

DFID Suppliers

Department for International Development
Abercrombie House
Eglesham Road
EAST KILBRIDE
Glasgow
G75 8EA

Telephone: East Kilbride 01355 844000

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Dear Supplier

As a supplier to DFID, we would like to draw your attention to emerging heightened areas of public interest and political importance. These areas were included within DFID's Statement of Priorities and Expectations for Suppliers that you will have signed up to. Detailed below are four key areas we would like to further strengthen and ensure that you as a leading International Development organisation, are complying with. We recognise that these areas are fundamental to a healthy business relationship, and in helping to maintain public support of the aid budget. The four areas are:

- Transparency Compliance
- Tax Compliance
- Engagement of supply chain/subcontractors
- Fair and Reasonable reward/profits

Transparency Compliance

As a DFID supplier you will be well aware that encouraging transparency and traceability of development and aid funding is a key part of DFID's agenda. DFID has a commitment to increasing openness in aid data in line with the UK Aid Transparency Guarantee. Improving transparency at all levels within the supply chain from donor to beneficiary allows partner countries to plan and manage resources more effectively, and assures UK taxpayers that DFID funds are being spent efficiently and represent value for money. The ability to provide assurance concerning traceability of spend is particularly relevant in terms of the current heightened media focus. Accountability and concerns surrounding aid impact and DFID's contractual spend from the UK taxpayers perspective is therefore highly relevant.

All new DFID contracts awarded since 2nd February 2015 set out a requirement within the terms and conditions of contract for specific direct and downstream supply chain spend data to be published to the International Aid Transparency Initiative (IATI). This requires direct and immediate sub-contractor spend data, as a minimum, to be published to the same level of detail by the end of 2015. Publication of this data feeds into DFID's 'Development Tracker' allowing beneficiary citizens and UK citizens to follow how the UK invests in developing countries in a user-friendly format.

DFID and IATI have now completed the joint programme of spend transparency training workshops for suppliers. Where required, IATI assistance currently remains available to DFID suppliers. As a supplier you should ensure that you are now publishing DFID contractual spend to the IATI registry in accordance with the requirements

Tax Compliance

DFID has a policy in place that tax exemptions should be utilised where possible. DFID's Financial Controller will be helping programme teams and country offices identify what they need to do to ensure tax issues and risks are considered in a timely way allowing bidders to include relevant tax costings in their bids.

When spending UK taxpayers funds it is imperative that DFID has traceability regarding contractual tax spend, therefore, your organisation should be in a position to provide DFID with policy details on tax transparency, on request. Areas DFID may seek details on include:

- (i). How much net profit your organisation made in each of the last 3 years?

- (ii). How much tax your organisation paid on profits made in the last 3 years, and in which countries?
- (iii). compliance with tax regulations in each country where you operate?
- (iv). Does your organisation partake in any tax avoidance schemes in respect of its own profits or the income of its employees or directors?

Engagement of supply chain/subcontractors

As a DFID supplier you have committed to our Statement of Priorities and Expectations for suppliers. This sets out a requirement for suppliers to engage sub-contractors in a way that is consistent with DFID's treatment of its own suppliers not only when bidding but also in subsequent contract delivery. We may request that you demonstrate this to DFID when required. Details may be requested from the following range to demonstrate commitment to the fair treatment of supply chain partners e.g. contractual structures, payment terms, use of exclusivity agreements, following through on tender stage commitments and procedures/processes that seek feedback from subcontractors on their treatment.

Fair and reasonable reward/profits

You will be aware of the contractual requirements to provide a Cost Modelling Methodology for each Contract, as set out in the Invitation to Tender. This commitment requires the implementation of a transparent, open book approach which enables scrutiny on value for money choices. Given the current level of public interest regarding the financing of DFID contracted work you should be in a position to make details available to DFID regarding how costs are constructed in terms of percentages in relation to each fee rate, as follows:

- Breakdown of overheads
- Salary
- Net profit margin

Please be aware that over the coming months PCD colleagues may request that you provide a detailed breakdown in one or more of these areas in relation to existing contracts in place. We also request that you publish an open letter on your website providing your organisations response and position to these areas

Yours sincerely



Nick Ford, FCIPS
Head of Procurement & Commercial
Department for International Development