

EVIDENCE SUBMITTED TO THE INTERNATIONAL DEVELOPMENT SELECT COMMITTEE ON DFID'S USE OF CONTRACTORS

SUMMARY

1. Among Whitehall Departments, the Department for International Development is the largest user of consultants. It is one of the few Departments to have its budget secured.
2. The high rate of remuneration paid by DFID to contractors has raised doubts around the value for money provided by consultants to the UK Government. This written Submission addresses one specific area where the process could be improved. The Select Committee is recommended to mandate regulations regarding limits in tenure and emoluments of consultants.
3. The absence of specific training or professional code of conduct brings the effectiveness of consultants into doubt. Professional bodies exist which could regulate consultants and bind them to a relevant code of ethics. These professional bodies could also accredit consultants from developing countries, thereby extending the UK's Soft Power influence.
4. The Select Committee is also recommended to consider some way of overseeing the operation of International Development Consulting Firms.

INTRODUCTION

5. The International Development Select Committee's inquiry in DFID's use of Contractors is seeking to address the effectiveness of DFID's procurement, contract management, risk management and programme management processes in achieving value for money and sustainable development. It asks how could these processes be improved?
6. Of all Whitehall departments, DfID spends the most on Consultants.¹ Given the increased growth of programming vis-a-vis staff there is likely to be a continued need for agents in the form of consultants.² The Select Committee itself considers the issue of sufficient importance to hold a dedicated inquiry on this issue. Notwithstanding the Green-Amber rating by the Independent Commission of Aid Impact (ICAI), there continue to be concerns about the use of contractors. This submission seeks to address the perception of inefficiency and ineffectiveness of DfID employed consultants by offering some recommendations relating to the training and accreditation of consultants used in international development. The recommendations aim to help deliver a higher and more consistent standard of service while improving value for money and enhancing the delivery of UK's national interest through aid. The Submission draws on the Authors' experience in international development consulting. It is based on an earlier submission to the House of Commons International Development Select Committee.³

¹ O'Mahoney, J., and Markham, C., (2013), Management Consulting, Second Edition, Oxford University Press, Pg. 298

² House of Commons,(2015), International Development Committee, Department for International Development's Performance in 2013- 2014: the Departmental Annual Report 2013-14 Thirteenth Report of Session 2014-15, HC 750, Para 85

³ Ashraf, A., and Athreya, R., Evidence submitted to the House of Commons International Development Select Committee for Inquiry into Beyond Aid: The Future UK Approach to Development

<http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/international-development-committee/beyond-aid-the-future-uk-approach-to-development/written/12073.html>

UK'S INTERNATIONAL DEVELOPMENT EXPENDITURE

7. The International Development Select Committee endorsed the 0.7 % expenditure on International Aid that has been in place since 2010.⁴ The Government plans to continue with this expenditure.⁵ In order to compensate for the paucity of appropriately experienced staff, DFID often engages external suppliers to implement programmes. Estimates suggest that the expenditure could reach £1.2 Billion.⁶ Hence, it is likely to come under greater scrutiny.
8. At the same time, the UK is aiming to increase the use of *Soft Power* in International Diplomacy. This is defined as *the ability to affect others to obtain the outcomes one wants through attraction rather than coercion or payment*.⁷ DFID is considered an important instrument for delivering Soft Power⁸ and so the government will wish to maximise its impact, even during times of austerity.
9. **Value for Money (VfM):** A broad consensus exists, including within DfID, that both the UK taxpayer and the recipients of UK foreign aid have not received Value for Money. Several initiatives have been introduced to rectify the situation including reducing the proportion lost to DfID's running costs through efficiency measures⁹ and through the appointment of ICAI.¹⁰ It is mostly in this context that the use of consultants continues to come under public scrutiny.¹¹
10. **Consultants:** The issue of appropriateness of fees charged by external suppliers has been raised in Parliament. Calls to evaluate if they provided value for money were submitted to the ICAI when it was first created.¹² However, there continues to be concern over the remuneration paid to certain consultants and is considered to undermine public confidence in DFID expenditure.¹³ One explanation is that the situation is in part created by a tendency for consultants to overcharge clients.¹⁴ A way around this would be to align remuneration and bonuses to scales for similar roles in Government, Armed Forces and International Organisations.
11. DFID has discussed increasing its supplier base and lack of competition within fragile environments.¹⁵ DFID claims that it has a wide supplier base.¹⁶ However, there is data to the contrary.¹⁷ Many specialists often have to work as sub-contractors and their niche skills are not efficiently harnessed.¹⁸ This may indeed be an issue of cartel formation and of fair competition. The Select Committee has stressed the need to increase the supplier base and the use of SMEs. There are also concerns about excessive reliance on large supplier firms.¹⁹
12. One possible solution could be to limit the tenure of consultants working with DFID. In the case of consulting firms, a maximum duration could be set for which Directors and other senior officials could hold office. There are presidencies for similar practices in public sector bodies, e.g. the Commonwealth Secretariat. This would also be beneficial to consultants since it would limit the risk of exposure to danger and unpleasant environments.

