



Foreign &  
Commonwealth  
Office

**TRIENNIAL REVIEW REPORT  
MARSHALL AID COMMEMORATION COMMISSION  
JULY 2013**

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**EXECUTIVE SUMMARY**

The Review of the Marshall Aid Commemoration Commission (the MACC) was announced in a Written Ministerial Statement on 25 March 2013. Its purpose was to examine the key functions of MACC, and, if the conclusion was that its work should continue, to ensure that it operated in line with recognised principles of good corporate governance.

The Review was divided into two stages. The first stage identified and examined the key functions of the MACC and whether its current structure was the best model for delivering these. The second stage reviewed the MACC's governance arrangements.

The Review concluded that the Marshall Scholarships contribute substantively to HMG's foreign policy priorities, and in particular to maintaining and strengthening the United Kingdom's bilateral relationship with the United States. The Review also concluded

- that the MACC passed two of the three tests required of a non-departmental public body (NDPB), the need to be seen to operate with absolute impartiality and the need for external expertise, and
- that the Marshall Scholarship process was well managed, had mechanisms in place to ensure sufficient accountability to the Foreign and Commonwealth Office (FCO), including on the handling of its finances, and benefitted substantially from the pro bono input of the MACC Commissioners.

There were minor recommendations on process. These appear at the end of the relevant sections of the Review and are listed at the end for ease of reference.

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## INTRODUCTION

### Aims of the Review

1. It is Government policy that an NDPB should remain in existence only where it can clearly be shown to be the most appropriate and cost-effective way of delivering the function it performs.
2. In April 2011 the Cabinet Office announced that all NDPBs would have to undergo a substantive review at least once every three years to provide a robust challenge of the continuing need for them, including both their function and their form, and, where it was agreed that a particular body should remain as an NDPB, to review its control and governance arrangements to ensure that they complied with recognised principles of good corporate governance.

The purpose of the Review is therefore:

- to ascertain whether there is robust evidence for the continuing need for the MACC in its current form and to perform its current function (Stage One), and
  - to review the MACC's governance arrangements to ensure that they comply with the corporate governance principles contained in the Cabinet Office Triennial Review Guidance (Stage Two).
3. All triennial reviews are carried out in line with the Cabinet Office "Guidance on Reviews of Non Departmental Public Bodies" of June 2011. This guidance states that reviews should be:
    - **Proportionate:** Reviews must not be overly bureaucratic and should be appropriate for the size and the nature of the NDPB in question;
    - **Timely:** Reviews should be completed quickly – the first stage ideally within three months – to minimise disruption to the NDPB's business and reduce uncertainty about its future;
    - **Challenging:** Reviews should be robust and rigorous. They should evidence the continuing need for individual functions and examine and evaluate as wide a range as possible of delivery options;
    - **Inclusive:** Reviews should be open and inclusive. Individual NDPBs must be engaged in reviews. Key users and stakeholders should have the opportunity to contribute to reviews. Parliament must be informed about the commencement and conclusions of reviews.
    - **Transparent:** All reviews should be announced and all reports of reviews should be published; and
    - **Value for Money:** Reviews should be conducted in a way that represents value for money for the taxpayer.

**The Marshall Aid Commemoration Commission  
Mission Statement**

As future leaders, with a lasting understanding of British society, Marshall Scholars will strengthen the enduring relationship between the British and American peoples, their governments and their institutions.

**The MACC**

4. The MACC was established by Act of Parliament in 1953 (Annex A) to commemorate the help received by the United Kingdom under the Marshall Aid Programme at the end of the Second World War by offering up to 12 scholarships to American university graduates to study here. A subsequent Marshall Scholarships Act in 1959 allowed the number of Scholarships to be increased.
5. Marshall Scholarships are primarily funded by an FCO Grant-in-Aid. The MACC is responsible for determining policy, administering the Grant-in-Aid, overseeing the process of selecting the Marshall Scholars, placing them in universities in the United Kingdom and ensuring their welfare during their tenure here. The Foreign Secretary appoints up to ten Commissioners following a competitive selection process which seeks to recruit a diverse range of senior academics, business people, people working in the professions and people with a background in public service. The Commissioners are unpaid but receive expenses (which not all claim). They work typically between 10-12 days a year for the MACC. The Chair devotes considerably more time than this to MACC business but is also unremunerated.
6. The MACC itself employs no staff. It contracts the day-to-day management of the scheme to the ACU, at a cost in 2012-2013 of just under £205,000. In the United States the selection process is run by the regional Consulates General in Atlanta, Boston, Chicago, Houston, Los Angeles, New York and San Francisco, and in Washington DC by the British Embassy. The Consulates General in Miami and Denver actively promote the Scholarships in their respective regions but are not involved in the selection process.
7. The Marshall Scholarship Grant-in-Aid was set at £2 million for the academic year 2012-2013. It has been set at approximately this level for the last 10 years. To increase the number of Scholars able to be funded the MACC has entered into partnership agreements with 40 British Universities and Oxbridge Colleges (list at Annex B). Under these, the MACC meets the Scholars' maintenance costs and the partner university or college waives tuition fees. In addition, Oxford University and LSE fully fund a third year if a Marshall Scholar wishes to complete a PhD. Partnership agreements collectively add some £500,000 in value to the Scholarship programme.
8. In total 74 Scholarships were funded in 2012-2013. Of these, 44 were fully funded by the MACC (i.e. tuition, allowances and maintenance costs), two were

funded by external bodies (one by the British Schools and Universities Fund and one by the Annenberg Foundation), 24 received jointly funded Scholarships with partnership universities and colleges (i.e. so tuition fees were waived) and one was fully funded under a third year funding agreement with the University of Oxford. A list of scholars by year, institution and subject studied since 2010 is at Annex C.

