

Introduction: Written evidence submitted by Crown Agents

1.1 Crown Agents welcomes this current IDC inquiry into DFID's use of contractors. Constructive scrutiny of the international development sector is very important for raising standards, and the IDC's oversight role is critical. UK tax payers need to be confident that DFID is delivering impact and value for money in its work in developing countries. High standards and quality are essential whoever DFID partners with. This is true for contractors as it must be for all other delivery organisations that are engaged to deliver DFID programmes.

1.2 Crown Agents is wholly owned by a not-for-profit international development Foundation. As a social enterprise born out of Her Majesty's Government (HMG) we harness private sector efficiencies for the greatest public good. Our single shareholder is the development focused Crown Agents Foundation. Profits are reinvested to achieve development outcomes. Crown Agents Foundation exists to improve the quality of international development services. This mission is well illustrated by the Foundation's current initiative to broker partnerships to understand better and help maximise the value of new frontier technologies for public good in development and humanitarian contexts.

1.3 Crown Agents' public good mission and distinctive governance structure continually challenge us to improve. The nature of our business means that we aspire to work in a long-standing and trusted partnership with DFID on our shared objectives, including increasing transparency and reducing aid dependency.

1.4 Crown Agents works with DFID on both technical assistance and supply chain projects. One example is DFID's much admired CHASE Operational Team (OT) which has provided high impact responses to worldwide crises for over 20 years. The Operational Team are all Crown Agents' employees working in close partnership with DFID's CHASE department and the Stabilisation Unit to deliver essential humanitarian logistics assistance and experienced specialists. They have played a central role in the UK's response to recent crises such as Ebola, Syrian refugees and the Nepal earthquake.

1.5 Crown Agents has made a significant contribution to sustainable international development over the last 180 years; particularly in the areas of health, economic growth, trade, governance, humanitarian response, stabilisation and supply chain services. Our mission encompasses both delivering value for money impact and raising broader market standards in the international development sector. We will continue to help HMG achieve its development objectives in a way that enables growth and reduces aid dependency in some of the world's most fragile and unstable regions.

Value-for-money and social impact

2.1 We encourage DFID to place greater value on **social impact** in its tendering process for contracts. We believe there is scope for DFID to do more to incorporate the objectives of the Public Services (Social Impact) Act of 2012 into its procurement processes by making assessments, incentivising and awarding contracts that better address wider social impact concerns. DFID's work is about improving the lives of people across the world. Value for money is important in financial terms. However, the additional social value of building local skills, strengthening local markets in a long-term sustainable way, and building local trust and engagement is essential to reducing aid dependency, creating stronger partnerships and achieving longer term sustainable transformative change.

2.2 These wider aims may not always be achieved by selecting the lowest cost option. We encourage DFID to place greater importance on achieving effectiveness over economy. This means placing greater value on the overall quality and whole project life impact that a contractor's approach can bring to communities. We encourage DFID to consider more complex commercial and development impacts when contracting. At Crown Agents, we make active choices to focus on programmes where we can maximise impact, leave a positive legacy and foster real growth.

### Transparency

3.1 Crown Agents is an advocate for transparency and openness in the delivery of international development programmes. We have offered an 'open book' approach in response to DFID tenders. Following the adoption of the International Aid Transparency Initiative (IATI) in 2011, Crown Agents worked with DFID to pilot the input of data with the aim of making spending on development aid more accessible to the public. We will continue to raise industry standards on transparency. Open and effective procurement is an area of specialist expertise. As a business that operates in part using taxpayer's money we are very conscious of our responsibilities to maximise accountability and enable scrutiny.

3.2 The IATI initiative – and how DFID implements it - could be improved upon, for example, by making a clearer distinction between the cost of contractors' services and the cost of the actual goods supplied as part of a contract on which no benefit is gained by the contractor. In addition, a disaggregated breakdown of where funds go within a consortium rather than recording data in a way that implies all funds go to the Prime organisation would also improve the quality and value of the data. We would welcome more of DFID's contractors engaging actively with the IATI process.

3.3 Crown Agents is committed to the most stringent ethical and legal compliance framework including tackling modern day trafficking and corruption. We joined the [Stronger Together](#) partnership in 2016.

### Competitive contracting processes

4.1 We understand the importance of public trust in how UK Aid money is spent and the role that media and parliamentary scrutiny plays in ensuring trust is strong. DFID's competitively contracted activity is responsible for the delivery and high performance of approximately 8% of the current £12bn UK Aid budget. The contracting process enables DFID to demand transparency on costs and value for money, in a way that other mechanisms for aid delivery might not. 8% is low given this appears to be the most competitive way that DFID selects implementers. Would a higher proportion encourage healthy competition and gain more value for UK tax payers?

4.2 Contracting also gives DFID flexibility to buy in specialist resource it doesn't have in-house and to outsource areas of risk. Whilst there are areas for further improvement the UK DFID contracting market is a healthy, diverse, global and competitive one.

4.3 Contracting makes very clear the roles, responsibilities and expectations of each party, including the costs and charges. This means that the UK government receive the exact goods and services they require, and there are legal and ethical ramifications of non-compliance. These benefits are not always achieved

through some of the non-contracting mechanisms that DFID uses to allocate aid money to implementing partners.

4.4 Broadening DFID's definition of value for money to include holistic social value, impact and effectiveness would be welcomed. This means having the highest level of supply chain transparency and delivering work that is sustainable, making a lasting positive impact. For example, by rewarding contractors who work with local civil society partners and SMEs and build capacity strengthening into their models of change.

#### Raising ethical standards

5.1 Crown Agents is committed to partnering with suppliers, from grassroots entities to large-scale multi-nationals, which share our ethical approach and adhere to the highest standards of integrity and legality that we have committed to ourselves. By doing so we can apply good practice procurement, contract management and efficiently manage projects delivering services and goods. In terms of safeguards, Crown Agents also operates a fully confidential whistleblowing mechanism whereby any concerns regarding unethical, corrupt or unlawful behaviour can be reported upon by any member of staff or stakeholder related to a given supplier or associate.

5.2 Crown Agents will always implement controls to ensure programmatic integrity will never compromise on the quality of goods and services provided. We will never neglect or overlook the social and ethical impact of our activities worldwide. We believe that by doing business in the most ethical way, we will build improved and sustainable livelihoods all around the world. Given our approach to ethical standards, Crown Agents has always responded positively to DFID's transparency and due diligence improvements. Inevitably raised standards invoke costs. We would welcome DFID giving more attention to the additional costs that market leaders incur when they commit to the highest standards in ethical practice in transparency, due diligence, supplier performance and wider social impacts on the environment and community. Lowering those standards by selecting a marginally lower cost provider might be a false economy. We do recognise it may be challenging for smaller organisations to adequately manage the costs of higher standards which could limit their ability to engage as prime contractors.

#### Learning

6.1 DFID introduced the key relationship management process as a valuable way to promote meaningful sharing between suppliers and DFID. The process ensures that key development progress is measured and enhanced across all DFID programmes, in line with achieving true impact and value for money. It allows DFID and contractors to spot trends and enhance relationship management.

6.2 Other initiatives such as Early Market Engagement events encourage lesson learning and a stronger comprehension of expectations. This should flow through to improved bidding and better value-for-money.

6.3 It is notable that other donors (such as USAID) take into account scores from annual reviews and project completion reports as part of their selection process. We would recommend that DFID's looks into the merits of this, perhaps learning from USAID experience?

Footnote: Crown Agents also provided relevant submissions to the International Development Committee as part of the earlier component of this inquiry on 23<sup>rd</sup> May and 8<sup>th</sup> December 2016.