⁴ House of Commons, (2015), International Development Committee, The Future of UK Development Cooperation: Phase 2: Beyond Aid, Tenth Report of Session 2014–15, HC 663, Para 15

⁵ House of Commons, (2016), International Development Committee, The Future of UK Development Cooperation: Phase 2: Beyond Aid: Government Response to the Committee's Tenth Report of Session 2014–15 First Special Report of Session 2015–16, HC 339, Para 1

⁶ House of Commons, (2015), International Development Committee, Department for International Development's Performance in 2013- 2014: the Departmental Annual Report 2013-14 Thirteenth Report of Session 2014–15, HC 750, Para 83

⁷ House of Lords, (2014), Select Committee on Soft Power and the UK's Influence, Report of Session 2013–14, Persuasion and Power in the Modern World, HL 150, Para 2

⁸ HL 150 Para 124, 131

⁹ House of Commons, (2011), International Development Committee, Department for International Development Annual Report & Resource Accounts 2009–10 Third Report of Session 2010–11, HC 605, Para 2

¹⁰ HC 605 Para 44

¹¹ HC 750, Para 80

¹² HC 605, Para 83

¹³ House of Commons, (2013) Committee of Public Accounts, The Department for International Development: The multilateral aid review Twenty-sixth Report of Session 2012–13, HC 660, Para 17

¹⁴ O'Mahoney, J., and Markham C., Pg 334

¹⁵ HC 660, Para 18

¹⁶ HC 750 Para 81

¹⁷ HC 750 Para 84, 88

¹⁸ HC 750 Para 88

¹⁹ HC 750, Para 105

13. A Code of Conduct for Consultants²⁰ has been adopted by DFID, which stipulates appropriate pricing and earning a fair but not excessive reward. There are also provisions on treatment of sub-contractors, supporting economic growth etc. The Select Committee has noted that the ICAI has had long-term concerns about the use of contractors by DFID.²¹ It would be useful if DFID were to regularly scrutinise contractors to see if the Code is being applied. The Inquiry could consider an alternative body to conduct occasional oversight audits.

CONSULTANT SKILLS AND TRAINING

14. The Government has highlighted the importance of adequate skills for staff.²² These skills include an awareness of and working with multilateral organisations, skills to work with the FCO and the MoD for policy development, and specific expertise required by vanguard personnel working in fragile states.²³ Select Committee recommended that DFID develop these skills rather than rely on suppliers.²⁴ The Committee expressed concerns around skills in DFID²⁵ but no specific consultancy skills were mandated for those actually delivering advice on development related activities.

15. The Government invests heavily in standardised training and development of its Diplomatic Service and Armed Forces. However, there is no standard recognised professional training or specific code of conduct for consulting firms or individual consultants in international development. While consultants do not require the academically rigorous standards and examinations of professions akin to Medicine or Accountancy,²⁶ they could greatly benefit from a professional approach to their training and standards of operation. Given the strategic importance of international development to the UK and the UK's considerable investment in it, there are distinct advantages in professionalising these consultants so that greater efficiency, effectiveness, and impact can be achieved.

16. Knowledge gained from academia, NGOs and various government reviews has led to radical changes in the way foreign aid is targeted and delivered. The resultant policies, strategies and procedures have resulted in evidence of more sustainable improvements. Consequently, recent cases of failure and poor performance are increasingly attributed to inefficiency within the UK government or to corruption and other weaknesses in the recipient communities abroad. Nevertheless, there is good anecdotal information to suggest that impact of programmes involving governance capacity building; institutional reform etc is highly dependent on the skills and personal qualities of the consultants involved. That is true of both UK consultants and of locally employed consultants.