### **Snapshot: The MACC and the Marshall Scholarships**

Figures for 2012-2013

- Cost of Marshall Scholarships to HMG: £2 million a year
- Total value of Scholarships: £2.5 million a year (including £0.5 million partner funding)
- Cost of administration (ACU): £205,000 (8.2% of total value of scholarships)
- MACC travel and expenses: £25,000 (1% of total value of scholarships)
- MACC remuneration: Commissioners are not remunerated
- Number of Scholars: 74
- Number of partner UK universities: 40

## **THE REVIEW: STAGE ONE**

### **Process**

9. Engagement and Communications Directorate in the FCO oversees the MACC on behalf of the Foreign Secretary. To ensure objectivity, a reviewer was appointed from outside Engagement and Communications Directorate. Thorda Abbott-Watt, Deputy Head of the Projects Task Force, has played an active role in the selection of candidates for Chevening Scholarships but had no previous connection with the MACC or Marshall Scholars. She drew on the experience of staff in Engagement and Communications Directorate for orientation, but otherwise worked independently. She consulted a range of stakeholders including the MACC Chair and Deputy Chair, individual Commissioners, the Association of Commonwealth Universities (ACU), current Marshall Scholars, academics in partner universities and colleges, Parliamentarians, the National Audit Office, North America Department in the FCO, the current British Ambassador to the United States and his predecessor and the Consuls General involved in the selection process for Scholars (list of stakeholders at Annex D).

### **The function of the MACC in delivery of Government objectives**

10. The MACC exists to award a number of academic Scholarships each year to selected post graduate students from the United States. It is primarily funded by a Grant-in-Aid from the FCO, the Government Department which promotes British interests overseas.

The FCO's Priorities for 2013-2014 include two stated purposes which are relevant to this Review:

- to "use [the FCO's] global diplomatic network to protect and promote United Kingdom interests worldwide" and
- to "retain and build up Britain's international influence in specific areas in order to shape a distinctive British foreign policy geared to the national interest and to pursue an active and activist foreign policy, working with other countries and strengthening the rules-based international system in support of our values",

and a specific objective which is also relevant:

- to "continue a strong, close and frank relationship with the United States that delivers concrete benefits for both sides."

The British Embassy in Washington reflects these in their own objectives in respect of the MACC, which are to ensure that at a strategic level the programme supports United Kingdom interests and the bilateral relationship as a whole and that the programme continues to attract the strongest candidates from the widest possible field. They are, in turn, directly supported by the Marshall Scholarship objectives:

- to enable intellectually distinguished young Americans to study in the United Kingdom,
- to help Scholars gain an understanding and appreciation of contemporary Britain,
- to contribute to the advancement of knowledge in science, technology, the humanities and social sciences and the creative arts at Britain's centres of academic excellence,
- to motivate Scholars to act as ambassadors from America to the United Kingdom and vice versa throughout their lives, thus strengthening British American understanding and
- to promote the personal and academic fulfilment of each Scholar.

The MACC fulfils the function of a governing board and is responsible for overseeing all aspects of the Marshall Scholarships.

## **Measuring Success**

### **Impact on the Scholars**

11. The MACC commissioned two alumni surveys, in 2007 and 2012, to examine the medium to long term impact of the Scholarships on the career development of Scholars and their continued links with, and perceptions of, the United Kingdom. The 2012 survey, to which 617 alumni responded, concluded that while, unsurprisingly, the Scholarships continued to be held in high regard by the alumni who had benefitted from them, past Scholars also attributed enduring personal and professional links with the United Kingdom to time spent here. Nearly all respondents (97.5%) felt that living and studying in the United Kingdom had played an important part in their personal development. 62% also felt that their political and social values had been developed or changed by the experience.
  - “My Marshall Scholarship deepened both my knowledge and my affection for the UK immeasurably.”
  - “You always hear about the US-UK “special” relationship based on the shared values of our two nations and thus our two peoples, the Marshall is a very tangible symbol of that special relationship. The fact that a developed country is willing to assist the young people of another developed country is rare and unique and should be treasured, supported and continued.”
  - “As a result of the Marshall I truly understand and believe in the special relationship between the US and UK. I have enormous admiration for the UK’s approach to various policy challenges and the UK and US benefit greatly from their trust and friendship. I have since interacted with a number of UK liaisons to the US in my professional life and my trust and attachment to them has always been increased from my understanding of the UK and my experiences there.”
12. The 2012 alumni survey also found that the programme had supported a high calibre of graduate, many of whom subsequently went on to occupy influential

positions within academia, the public service and other professions. Former Marshall Scholars include

- **Anne Applebaum** (1986) Pulitzer Prize winning writer and journalist,
- **Katie Beirne** (1998) White House Deputy Director of Communications.
- **Stephen Breyer** (1959) Associate Supreme Court Justice,
- **William Burns** (1978) Deputy Secretary of State,
- **Ray Dolby** (1957) inventor of Dolby Sound,
- **Tom Friedman** (1975) Pulitzer Prize winning writer and New York Times columnist,
- **Reid Hoffman** (1990) inventor of LinkedIn and Paypal,
- **Derek Kilmer** (1966) member of the US House of Representatives for Washington's 6<sup>th</sup> District.
- **Harold Koh** (1975) former Legal Adviser to the State Department,
- **Anne McClain** (2002), NASA astronaut.
- **Peter Orszag** (1991) former Director of the Office of Management and Budget for President Obama,
- **Roger Tsien** (1972) Nobel Prize winning chemist.

### **Impact on the bilateral relationship with the United States**

“The scheme was set up as a tribute to the unparalleled act of generosity to the United Kingdom by the US after the Second World War” (Lord Hannay of Chiswick, member of the House of Lords Foreign Affairs Committee and Minister at the British Embassy in Washington, 1984-85).

