

DEPARTMENT FOR INTERNATIONAL DEVELOPMENT

SME Action Plan April 2018



Department
for International
Development



Background

The Government has launched extensive initiatives, since 2010, to improve and increase opportunities for SMEs. DFID has implemented a range of measures designed to increase SME participation and support economic growth.

What are SMEs (small and medium sized enterprises)?

Turnover	or	balance sheet total	Headcount	Business size
≤ €50 million	or	≤ €43 million	<250	Medium sized
≤ €10 million	or	≤ €10 million	<50	Small
≤ €2 million	or	≤ €2 million	<10	Micro

Table 1 below illustrates the growth in DFID's direct contractual spend with SME Organisations in the period between 2012 and 2017. DFID is fully committed to supporting SMEs and to contributing to the Governments targets. DFID's total SME spend for 2016/17 was 46% (including direct and indirect spend), exceeding the targeted levels of 33%, which is recognition of the continuing commitment to support SMEs both directly and across the wider supply chain.

Table 1
DFID SME Spend

	14/15	15/16	16/17
Total Procurement Spend	£1,237,767,377	£1,342,314,478	£1,382,836,400
% Direct SME Spend	30%	33%	33%
% Indirect SME Spend	9%	9%	13%
Total DFID SME Spend %	39%	41%	46%
UK Government Target	25%	33%	33%

A 2020 stretch target of 40% for DFID's total SME spend has been set. This plan outlines how DFID will continue to support both the Government's SME agenda and SME organisations directly, and actions that will be taken to meet the 2020 target.

Challenges faced by SMEs in the Development Sector

The UK government continues to be a significant influential force in global aid and development and the political environment continues to represent unprecedented challenges in the countries supported by DFID. In 2016, the UK voted to leave the European Union, the government is currently preparing to leave the EU in the best possible way for the UK's national interest. As more programmes exist in fragile and conflict affected environments, it is often reflected in increased programme sizes which are not easily accessible to SMEs. DFID therefore continues to focus on gaining a deeper understanding of the current and future supply chains to encourage access for SMEs and to promote a regular refresh of participants both direct and indirect.

Key Areas of Focus to encourage greater SME participation:

<p>Ease of Engagement for SMEs</p>	<ul style="list-style-type: none"> ➤ Visibility of Opportunities ➤ Easy to navigate systems ➤ Access to information – clear communication ➤ Opportunities are clearly advertised ➤ Timely and increased Early Supplier Engagement ➤ Focused Supplier Forums and Workshops ➤ Wider Trade Association engagement
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<p>SME Friendly Procurement Practices</p>	<ul style="list-style-type: none"> ➤ Terms and Conditions ➤ Reduced Pre-Qualification and Template burden ➤ Financial Thresholds ➤ Lotting of Contracts ➤ Affordability of bid costs; ➤ Assessment made on value and not “price” ➤ Use of the open and other new EU procedures ➤ Wide consideration of SMEs
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<p>Strengthen SME Relationships with Prime Contractors</p>	<ul style="list-style-type: none"> ➤ Act as catalyst to encourage partnership working ➤ Obligations placed on lead contractors to ensure subcontractors are treated fairly – timely payment, fair payment, fair access ➤ Time allowed to consider forming consortia ➤ Share good news stories linked to partnership working
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In order to address the challenges faced by SMEs, DFID applies a wide range of interventions to address many of the potential barriers to entry particularly:

<p>Procurement Interventions to Date aimed at increasing SME access</p>	<ul style="list-style-type: none"> ➤ Simplification of pre-qualification process making it less onerous, costly and time consuming for smaller companies to complete when applying for lower value contracts ➤ Making processes more transparent, simpler and faster ➤ Improved Pipeline Accuracy and detail and visibility of programmes ➤ Introduction of Lots through main contracts and Framework Agreements allowing SMEs to tender for smaller lower value contracts, encouraging access (see table 3 below) ➤ Early Market Engagement, through Prior Information Notices (PIN) and Supplier Days ➤ Creating opportunities for SMEs to access business via sub contract routes with Lead Contractors ➤ Extended Information Forums - Increased interaction with suppliers
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via Web Site/Pipeline/UKTI/British Expertise/Bond/Supplier Conference/We Connect/SBRI/ various Trade Associations and Chamber of Commerce (UK wide, regional and In Country)

- Market analysis and targeted communications prior to OJEU release
- Launch of new Terms and Conditions – October 2017
- Supplier Relationship Management Programme
- Local open for business events in collaboration with Department for International Trade

It is recognised that DFID covers a very wide range of programmes across diverse global cultures making it difficult to access business opportunities. This can be due to a range of factors but predominantly size, scope and complexity of programmes. Despite this, DFID relies heavily on the expertise held within the SME supply network and will continue to nurture and grow this capacity. DFID aims to improve opportunities for SMEs allowing them clearer and closer access to programme design and delivery. Through DFID introducing framework agreement and lotting of contracts these introduce opportunities for SMEs.

Table 3

DFID has the following framework agreements currently in place:

Framework Agreement	Start date	Expiry date	Method of call off	Number of suppliers	SME number	NGO
Wealth Creation Framework Agreement	01/01/2013	31/03/2018	mini competition	23 suppliers	8	2
Forensic and Investigative Audit Services	18/12/2015	17/12/2019	mini competition or direct award	9 suppliers	2	
Goods and Equipment Framework	29/03/2015	29/03/2019	direct award	1 supplier	0	
Global Evaluation Framework (GEFA)	12/09/2016	11/09/2018	mini competition	20 suppliers	9	
Expert Advisory Call Down Service (EACDS)	01/12/2016	06/10/2018	direct award	4 lead suppliers (84 subcontractors)	1	
				57 Suppliers	20	2

DFID Framework Operators (information correct as of 19 October 2017)

Value for money remains at the forefront of DFID’s commercial agenda, continually striving to ensure the best value for taxpayers’ money and through enabling more supply partners DFID will increase bidding levels and deliver wider benefits from DFID’s current and future programmes.

