



Extract from the report to the
Public Accounts Committee on
the Ministry of Foreign Affairs'
use of consultants for delivering
development aid

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1. Introduction and conclusion

1.1. Purpose and conclusion

1. This report concerns the Ministry of Foreign Affairs' use of consultants for delivering development aid.
2. The purpose of the study is to assess whether the Ministry of Foreign Affairs ensures strategic and economical use of consultants for delivering development aid. The report answers the following questions:
 - Is the Ministry of Foreign Affairs ensuring strategic use and management of consultancy services?
 - Is the Ministry of Foreign Affairs ensuring economical procurement of consultancy services?

CONCLUSION

It is Rigsrevisionen's overall assessment that the Ministry of Foreign Affairs has defined a professional framework for managing individual procurements of consultancy services with a value above DKK 250,000. However, the ministry's overall strategic management and cross-cutting monitoring of the use of consultants should be strengthened to ensure that total procurement of consultancy services is economical and in compliance with the requirements on exposure to competition.

The Ministry of Foreign Affairs has an established practice of using consultants for the implementation, management and quality assurance of important aspects of the development aid in order to obtain the required quality and effect of the aid provided. Against this backdrop, Rigsrevisionen finds that the ministry should develop a central strategy for the use of consultants, which should take the different tasks performed by consultants as its starting point and include also a categorization of the tasks where consultants add value. The strategy should also address the risks associated with systematic use of consultants, as practised by the ministry, and ensure that the ministry retains control and responsibility for the tasks performed by the consultants.

The study shows that the Ministry of Foreign Affairs does not have a complete overview of spending on consultancy services; the embassies have not registered all their local purchases of services in the ministry's database of contracts, and the Ministry of Foreign Affairs has provided different information to Rigsrevisionen on the total value of these purchases. This is considered unsatisfactory by Rigsrevisionen and indicates that the ministry does not adequately monitor procurement of local consultancy services by the embassies.

*The Ministry of Foreign Affairs makes a distinction between **international consultants** that are established in industrialized countries and **local consultants** that are established in aid-receiving countries or in neighbouring countries. Regardless of this distinction, the ministry is the contracting body and must therefore comply with the EC directives on tendering.*

*Following Rigsrevisionen's critical assessment of the ministry's overview of use of consultants, which was reported in connection with the annual audit, the Ministry of Foreign Affairs established a **contract database** for registration of procurement of consultancy services for development aid purposes. The database was put into operation in January 2012.*

The study also shows that the Ministry of Foreign Affairs – in compliance with the EC directives on tendering and the Danish Act on Tendering Procedures – has invited tenders and advertised all international contracts with a threshold value above DKK 500,000 and that the ministry, in accordance with its own guidelines, has obtained three bids before entering international contracts with a value between DKK 250,000 and DKK 500,000. Moreover, the study shows that approximately 75 per cent of the ministry's purchases of consultancy services are exposed to competition. As regards contracts with a value below DKK 250,000, Rigsrevisionen finds that the ministry should scan the market on a regular basis to determine whether offers received are in line with the market prices.

Last, the study shows that the budgets of 19 per cent of all contracts are increased after the projects have been launched, and without prior documentation that the increases are in compliance with the terms defined by the ministry. Contrary to the ministry's guidelines, 13 contracts exceeded the tender threshold, which is not considered satisfactory by Rigsrevisionen. To this should be added that the budgets of contracts with a value just below the tender and advertising threshold, and below the ministry's threshold for obtaining bids, are increased relatively frequently. Therefore, Rigsrevisionen finds that the ministry should consider how it can support more realistic scoping of projects and estimation of the value of contracts.