“... the Marshalls are unique in expressing a Government commitment to the education (and wider) relationship. Times have changed since 1953, but the UK-US element in the UK's security and prosperity narrative remains crucial ...” (Sir Nigel Sheinwald, British Ambassador to the United States 2007-12)

“[The best British universities] are committed to a seriousness of purpose. They don't talk about it, but it shows. It's helped us, it's guided us, and inspired us ... We can't go back, but we can look back, remember and be grateful.” (Stephen Breyer, Supreme Court Justice and Marshall Alumnus)

“[The Scholarships] enjoy huge prestige in the US...” (Jef McAllister, Managing Partner, McAllister Olivaruis and Marshall Alumnus)

13. By continuing to recognise publically the assistance which Britain received from the United States Government under Marshall Aid, the Scholarships serve as a tangible reminder of the closeness of the relationship between the two countries. But, as evidenced above, they also bring benefit by giving successive generations of young Americans who will go on to assume positions of leadership and influence an understanding of British values and institutions. By offering the next generation of American leaders the opportunity of post graduate study here at the outset of their professional lives, the Marshall Scholarships make a lasting impact on their perceptions of Britain and predispose them to look to us as people

they can work with. This both supports the business of our diplomatic Missions in the United States and feeds directly into Britain's prosperity agenda. The Marshall Scholarship programme enables the United Kingdom to demonstrate the depth and breadth of expertise, innovation and knowledge across key academic disciplines, build new research partnerships between British and American academic institutions and strengthen the United Kingdom's long-term influence in the United States through new political and business links in support of our wider security and prosperity goals.. They are the embodiment of "soft power". This is borne out by comments from the British Ambassador in Washington and the British Consulates General involved in the selection procedure:

- "Educational exchange is one of the cornerstones of our special relationship... a Marshall Scholarship is a prestigious award which attracts the highest quality candidates from across the country. The programme has a thriving alumni organisation that works closely with the Embassy and Consulates General, supporting and leveraging relationships with America's political, business and academic leaders." (Peter Westmacott, British Ambassador to the United States)
- "As returning Ambassadors [they] carry a multiplier effect of good will, and are likely to become long-standing bridges for transatlantic cooperation both politically and economically." (British Consulate General Boston)
- "The Marshalls provide a pipeline of UK trained influencers that contribute to the strength of the relationship between the US and UK. ... the UK is often [the] first ... destination considered when they think of foreign direct investment options...They are also often in decision-making positions to help steer and make decisions in corporate, academic or political institutions based on how their ideas and diplomatic sensibilities were shaped during their UK experience." (British Consulate General Chicago)
- "The alumni provide a valuable network that can quickly and easily connect me to companies, commercial multipliers, research labs, politicians..." (British Consulate General Denver)
- "They are our pre-eminent Government scholarship and alumni soft power network tool. It is seen as one of the US blue chip scholarship schemes alongside Rhodes." (British Consulate General Miami)
- "They are high-calibre multipliers who advocate for the UK as a great place to study, visit or do business with." (British Consulate General New York)
- "Some are ... proactive in giving back... [One former Scholar] has agreed in principle to create a Marshall fund ... to finance additional scholarships and is drawing other alumni along... [A] younger alumnus works in the VC/finance field and is happy to meet with official visitors and explain the mentality of the vibrant Bay Area with a British perspective in mind... [Two alumni] are active in working with the Consul General to not only promote the scholarship and make it more diverse, but also to promote further outreach... This promotes our reputation in the US and our values, and also highlights the quality of UK universities in all fields of study." (British Consulate General, San Francisco)
- "[One] has founded an annual scholarship at the Oxford College they studied at ... another serves on the Bodleian Library Board of Advisors although they have

no on-going academic interests [and derive] no personal benefits from this.”  
(British Consulate General Atlanta)

- “[A former Marshall Scholar] went out of his way to be helpful to the UK on a number of key issues. We don’t think he would have done so if his Marshall Scholarship had not, in his words, ‘changed my life.’” (British Embassy Washington)

These views are echoed in the findings of the MACC 2012 alumni survey referred to in paragraph 11 above, which found that “regular, and in some cases highly significant, sums” had been invested in the United Kingdom by former scholars.

### **Academic links**

14. There was clear agreement among a representative sample of the Marshall partner universities that the Scholarships attract high quality candidates who enrich the academic life of the institutions at which they study:

- “Marshall always send us exceptional candidates who are astonishingly accomplished... and academically the very best. The awards have also helped us build relationships with key institutions in the States. They send students who have incredible professional and life experiences and they are able to contribute in a very significant way to the group discussions and seminars in that Department, much to the benefit of our UK, and other, students on those courses.”
- “During their study in the UK the calibre of the scholars enhances the learning experience for other students and is much appreciated by the academic staff as they are often willing to explore areas beyond the confines of the programme they are undertaking.”
- “The partner funding model requires significant financial investment from the partner, and, given the other pressures on the budgets of institutions at present, it is a testament to the strength of the partnership that we retain our commitment to the scheme.”
- “I can’t imagine why we wouldn’t want to do this.”
- “I have no doubt that the existence of the scheme, and the prestige attached to it, has brought to the College outstanding young scholars who might well otherwise have gone elsewhere in the world (or stayed at home). They have been not only academically brilliant, but also ... the College has been enriched and enlivened by their presence. ... [They] are impressive people destined to occupy leading positions in the US, and it has been in the clear national interest that they have been exposed to academic life, and life more widely, in this country.”

Responses also included unsolicited praise for the administration of the Scholarships:

- “[We] always get the information about potential candidates well in advance, you get the chance to select which one you want to co-fund and then confirmation is always sent through to us and admissions.”

- “I think the Marshall staff do an excellent job of inducting the students for life in the UK, and look after them really well and in a very personal fashion.”