17. Usually well qualified in educational terms and possessing specialist experience, many consultants are weak in consultancy skills, particularly those relating to cross-cultural communications, facilitation and demarcation of responsibility and accountability. International development consultants have also exhibited instances of poor appearance and grooming. This demonstrates an ignorance of the significance of personal bearing and dependability, particularly in Eastern and Southern countries. These elements underpin basic consultancy skills.²⁷ Notwithstanding any technical impact, ill-trained consultants are unable to enhance the influence and reputation of the UK abroad. Consequently, they are unable to deliver the underlying goal of UK foreign aid.²⁸ A well-trained consultant should have *Political Intelligence*,²⁹ a key element of Soft Power.³⁰

²⁰ DFID (2013), *DFID Statement of Priorities and Expectations for Suppliers*

²¹ House of Commons (2014), International Development Committee, *The Independent Commission for Aid Impact's Performance and Annual Report, 2013-14, Fourth Report of Session 2014-15, HC 523, Para 25*

²² HC 663, Para 83, Footnote 106

²³ HC 750, Para 135

²⁴ House of Commons (2015), International Development Committee UK aid: allocation of resources: interim report Third Report of Session 2015-16, HC 927, Para 47

²⁵ HC 750, Para 110, 135

²⁶ O'Mahoney, J., and Markham C., Pg. 285

²⁷ O'Mahoney, J., and Markham C., Pg 213-215

²⁸ HL 150, Para 120

²⁹ Reffo and Wark, (2014), *Leadership PQ*, Kogan Page

³⁰ Reffo and Wark, *Ibid.* Pg 36-37

18. Consultants are often relatively young and inexperienced in comparison with the senior officials they advise or mentor. Recipient countries already see aid as a slight on the dignity of their nation. Being faced with a relatively inexperienced novice exasperates the resentment. Knowledge and assimilation of Client Handling Skills are critical for a successful consultant.³¹ An appropriately educated consultant, even a beginner, is more effectual if equipped with the *Emotional Intelligence*³² skills to face such circumstances.
19. Consulting firms are perceived as being whimsical in choosing candidates. They seem to prioritise academic qualification and experience over coaching, mentoring and advisory skills. Effectively trained consultants should be able to embody relevant codes of conduct and ethics in their behaviour, resulting in a more professional approach consistent with UK government standards. Accreditation that encompasses standardising training, ethical and behavioural aspects would further assist consulting firms in recruitment by making the profession more attractive to new recruits.

TRAINING BODIES

20. Training bodies for various sectors already exist, which could provide training to consultants:

- 1) CMI/IC:³³ In the case of Public Administration and Governance Consultants the Chartered Management Institute (CMI) and its sub-group, the Institute of Consulting³⁴ (IC), could be the best professional body to specify and regulate such training.
- 2) The Faculty of Public Health:³⁵ is the standard setting body for specialists in public health in the United Kingdom.
- 3) Energy Institute:³⁶ Natural Resources is an important portfolio of DFID. These consultants could be accredited to the Energy Institute.
- 4) Chartered Institute of Public Finance and Accountancy³⁷ is the only professional body in the world dedicated to public finance. Appropriate consultants could be required to hold its certification.
- 5) This list is not exhaustive. There may be relevant bodies in other disciplines.

21. The CMI code of conduct can be modified for international development. The IC's and DFID's codes of conduct are already in close harmony.^{38,39} Thus existent suitable templates need be adapted and authorised in DFID's Frameworks. The introduction of the DFID Code has faced opposition from some contractors who deemed it to be an unfair criticism.⁴⁰ Any introduction of an enhanced code of conduct should, therefore, be supported by an information campaign highlighting the benefits to consultants of the expected perception of professionalism and improved standards.

22. FPH, Energy Institute, and CIPFA would need to introduce customised training curriculum for international development. They could also work with the Institute of Consultants to align their codes to the IC Code for their domains.

