

## Written evidence submitted by Global Justice Now on DFID's use of contractors

May 2016.

### About Global Justice Now

1. Global Justice Now is a campaigning organisation set up to fight for social justice around the world. We work as part of a global movement to create a more just and equal world. We mobilise people in the UK for change, and act in solidarity with those fighting injustice, particularly in the global south. We used to be the World Development Movement.

### Contractors make excessive private profit from the public aid budget

2. Global Justice Now has recently published a report into DFID's use of the private for-profit consultancy company Adam Smith International. We are very concerned at the sheer scale of the work DFID is contracting out to commercial companies in the UK, which we fear comes at the expense of poverty alleviation in developing countries. DFID's use of private contractors has effectively led to a booming commercial development market in which consultants can reap healthy profits from a public budget that the UK has generously ring-fenced for global poverty alleviation.
3. ASI alone has won *at least* £450 million in aid-funded contracts since 2011(while other contractors have won even more). In 2014 £90million of DFID money was spent through the company in a single year, this is double the amount the department spent on programmes to tackle sexually transmitted diseases (including HIV/AIDS), and it is more than DFID's entire spend on women's rights organisations or spend on human rights. With DFID as ASI's biggest customer, their profits tripled between 2010 and 2014, with their after-tax profits in 2014 at £14.3million.
4. ASI's directors are paid up to £250,000, which is far more than DFID top staff earn, or even the UK prime minister. Salaries paid to the consultancy staff are within the range of £400-£850 per day, which, when put into perspective with the earnings of people in the countries aid money is destined for, becomes a highly questionable use of money intended for poverty alleviation. In Nigeria for example - where ASI are managing the majority of a £1billion energy infrastructure project - the average minimum wage worker earns £760 a year, meaning an ASI consultant can earn in a day what a Nigerian worker would earn in a year.

### Use of commercial UK contractors has worrying implications for the commitment for UK aid to be un-tied

5. Spending DFID's budget through UK based contractors undermines the spirit of the UK's legal commitment for aid to be un-tied from UK commercial interests and for contracts to be open to competition from contractors outside of the UK. With 60% of DFID contracts going to the same 11 suppliers, none of which are from a developing country, DFID is risking an ever increasing amount of the aid budget never actually entering a developing country at all. It is also both unfair and unlikely to assume that no international contractors at all can be found within developing countries.

### **Problems with transparency regarding the use of contractors**

6. On the issue of transparency, our research found that despite DFID guidelines which state businesses bidding for contracts should include detailed breakdowns of overheads, salaries, and profit margins, this level of information remains absent from publicly accessible documents. In conducting our research on ASI, it was impossible to find the breakdown of contractors' costs and it is, therefore, unclear what proportion of the multi-million pound fees paid to ASI get spent on consultant salaries or accommodation for example. This lack of transparency means UK tax-payers are unable to scrutinise where millions of pounds of aid money are actually going.
  
7. Further problems around transparency arise when DFID claim that for security reasons they cannot disclose the names of contractors used in insecure contexts such as Afghanistan. While this may be a valid concern, when conducting our research we found a discrepancy in that ASI publicly promote the DFID funded work they carry out in Afghanistan. This means the UK public have no access to the details of public spending based on security claims, when ASI themselves have no such concerns and are happy to publicise their numerous DFID funded projects in Afghanistan on their website. See here: <http://www.adamsmithinternational.com/map/?country=afghanistan&region=central-asia>  
This raises questions around why DFID keeps this information hidden from public scrutiny.
  
8. Global Justice Now calls on DFID to:
  - a. Justify, for each applicable project, why it has been contracted out to UK for-profit companies instead of being managed in house at DfID or through an organisation in a developing country
  - b. Require full disclosure of contractors' costs, fees and profit margins
  - c. Publish an action plan setting out how it will spend more of its money through organisations in developing countries to ensure the promise of untied aid is realised