### **The Alumni Association**

15. Membership of the Association of Marshall Scholars (AMS) is open to all Marshall Scholars. The Association, an independent organisation, facilitates fellowship among the alumni, encourages and supports Marshall Scholars currently studying in the United Kingdom and promotes the Marshall Scholarship. It publishes a quarterly newsletter in magazine format.
16. In March the AMS announced the creation of a US-based, alumni-driven Marshall Scholarship endowment fund to complement British Government funding and as a way of demonstrating to the British Government the continuing gratitude of Marshall alumni. Reid Hoffman, a former Marshall Scholar, has pledged to contribute \$250 for every \$1000 donated by others up to a personal contribution of \$1 million. The AMS is looking to establish a fund of \$5 million in total, which would pay for at least two additional Marshall Scholarships in perpetuity.

### **Recommendations:**

- That the MACC recognises the efforts made by the AMS to expand the Scholarship programme and encourages them to continue their work through the proposed endowment fund.
- That the MACC works with the AMS to use the 60<sup>th</sup> anniversary in 2014 of the arrival of the first Marshall Scholars in the United Kingdom to promote the Scholarships.

### **Delivery Models**

17. In accordance with Cabinet Office guidance the Review considered alternative delivery models, including abolition, moving the MACC out of central government, delivering the Scholarship scheme through an Executive Agency, merging the MACC with another body or programme or bringing it in house.

### **Abolition**

18. The Review considered whether it was appropriate for HMG to fund scholars from the United States, given its comparative wealth (per capita GDP in the US is about 30% higher than in the UK). The arguments for continuing to do so are strong. History aside, Britain’s bonds with the United States remain among the deepest we have with a single country. Even if this were not the case, the United States’ wealth and reach alone would make it an important partner in world affairs, and one which we would want to befriend and influence. Our access is strengthened by our historic links, but we cannot take it for granted. As American attention shifts to the Emerging Powers, and East Asia in particular, we need to maintain active engagement with future United States leaders. The Review has demonstrated that the Marshall Scholarships perform a valuable role in maintaining and strengthening the relationship, and that Britain receives

significant, and enduring, benefits in return which directly contribute to HMG's foreign policy objectives. The MACC is integral to the identity, success and profile of the programme, bringing substantial added value at very low cost. This argues for the retention both of the Scholarships and of a body which fulfils the functions of the MACC.

### **Removing the running of the Marshall Scholarships from Central Government**

19. Because the Marshall Scholarships are publicly funded, their management needs to be overseen in a way which ensures the integrity of the selection process, sound financial management (including value for money) and good administration. Light touch, but engaged, oversight of the MACC by the FCO ensures that this happens. Association with HMG adds prestige and enables the MACC to recruit Commissioners of an appropriate standing. It underlines the political commitment which the Marshalls represent and facilitates the Commissioners' access to senior academics in both countries. Removing the running of the scheme from the ambit of central government would compromise these benefits but provide no clear compensating advantages.

### **Managing the Marshall Scholarships through an Executive Agency**

20. There is no existing FCO Executive Agency which could take on the MACC's functions, and no logic in creating one. It would be more expensive than the current arrangements and there is no reason to believe it would improve the running of the Marshall Scholarship programme.

### **Managing the Marshall Scholarships in house**

21. The Review considered the case for bringing the management of the Marshall Scholarships in house, and/or merging them with the Chevening scholarship programme, which is also funded by the FCO.
22. Bringing the management the Marshall Scholarship scheme in house would over time reduce the reach and influence of the programme. MACC Commissioners put significant effort into promoting the Marshalls in the United States through their network of contacts within American universities. This helps the scheme to attract students of the highest calibre. The United States is arguably the most competitive student market in the world. It attracts more overseas students than any other country. The Marshall programme faces stiff competition from the Rhodes and Gates scholarship programmes to attract the best candidates in terms of academic and leadership potential. The MACC, at least two of whose members are required to be "persons of standing in the academic world", is able to build bridges between British and American universities through personal academic connections and to promote the Marshall programme's academic opportunities for students. This would be much harder to achieve by British officials in either London or the United States.
23. MACC Commissioners are unpaid and receive only expenses (£25,000 in 2012, or 1% of the total value of the Scholarships). HMG is thus effectively getting the

promotion costs of the Marshall programme, in a highly competitive market, free of charge. If the FCO were to manage the Marshall programme, preliminary costings indicate that this would exceed £25,000. In addition to this the British Ambassador in Washington and UK Consuls General would need to spend more time promoting the Marshall programme in place of the Commissioners. This would add further costs both in time and travel. Nor does the FCO have the additional resources which would be needed. Funding, which would otherwise go towards the FCO's overseas scholarships, would have to be diverted for the purpose.

24. Although the ACU manages both programmes, merging the Marshall Scholarships and the Chevenings would not provide economies of scale. The two have different origins and purposes, target different talent pools and have different criteria for awarding scholarships. Managing them would dilute the distinct identity and profile of each. In the case of the Marshall Scholarships it would reduce the willingness of partner universities in the United Kingdom to continue to co-fund Marshall Scholars at current levels (the Chevening scheme receives significantly less support) and also reduce the benefit which Britain and the Scholars both derive from the esteem in which the Marshalls are held. Making the Marshalls a small element of a very much larger scheme would also be seen in the United States as downgrading the programme, a political signal which runs strongly counter to HMG's foreign policy objectives.
25. Changes to the fundamental structure or primary functions of the MACC, or its abolition, would require primary legislation amending or repealing the 1953 Act, which requires a separate MACC to administer the Scholarships.
26. Against this background the Review could identify no benefit in return for either bringing the Marshall programme in house or merging it with the Chevening programme.

### **Comparison with other United Kingdom scholarship schemes**

27. The Review looked at the Chevening Scholarships, the Commonwealth Scholarships (administered by DFID), and the Rhodes Scholarships (administered by Rhodes Trust, an educational charity established for this purpose) to see whether there were elements of their management which the Marshall Scholarship programme could usefully adopt.

