future opinion-makers around the world, particularly in Middle East countries. This Spending Review builds on the significant increase in resources delivered to the British Council and the BBC World Service in the last Spending Review, and **announces extra resources to enable them to continue to deliver unbiased news, cultural and educational services to an ever-growing audience.**

Global Conflict Prevention Pool **14.9** The Global Conflict Prevention Pool brings together the conflict-related activity of FCO, DFID and MOD on the basis of a shared budget and shared policy and spending decisions made by all three departments. It is chaired by FCO and deals with conflict outside of sub-Saharan Africa. This Pool has funded a number of programmes around the world, ranging from short-term responses to prevent conflict re-emerging (as in Afghanistan and Iraq), to longer-term capacity building in regions such as the Middle East and former Soviet Union. **The 2004 Spending Review maintains funding for the Global Conflict Prevention Pool so that the UK can continue to undertake proactive measures to avert conflict.**

Box 14.1 Key Public Service Agreement (PSA) targets

The Foreign and Commonwealth Office's PSA includes targets to:

- prevent the development and spread of Weapons of Mass Destruction;
- reduce the risk from international terrorism;
- improve conflict prevention and conflict resolution, making best use of resources in the Conflict Prevention Pools; and
- increase the UK's engagement with Islamic countries and communities worldwide; and
- promote sustainable development, underpinned by democracy, good governance and human rights.

A MORE EFFECTIVE FOREIGN AND COMMONWEALTH OFFICE

Organisation **14.10** The Foreign and Commonwealth Office strategy emphasised the need for an organisational structure better aligned with key priorities over the coming decade. The 'Organisation Project', which should be fully implemented by 2006, will mean a significant shift within the structure of FCO's London headquarters towards a greater focus on thematic as well as geographical directorates. Furthermore, the project will deliver an overseas network that is optimised to ensure delivery of FCO's new objectives and PSA targets by focusing on priority countries and, where necessary, deploying alternative forms of representation.

Security 14.11 The bomb attack on the British consulate in Istanbul last year confirmed the threat facing FCO staff working overseas and in an unstable international environment, ensuring the safety of staff is paramount. **This Spending Review provides for additional investment to upgrade security at embassies and posts around the world, following a comprehensive review of security around the network.**

Box 14.2: Efficiency

Agreed target

FCO will realise total annual efficiency gains of at least £120 million by 2007-08, of which at least half will be cashable, releasing resources for front-line activities.

Implementation plan

As part of this programme FCO plans, by 2007-08, to:

- relocate about 450 posts out of London and achieve a total reduction of just over 310 civil service posts;
- rationalise back office functions, principally from the Human Resources and Finance Directorates, and reduce the overall paybill over the 2004 Spending Review, contributing to around a quarter of total efficiency gains;
- deliver improved ICT, increasing the overall productivity of staff and realising efficiencies of about £25 million;
- deliver savings of about £11 million through more efficient procurement practices, such as strategic sourcing and collaboration with other government departments; and
- ensure that the British Council and BBC World Service also contribute around £30 million of the total FCO efficiency target through rationalising back office functions, changes to procurement practices and, in the case of the British Council, reductions in the size of their overseas estate.

Table 14.1: Key figures

	£ million			
	2004-05	2005-06	2006-07	2007-08
Foreign and Commonwealth Office				
Resource Budget	1,503	1,581	1,687	1,723
<i>Of which Administration Budget</i>	632	638	740	772
Capital Budget	71	84	119	117
Total Departmental Expenditure Limit¹	1,461	1,539	1,630	1,649
BBC World Service	225	239	246	252
British Council	181	193	199	204
Conflict Prevention	74	74	74	74

¹ Full resource budgeting basis, net of depreciation.