³¹ O'Mahoney, J., and Markham, C., Pg 225-226

³² Goleman, D.,(1998), Working with Emotional Intelligence, Bloomsbury

³³ Chartered Management Institute, www.managers.org.uk

³⁴ Institute of Consulting, <http://www.iconsulting.org.uk/>

³⁵ Faculty of Public Health, <http://www.fph.org.uk/>

³⁶ Energy Institute, <http://www.energyinst.org/home>

³⁷ Chartered Institute of Public Finance and Accountancy, <http://www.cipfa.org/>

³⁸ Institute of Consulting, (2012), *Code of Professional Conduct and Practice*

³⁹ DFID (2013), Ibid

⁴⁰ ICAI, (2013), DFID's Use of Contractors to Deliver Aid Programmes, Para 2.26

23. Another initiative could be to augment the occupational worth of the Masters Programmes in International Relations and Development Studies in UK University by incorporating fundamentals of Consulting Skills and with certification of graduates by the Institute of Consulting. This idea has precedence in Armed Forces training which combines academic studies in International Relations or Development studies and Consulting Qualifications as part of Staff Development for some officers. Once standardised all such academic and professional organisations are likely to facilitate any new training and certification requirements set by the government in their qualifications.
24. The IC and the CMI offer a programme called Professional Consulting Skills. This provides a central synopsis of the proficiency requisite for a consultant. A specifically adapted programme suitable for international development consultants is offered as **Consultancy for the public sector: A foundation in essential consultancy skills**. This leads to the Award in Professional Consulting awarded by the Chartered Management Institute. **Consultancy Development International** (CDI) a CMI Approved Centre delivers this in association with **Public Administration International**, which is a leading DfID contractor. CDI additionally has offered it across several countries particularly to Public Sector Consulting units in National Governments. Participants on the programmes have included Armed Forces Officers and international development consultants working with Multilateral Organisations. Most recently CDI and PAI are offering CMI accredited programmes in **Choosing the Right People: Effective public service recruitment and selection** and **Improving organisational performance: Management of auditing and consultancy skills**. These too have elements that are relevant to International Development Consultants.
25. Several Academic programmes are accredited to the Energy Institute. The Alumni of these are often international development consultants with expertise in Natural Resources and Extractive Industries. Making membership a prescribed prerequisite would augment standards and oversight in this sector, based on their implementing pertinent consulting codes of practice.
26. Many Public Health experts in International Development are Members of the Faculty of Public Health. Making membership a prerequisite would augment standards and oversight in this sector, as membership is conditional on the implementation of pertinent consulting codes of practice.

EDUCATION: SOFT POWER

27. Education forms an important part of UK Soft Power.⁴¹ By prescribing mandatory consulting training and education, the UK could provide an international lead in creating the benchmark of training and conduct in this field. Other donor government and institutions (eg UN and EU) may be encouraged to introduce similar systems if they see the advantages from a UK initiative. Having established the lead, the UK would have an opportunity to export both design and delivery of training, providing an important soft power advantage, as alumni of UK institutions are often positively orientated towards the UK.⁴²
28. As many development programmes are jointly delivered with other international partners and host recipient nation consultants, there will be potential for greater impact of outcomes through improved cohesion of methodology if partners employed similar training. DfID should, therefore, consider similar training for locally recruited consultants to maximise the impact of UK development aid. Such teaching would further enhance the recipient nation's administrative and governance capacity. This could also facilitate South-South Cooperation since there would be a common approach.

RECOMMENDATIONS

29. The Committee is recommended to:

- 1) Provide guidance on limiting the remuneration and tenure of international development consultants employed by DfID in order to increase value for money.

⁴¹ HL 150, Para 200

⁴² HL 150, Para 202

- 2) Consider DfID or an alternative body to provide occasional oversight of the use of consultants.
- 3) Specify the need for accreditation of international development consultants employed in future DfID contracts, based on specific training and codes of conduct.
- 4) Acknowledge that the Institute of Consulting (IC) is the most pertinent body to stipulate suitable criteria and provide training for international development consultants.
- 5) Suggest to professional bodies in public health, energy, finance and other relevant disciplines to align their codes of practice to the IC Code such that their members could have accreditation routes to work as international development consultants.
- 6) Acknowledge the secondary benefit of such training and accreditation in supporting UK's Soft Power through its existing education and training capability.

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