#### **Snapshot: Chevening Scholarships**

The Chevening scholarship programme is largely funded by a Grant-in-Aid from the FCO and is administered by the ACU at a cost in 2013 of £1.42 million. In the case of the Chevening Scholarships, the Association is under contract to the FCO, with direct oversight by Engagement and Communication Directorate in the FCO. Scholars are selected by panels run by British Embassies in the countries concerned. At £16.75 million (2013/14) and covering over 500 fully funded Scholars and 150 partially funded Scholars from 122 countries, Chevening is a much bigger programme than the Marshall Scholarships. It does not have a governing body analogous to the MACC. This function is performed by six members of Engagement and Communications Directorate at an approximate staff cost of £105,400 (not all the six work full time on the Chevening programme and the percentage of their time spent on Chevening varies).

### **Snapshot: Commonwealth Scholarships**

Commonwealth Scholarships are available to students from developing Commonwealth countries. They are funded by a Grant-in-Aid of £20 million a year (2012-2013) from the Department for International Development, which supports some 800 Scholars. There is a Commonwealth Scholarship body which performs a role similar to the MACC and reports annually to the Secretary of State for International Development. The Chair receives an honorarium of £6,000 a year in respect of approximately two days' work a month and travel costs and expenses. The Commissioners receive £250 for each of three Awards Committees they attend. Administrative costs absorb just under 10% of the Grant-in-Aid, against the MACC's 11%, but the MACC figure falls to just under 10% if the value of the additional benefit obtained through the university partnership arrangements outlined in paragraph 7 is taken into account.

### **Snapshot: Rhodes Scholarships**

Established in 1903, the Rhodes Trust offers 83 places a year at Oxford University to Scholars from 14 selected Commonwealth and non-Commonwealth countries. Scholars are selected by a national committee in each country of between 8-12 people. The process is overseen in the United Kingdom by a Chairman, answerable to a Board of Trustees. All these posts are unpaid. The scheme is administered by a salaried staff of 25 based at Rhodes House in Oxford. In 2011-2012 a total of 201 scholars were fully supported by the Trust and a further 24 had their fourth year fees paid. In 2011-12 the Trust spent a little over £8.7 million on grant-funded activity, including support costs of approximately £1 million and staff costs, including pensions, of a little over £1 million.

28. Although there are parallels in all three cases with the Marshall Scholarship scheme, it is not clear that their procedures provide better models for the administration of the Marshalls or the selection of students. Given that the day to day running of both the Chevening and the Marshall Scholarship programme is carried out under contract with the ACU it might initially seem worth exploring whether there would be economies of scale in managing the two schemes under a single contract, but the different purposes and target markets of the two schemes argues against this.
29. Thought was also given to whether the selection of Marshall Scholars should be centralised in Washington, but aside from a small saving of resources in regional Consulates General (reflected to some extent in a greater burden on the Embassy in Washington) there would seem to be no advantage in this. Regional Committees fulfil a selection function much like that fulfilled by British Embassies overseas in respect of Chevening scholarships and ensure that Scholars are drawn evenly from across the United States. It is clear that the selection function also gives Consuls General goodwill and access to decision makers locally which they might otherwise not have.

## The Three Tests

30. To remain a NDPB, an organisation is required to pass at least one of the Government's "three tests": does it perform a technical function which needs external expertise to deliver; is this a function which needs to be, and be seen to be, delivered with absolute political impartiality; or is this a function which needs to be delivered independently of Ministers to establish facts and/or figures with integrity.
  
31. The MACC meets both the first and the second of these. Any process which involves the distribution of public funds for a specific purpose needs to be conducted, and to be seen to be conducted, with integrity and impartiality. Administering an academic scholarship scheme also requires a comprehensive understanding of British universities and colleges and how they operate. The FCO does not have this level of expertise. It is possible that the Marshall Scholarship programme could be run with integrity by the FCO, contracting out the administration of the scheme to the ACU as it does with the Chevening Scholarship programme, but the intermediation by the MACC adds consistency across the selection process and the MACC's activities in the United States and guardianship of the programme's reputation contribute significantly to its prestige, and thus to its reach into the top academic institutions in the United States. Arrangements with individual universities negotiated by the MACC, moreover, increase the number of Scholars who are able to benefit from the scheme. In monetary terms they added just over £500,000 to the value of Scholarships the MACC were able to offer in 2012-2013. This comes at negligible cost as the Chair and the Commissioners contribute their time free of charge; their expenses in 2012-2013 amounted to just under 1% of the total value of the Scholarship fund.

## Conclusions

32. The Marshall Scholarship scheme is an example of effective soft power. It has a continuing, and valued, role to play in Britain's bilateral relationship with the United States. It offers HMG value for money.
  
33. The MACC, through the voluntary commitment of the Commissioners, enhances the reach, the monetary value and the reputation of Marshall Scholarships. Through their academic, business and political links in the US the Commissioners promote not just the Marshall Scholarship scheme but also the wider United Kingdom higher education sector, forging new academic and research partnerships across the sector. This is a key objective of the Government's new Education Strategy and central to the wider growth agenda. The MACC offers a free good which, if it were not there, HMG would have to pay for to ensure the continued success of the programme. Its status as an NDPB allows effective oversight of the Scholarships by the FCO at minimal cost and brings rigour to its governance. This argues for the MACC to continue in its current form to fulfil the function allocated to it under the Marshall Aid Commemoration Act 1953.

