

1. Executive Summary

1.1 On behalf of Crown Agents, we submit this evidence in response to the House of Commons International Development Committee's inquiry into the UK's Department for International Development (DFID)'s use of contractors. In this paper, we will examine the following:

- Presentation of Crown Agents
- The comparative costs and advantages of DFID using large contractors
- How DFID is balancing the use of contractors and the development of in-house skills to meet changing needs
- How effective DFID's processes are in achieving value for money and effective long-term development.

2. Presentation of Crown Agents

2.1. Crown Agents is a leading international development firm providing technical assistance and supply chain services across five main pillars including health system strengthening, economic growth and trade, humanitarian assistance, governance and supply chain services.

2.2. While Crown Agents is a private sector company, we continue to innovate from our ingrained public sector ethos. As a social enterprise, we do what we do because we care about alleviating global poverty while safeguarding the public investment through robust due diligence and commitment to aid transparency.

2.3. We have an extensive international footprint that comprises permanent offices in more than 20 countries and ongoing projects in over 100 countries around the world. We work for a wide range of public sector clients, including national governments, international agencies and bilateral donors such as DFID. We also work with national suppliers and organisations to support national economies and build capacity for the future. We develop new partnerships to improve aid effectiveness and fiscal management, increase proper use of public revenues and strengthen public procurement and financial management systems to improve access to basic services. We focus on public system transformation in the countries we operate to see tangible results. For example, our work helped Angola to achieve a 16-fold increase in customs revenue between 2001 and 2011, from US\$215.45 million to US\$3,352 million.

2.4. As a DFID Key Supplier, we value the strategic relationship of the Key Supplier Management (KSM) Programme, managed by DFID's Procurement and Commercial Department (PCD). We invest our own resources to the programme to ensure our DFID portfolio aligns with HMG global objectives, increases innovation in our project delivery, drives better value for money (VFM) and improves client satisfaction of our performance.

2.5. We are experienced in contracting with other donors and governments to compare lessons learnt across our entire portfolio. We often share cross client learnings from other with bilateral donors such as the United States Agency for International Development (USAID) and Japan's Ministry of Foreign Affairs with DFID in order to improve donor coordination at both the global level and in the countries where we operate.

2.6. Crown Agents is submitting this response as we believe DFID's relationship with and use of private suppliers allow for improvement in the delivery of services, open channels of communication between organisations, impactful evaluations to determine what works and what does not along with comprehensive VFM.

3. Comparative costs and benefits of using large contractors

3.1. At present, management capacity within DFID is limited due to the increased pressure on reducing operating costs alongside a tighter and concentrated DFID budget. DFID is expected to achieve more, despite having less staff. Due to these limitations, there are numerous comparative advantages for DFID to use contractors, especially large, trusted suppliers from its KSM programme. Outsourcing services to private contractors allows DFID to have flexibility and speed to its response, access to wide reaching technical experts, drive more targeted VFM and

support services tailored directly to the local context and DFID strategic objectives than compared to other programme delivery channels.

- 3.2. DFID's robust supplier base enables large contractors to work faster with more development impact. For example, within a mere 72 hours, Crown Agent sourced and delivered stocks of the 600 items needed to build the UK supported Ebola treatment centres in Sierra Leone in 2014-2015. The supply chains Crown Agents built and operated in one year directly supported the reduction of weekly Ebola cases in Sierra Leone from 537 to zero.
- 3.3. Close working relationships allows DFID to hold private contractors accountable to a code of conduct of principles such as transparency of fees and assurance of fulfilment of foreign and domestic tax responsibilities.
- 3.4. Furthermore, through utilising large contractors, DFID is able to contract out the management of risk of its services including but not limited to pre-financing, milestone/results based financing, duty of care for all employed staff and the risk of managing costs transparently.

4. The use of contractors vs. the development of in-house skills

- 4.1. As noted above, the continued pressure on DFID's administrative budget enhances the need for strong trust based relationships between DFID and its supply base. Leveraging its supply chain, DFID outsources many of its resource heavy tasks to private suppliers. For example in South Sudan, Crown Agents is the Managing Agent for the DFID led Health Pooled Fund. Our robust fund management capabilities efficiently transfer responsibility of the substantial administrative duties such as conducting a large procurement process for selecting one service providers per county covering eight of the 10 states, due diligence of all local actors and stringent financial management of fund disbursement. In addition, we are able to swiftly utilise a pool of technical resources to advise and build capabilities of the selected service providers with a range of health specialisations to improve the basic health services for the poorest, most underserved areas of South Sudan.
- 4.2. The use of contracted expertise can bring consistency to programmes while civil servants rotate through various departments and DFID country offices. For example, in the CHASE Operations Team, we have provided staff for over ten years of continued service. This particular programme, which is vital to supporting HMG's objectives to be a global leader in emergencies, embeds trusted contractors to provide sound guidance and operational management that leverages their long serving institutional memory and demonstrated subject matter expertise.
- 4.3. With over 50% of DFID's budget directed towards fragile and conflict affected states (FCAS), both DFID and UKaid suppliers need to continue to foster staff capabilities to work in areas affected by conflict. Beyond FCAS generalists, suppliers provide nimble and cost effective access to experts with specific geographic specialisation and technical sub specialities providing tailored solutions to maximising impact when disasters and conflict arise.

5. The effectiveness of DFID's processes in achieving value for money

- 5.1. We support HMG's continued commitment to 0.7% of gross national income for official development assistance while not reducing pressure to drive stringent VFM. Through the continual motivation for better value from suppliers, several initiatives are proving to be effective.
- 5.2. When compared with other aid agencies, DFID has one of the more diverse and competitive supplier markets, with its top five suppliers only being awarded 35% of DFID's contracted work. In comparison, USAID awarded its top five firms with 50% of its tendered contracts in 2015. Other countries that have a very small pool of contracted suppliers include Germany with three main contracting firms, Canada primarily tendering contracts to two firms and Australia awarding 69% of its contracts to three firms.
- 5.3. We believe the more robust procurement process led from DFID's PCD along with increased scrutiny by in country / regionally based commercial advisers have improved the commercial acumen of DFID programme managers.

- 5.4. The KSM Programme ensures VFM is monitored and evaluated across a supplier's entire DFID portfolio. Through the Corporate Performance Review scoring system, which includes a specific VFM category, the supplier is rated on its major DFID projects. This scoring process fosters strong accountability and improved communication between DFID and supplier.
- 5.5. DFID is one of the more sophisticated global aid agencies in its engagement with suppliers through organising Early Market Engagement (EME) workshops. These events have allowed contractors to get more information and raise queries early in the tender process. By engaging suppliers earlier, this ultimately results in better bids and more effective delivery.
- 5.6. We believe improved reward to ethical contractors who work with local, on-the-ground partners would progress DFID's long-term VFM incentives. Lasting transformation in the countries where we operate heavily relies upon local and SME agencies to continue providing the services within their countries after the international actors have left. As such, it is vital that DFID create a process whereby contractors are incentivised to work with and upskill local partners and SMEs. This would entail more focus on the effectiveness of VFM. This may at times lead to less upfront economy and efficiencies. However, given the 'double aid impact' these investments will drive VFM in years to come by improving the competitive capabilities of local actors.