## **THE REVIEW: STAGE TWO**

### **Governance and Accountability**

34. The Scholarships are administered by the MACC on behalf of the FCO. The Marshall MACC is appointed by the Foreign Secretary and consists of ten Commissioners, each of whom is appointed for a three year term, with the possibility of extension for a further three years subject to the Foreign Secretary's agreement. The current MACC comprises:

- Dr John Hughes, appointed Commissioner 23 January 2009; appointed Chair 1 September 2011,
- Mr Michael Birshan, appointed 1 September 2011,
- Professor Bob Deacon, appointed 23 January 2009; reappointed 23 January 2012,
- Professor Richard Dendy, appointed 1 August 2010,
- Mr Timothy Hornsby, appointed 1 September 2011,
- Dr Ruth Kosmin, Deputy Chair; appointed 1 August 2010,
- Mrs Carol Madison Graham, appointed 1 November 2007; reappointed 1 November 2010 (will stand down in 2013),
- Mr Simon Morris, appointed 1 July 2007, reappointed 1 July 2010 (will stand down in 2013),
- Professor Eric Thomas, appointed 1 August 2010 (will stand down in 2013) and
- Professor Nigel Thrift, appointed 1 August 2010.

Biographical notes are at Annex E

Recruitment is in hand for those Commissioners who will stand down in 2013 (as at June 2013). The Secretariat is provided by three officers of the ACU.

35. In the United States the application process is run by the regional Consulates General in Atlanta, Boston, Chicago, Houston, Los Angeles, New York and San Francisco, and by the British Embassy in Washington DC.

### **Administrative Regulations**

36. Administrative Regulations are in place (Annex F) which set out

- the duties of Commissioners, the Executive Secretary, the Advisory Council and the Regional Committees;
- the selection and citizenship of candidates;
- the number of awards;
- the number and tenure of Scholarships;
- the age limits and qualifications of Scholars;
- the provisions for allowances and grants and passages;
- the application process;
- provisions in respect of other Scholarships and earned income and
- reporting requirements for directors of study and Scholars

## **Management Statement**

37. A Management Statement signed by the Deputy Head of Engagement and Communications Directorate and the Chair of the MACC sets out the broad framework within which the MACC will operate (Annex G). This tasks the MACC with administering the Grant-in-Aid allocated by the Foreign Secretary for the purpose of providing up to a specified number of Marshall Scholarships a year, selecting the recipients and placing them in universities and university colleges in the United Kingdom. It sets out the responsibilities of the Foreign Secretary, the principal Accounting Officer for the FCO, the Public Diplomacy Team (as the sponsoring team within the FCO), the Chair of the MACC (who is also the Accounting Officer for the MACC) and the Commissioners. It sets out the requirements for planning, budgeting and control, including the submission annually to the FCO of a corporate plan for the following three financial years, with detailed expenditure proposals for the first of those years which in turn form the basis of that year's business plan. It includes provisions for internal audit and requires external accountability, including the submission of a report to Parliament each year in accordance with section 2(7) of the Marshall Aid Commemoration Act. It includes provisions which would come into force were the MACC to employ any staff (which it currently does not).

## **The Financial Memorandum**

38. The Management Statement includes a financial memorandum which sets out in greater detail some of the financial provisions governing the MACC. In particular, it

- sets out the circumstances in which the MACC should seek approval from the FCO for specific expenditure or changes in funding or financial arrangements,
- requires compliance with Cabinet Office guidelines on procurement, including on competition and value for money,
- requires timely payment of bills and the mitigation of risk in accordance with Treasury guidelines,
- sets out how the MACC will receive its income,
- sets out principles governing the payment of advances, the holding of cash balances, the handling of receipts from the sale of goods or services, the handling of fines, taxes and other receipts, the mitigation of un-forecast changes in in-year income, the handling of proceeds from the disposal of assets, gifts and bequests and the provision of reserves,
- includes provision for both staff and non-staff expenditure, including for the payment of travel expenses of Commissioners (which are in line with those for the travel of FCO staff),
- sets out the manner in which plant, property and equipment must be held and disposed of,
- requires that banking arrangements are in accordance with the Manual for Departmental Banking for Government Departments and
- sets out the procedures for setting the MACC's annual budget.

The Management Statement will be reviewed every three years. There is a requirement, which has not yet been met, to lay a copy in the House of Commons Library.

**Recommendation:**

- That the Management Statement and Financial Memorandum are laid in the House of Commons Library by the FCO, as required in paragraph 1.1.8 of the Memorandum. That this is done at the same time as this Review is laid in the Libraries of the House of Commons and House of Lords.

**Conduct**

39. In addition to the provisions in the Management Statement and the Financial Memorandum, members of the MACC are bound by a Code of Conduct (Annex H) covering the use of public funds, compliance with rules on allowances, the acceptance of gifts and hospitality, the use of official resources, the use of official information, political activity, the acceptance of employment and appointments, the avoidance of conflicts of interest, the fulfilment of their duties and responsibilities as Commissioners and their treatment of staff. They are also subject to detailed guidance on the acceptance of gifts and hospitality and travel.

40. MACC Secretariat staff are not explicitly bound by the Code of Conduct, but by the provisions in their contract on confidentiality, the offering of corrupt gifts and payments and discrimination.

41. Discrimination is covered in the case of the MACC by the requirement in the Key Principles of Public Life to “make choices on merit”. The MACC website also states that “The Marshall Aid Commemoration MACC promotes an equal opportunities policy. Scholarship awards are based on merit following a fair and transparent selection process. The Marshall MACC seeks and recruits students from all backgrounds.”

42. Both the MACC and members of the Secretariat are bound by the MACC’s policy on fraud.

**Recommendation:**

- That MACC consider whether it would be appropriate to extend the Code of Conduct to Secretariat staff in the interests of requiring common standards of behaviour for all those involved in the management of the scholarship programme.

**Transparency**

**The MACC**

43. Copies of the Management Statement and Financial Memorandum, the Code of Conduct and associated guidance on gifts and hospitality, travel, fraud and the complaints procedure referred to above are all available on the MACC website.

The Management Statement and Financial Memorandum have not, however, been laid in the House of Commons Library, as required in paragraph 1.1.8 of the memorandum itself.

44. It is a requirement of good corporate governance that NDPBs should consider holding open board meetings or, failing this, an annual open meeting. There is a difficulty in the case of the MACC as there are data protection issues. The Chair is also concerned not to seek a further time commitment from the Commissioners, who are all volunteers.

### **Recommendation**

- That the MACC give further thought to whether there is scope for public access to one MACC board meeting a year, and how this might work in respect of data protection concerns.

### **Scholarship Requirements**

45. The rules for candidates are set out clearly on the MACC website, along with the criteria for selection. These include “academic merit, leadership potential and ambassadorial potential”, which are further clarified on a separate, and easily accessed, web page.

### **Selection Procedure**

46. The process for selecting Marshall Scholars is set out in detail in a Handbook for Regional Committees. The British Ambassador to the United States invites a selection of people in Washington and seven regional Consulates General to serve on a Committee for this purpose. Each Regional Committee includes the British Consul General for the region concerned, who is responsible for convening Committee meetings. All other Committee members must be US citizens. Each is appointed for four years, with the option of a second four year term. Committees are required to be balanced to represent various fields, gender, race and, where possible, different parts of the region concerned. Alumni are eligible to become Committee members but it is not a requirement that members be Marshall alumni.

### **The role of the British Embassy in Washington**

47. The British Embassy in Washington plays an active role in the selection process, as well as supporting effective governance arrangements. The British Ambassador’s Advisory Council (AAC), required by the 1953 Act, meets annually in December and is central to both functions. Membership of the AAC comprises the Ambassador, the MACC Chair together with one other member of the MACC, the Chairs of the eight Regional Committees and the President of the Association of Marshall Scholars. It is chaired by the Ambassador with the Counsellor and Head of Politics, Economics and Communications Group as his alternate. It confirms the selection of the Marshall Scholars, considers and discusses policy

related to the Marshall Scholarships, makes recommendations to the MACC and takes note of the MACC's Annual Report.

48. In addition to the formal annual meeting a Commissioner has for the last three years led a workshop for members of the ACC (excluding the Ambassador) with the President of the National Association of Fellowship Advisors. These informal meetings have contributed to greater standardisation of the selection process as well as the commissioning of a gender study referred to in the section on diversity below.

#### **Recommendation:**

- That the Embassy, supported by the Consulates General, continues to devote resources to promoting the smooth administration of the Scholarship programme, including its prestige and the fairness and the integrity of the selection process.

#### **Diversity**

49. The percentage of women members in the current Regional Committees varies. Women make up 14% of the membership in New York, 20% in Atlanta, 24% in Houston, 33% in Chicago and 50% in Boston, San Francisco and Washington. For historical reasons, the length of time which panel members will serve on current forecasts also varies from the (now maximum) eight years to 16 years. There is no direct correlation between either of these variances and the number of women Scholars selected.

50. To address earlier concerns that the selection process was leading to fewer women than men being offered Scholarships the Chair of the Chicago Regional Committee undertook a preliminary study of Scholars shortlisted and selected over the five years between 2005 – 2010 to see whether there was anything inherent in the process which prejudiced women's chances of selection. This pointed up variations between the regions, which in turn led to the development of the procedures and scoring system set out in the Handbook for Regional Committees. It is a matter of concern that despite this only eight of the 34 Scholars (23.5%) selected in 2013 were women, but it is not clear whether this is a statistical anomaly. In 2012, 17 out of 36 Scholars (47%) were women; the figure would have been higher but that three out of the four candidates who were offered Marshalls and in the event accepted Rhodes scholarships instead were women. The MACC proposes further work to address the issue.

51. Ethnic diversity is more difficult to quantify as students who apply for Scholarships are not required to declare their ethnicity. It is clear from meeting the current Scholars that they are ethnically diverse, but there is concern that the scheme is not attracting enough strong African American and Hispanic candidates. Efforts are being made across the US network to encourage applications from a wider range of students.

52. The selection of Scholars by Regional Committees helps to ensure that Scholars are chosen from across the country.

53. Two of the nine universities approached for comments about the value of Marshall Scholarships expressed concern at the high percentage of Scholars who chose to study at Oxford, Cambridge and London colleges, and the preponderance of Ivy League universities among those putting forward Marshall candidates.

- “One longstanding issue is the concentration of Marshall Scholars with the universities of Oxford, Cambridge and London. While the MACC has been making strenuous efforts (see points above) to change this, the high profile of these institutions is difficult to overcome. I would advocate continuation of all efforts to educate US institutions that there are many excellent institutions beyond the "golden triangle" and that particular research strengths often lie outside this narrow geographical remit.”
- “[I am] concerned that alumni are coming from a limited pool of colleges in the US and are comparatively well off. Scholarships should be targeted on those less able to afford to study in the United Kingdom and universities across the US should be encouraged to promote their undergraduates.”

54. Figures show that eight of the 36 Scholarships awarded in 2012 (or 22%) and six of the 34 Scholarships awarded in 2013 (or 17%) went to Ivy League candidates, and that of these only one Scholar chose to study outside Oxford, Cambridge or London (though Scholars who chose to study in London went to a range of universities including the Guildhall School of Music and Drama). It is not clear however to what extent the MACC can influence American universities to encourage their students to apply to a broader range of academic institutions in the United Kingdom or whether in fact this is its function, rather than that of the universities themselves to promote their academic excellence more widely. There was recognition among those who expressed concern that the MACC was working actively with the Embassy in Washington and regional Consulates General to attract students from a more diverse pool.

#### **Recommendations:**

- That the MACC considers whether in the interests of ensuring that Regional Committees are regularly exposed to fresh thinking the term of appointment of the Regional Committee members should be brought in line with that for Commissioners and be reduced to three years with an option of a second three year term.
- That to ensure that the MACC is not vulnerable to charges of gender bias steps are taken over time to move towards a more equitable gender balance in those committees where women constitute less than 40% of the membership.
- That to ensure that the MACC is attracting Scholars which reflect the ethnic diversity of the United States

- thought is given to how to obtain a voluntary record of the ethnicity of Scholars, and
- the work continues on outreach activities to encourage a representative selection of students to apply for Scholarships.

### **Complaints Procedure**

55. There is a complaints procedure (Annex I) which allows a Marshall Scholar, groups of scholars or an organisation which does business with the MACC to complain about a Commissioner, a MACC observer or a member of the MACC Secretariat staff, with ultimate recourse to the Parliamentary and Health Service Ombudsman. The procedure is set out on the MACC website.

### **Financial Management**

56. The principles governing financial management of the MACC are set out in the Financial Memorandum incorporated in the Management Statement (paragraph 35 above). The MACC Secretariat is required to submit a statement of need in the form of an invoice to Engagement and Communication Directorate in the FCO quarterly in advance. This is examined and authorised by a member of the Directorate before the funds are transferred.

### **Annual Financial Report and Accounts**

57. The Secretariat also submits an Annual Financial Report and Accounts to Engagement and Communications Directorate. This incorporates a joint report by the Chair and the Executive Secretary of the activities in the year in question, including the number and type of Scholarships awarded, and a forward look. The March 2013 Report flagged up the MACC's concern that the annual Grant-in-Aid had been reduced in real terms in 2012-13, reducing the number of Scholarships which could be awarded, the increase in tuition fees at British universities, which risked having a similar effect, and that the maintenance rates for scholars compared unfavourably with those of other funders such as research bodies. To meet these challenges, and in order to maintain the number of Scholarships offered at their present level, the MACC will continue their policy of seeking partnerships with leading British universities.

### **Audit**

58. The Comptroller and Auditor General audits, certifies and reports on the financial statements provided by the MACC and the Chair. His latest report, in respect of the 2012-13 financial year and signed on 11 June 2013, confirmed that he had identified no financial irregularities or impropriety in the handling of, or accounting for, MACC funds.

## **Administration costs**

59. In the financial year to 31 March 2013 the MACC spent £226,821 on administration. Of this, the ACU received £204,861 for administering the Scholarship programme, MACC costs (including travel to the United States) amounted to £13,174 and £8,786 was spent on miscellaneous items. Neither the Chair nor the Commissioners are remunerated.

## **Financial Reserves**

60. The balance held in Reserves is in line with the policy agreed with the FCO as part of the Review of the Management Statement and Financial Memorandum completed in 2012.

## **Stipends**

61. The stipend for the academic year 2012-13 for Marshall, Chevening and Commonwealth Scholarships is set at £13,608 a year for students attending colleges and universities in London and £11,004 for those based outside London. Rhodes Scholars will receive a personal stipend of £13,000 in 2012-13, i.e. significantly above the rate for Marshall Scholars at Oxford. It has been suggested that raising the stipend for Marshall Scholars at Oxford and/or Cambridge would act as a pull factor, increasing the number of students opting to study there rather than at other regional universities. This is not a convincing argument if the current level of the stipend is resulting in genuine hardship, but any decision on the level of stipends needs to be taken centrally rather than in isolation as changes would otherwise lead to Marshalls being out of line with other HMG-funded scholarships, a position it would be difficult to justify. The annual review of stipends will take place in October 2013 and there are plans to conduct a full review in 2014.

## **Conclusions**

62. The MACC is fulfilling the remit set out in the Marshall Aid Commemoration Act. Its standards of governance and administration meet Cabinet Office guidelines and are appropriate to the scale of the Scholarship programme. It will be important that they remain so, but do not become disproportionately complex.

Foreign and Commonwealth Office  
1 July 2013

## **RECOMMENDATIONS**

### **The Alumni Association** (page 13)

- That the MACC recognises the efforts made by the Association of Marshall Scholars to expand the Scholarship programme and encourages them to continue their work through the proposed endowment fund.
- That the MACC works with the AMS to use the 60<sup>th</sup> anniversary in 2014 of the arrival of the first Marshall Scholars in the United Kingdom to promote the Scholarships.

### **The Financial Memorandum** (page 19)

- That the Management Statement and Financial Memorandum are laid in the House of Commons Library by the FCO, as required in paragraph 1.1.8 of the Memorandum. That this is done at the same time as this Review is laid in the Libraries of the House of Commons and House of Lords.

### **Conduct** (page 20)

- That MACC consider whether it would be appropriate to extend the Code of Conduct to Secretariat staff in the interests of requiring common standards of behaviour for all those involved in the management of the scholarship programme.

### **Transparency** (page 21)

- That the MACC give further thought to whether there is scope for public access to one MACC board meeting a year, and how this might work in respect of data protection concerns.

### **The role of the British Embassy in Washington** (page 22)

- That the Embassy, supported by the Consulates General, continues to devote resources to promoting the smooth administration of the Scholarship programme, including its prestige and the fairness and the integrity of the selection process.

### **Diversity** (page 23)

- That the MACC considers whether, in the interests of ensuring that Regional Committees are regularly exposed to fresh thinking, the term of appointment of the Regional Committee members should be brought in line with that for Commissioners and be reduced to three years with an option of a second three year term.
- That to ensure that the MACC is not vulnerable to charges of gender bias steps are taken over time to move towards a more equitable gender balance in those committees where women constitute less than 40% of the membership.

- That to ensure that the MACC is attracting Scholars which reflect the ethnic diversity of the United States
  - thought is given to how to obtain a voluntary record of the ethnicity of Scholars, and
  - the work continues on outreach activities to encourage a representative selection of students to apply for Scholarships.