DFID continues to focus on the long-term government strategy to increase the SME supply base and to ensure inclusivity for organisations who have traditionally found routes to accessing work prohibitive.

DFID appreciates the role that public-sector bodies play in stimulating economic growth and will continue to support this agenda.

**Future
Priorities for
Action**

- Continued focus on the importance of the SME agenda across DFID and its supply chain.
- Widening and deepening of SME Data Collection to include indirect spend with SMEs
- Strengthened strategic dialogue with organisations to ensure they are taking all necessary action to encourage SME participation in the supply chain - compliance monitoring
- Continued engagement with and discovery of SMEs
- Further Pipeline Development and promotion (highlighting SME opportunities)
- Extended use of “push” digital platforms (social media)
- Earlier Early Market Engagement, through Prior Information Notices (PIN) and Supplier Days
- Stepped up Communications and Information Forums

The SME action plan attached in annex A reflects the progress that has been made since 2011 and highlights the actions which have been and continue to be pursued to ensure the current position is maintained and improved for future years.

DFID SME ACTION PLAN – as at April 2018

Action	Context	Target Date	Success Measured	Status	Update
1. Increase DFID SME spend as a % of total procurement spend (including both Direct and Indirect spend)	DFID SME Direct Spend in 2015/16 was 32%. Indirect spend is 9%. Total SME spend for 15/16 is 41% and further planned data interventions likely to increase this.	Direct Spend Reported quarterly. Indirect spend to be incorporated as part of future quarterly reporting.	Achieved 46% total SME spend in 16/17.	Direct target in line with forecast projections. Indirect spend analysis ongoing.	Currently on track to achieve target of direct spend on SME's Indirect spend capture methodology being considered
2. Review and improve the integrity of SME data and reporting – widening and deepening the scope.	DFID has access to Direct SME spend available through DFID Technology platforms	Q2 12/13	Achieved	Complete	SME direct spend data is maintained on a monthly basis within the team and on a quarterly basis as part of the Key Management performance indicators.
3. Deploy Lean Procurement Principles: <ul style="list-style-type: none"> • Procurement Group staff trained in Lean Procurement. • Gap Analysis & Actions for “Lean” improvements. 	Gap analysis identified key areas for improvement: <ul style="list-style-type: none"> • A move to output based contracts. • A reduction in the timescales of competitions • Improve supplier management of the supply chain (on time payment to sub-contractors). 	Q2 13/14	Achieved	Complete	Output-based contracts now mainstreamed as an option for business as usual. The use of the open procedure has improved competition timelines. This has been included as measure in key performance indicators which are reviewed by SMT quarterly.
4. Analyse and maintain overview of SME activity: <ul style="list-style-type: none"> • Improve understanding of SME actual and potential spend profile. • On-going overview of SME activity on Frameworks. • Analysis of Supplier Survey information. • Communication, facilitation and guidance for programme teams regarding the importance of the SME agenda. 	The pre-qualified DFID Framework Agreement network supply base consists of lead suppliers and sub-contractors, a large proportion of which are SMEs	Ongoing Early Market Engagement Participation measurement in place by December 2015	Increasing SME participation to include Pre Procurement Engagement	Ongoing	Data is collected through Frameworks regarding the proportion of contracts which are awarded to SMEs: <ul style="list-style-type: none"> • Following review of frameworks use of lots has been introduced where appropriate, creating lower value groupings encouraging better access to and increasing opportunities to work with DFID - Number or percentage of call down contracts awarded to SME's measured. • Increased % of suppliers on new Frameworks are SME's. • % proportion of SMEs winning min-competitions under a framework is greater than on large programmes

<p>5. Supplier engagement forums:</p> <ul style="list-style-type: none"> • Raise awareness and understanding of SME barriers with Key and other direct suppliers at UKTI & British Expertise and other Forums. • Trade Association and Chamber of Commerce/LEP Engagement (UK, Scotland & In Country) • Hold further SME specific forums to better understand issues & pass on key messages • In partnership with UKTI, BE & DFID, host SME events • Develop detailed understanding of barriers to participation for SME's through surveys and outreach programmes. • Promote SME" friendly" practices 	<p>Supplier Friendly Focus</p>	<p>Ongoing</p>	<p>Collection of feedback and Increasing participation levels and contracts being awarded to existing and new SME's.</p>	<p>Ongoing</p>	<p>Stepped up information sessions and forums which now take place on a regular basis either aimed directly for SME's or planned jointly for organisations with membership of British Expertise, UKTI etc.</p> <p>Access to up & coming events notified via website</p> <p>Extended Information Forums - Increased interaction with suppliers via Web Site/Pipeline/UKTI/British Expertise/Bond/Supplier Conference/WeConnect/SBRI</p> <p>Creating opportunities for SME's to access business via sub contract routes with Lead Contractors</p>
<p>6</p> <p>(a) Improve DFID Pipeline Data to provide suppliers with an early indication of potential Direct Procurement Spend by country and sector.</p> <p>(b) Provide specific pipeline information on spend opportunities for each DFID Framework Agreement with providers – through Bi-Annual Communication Events.</p> <p>(c) Training and guidance for DFID staff.</p>	<ul style="list-style-type: none"> • Longer term exercise across timely access of DFID spend plans. High level pipeline data is now being published. On-going work to improve publication of spend opportunities. • Extract specific pipeline spend information for each Framework and share via on-line collaboration forum (Google Site) with all F/W suppliers including SMEs. 	<p>Q4 15/16</p>	<p>Pipeline accuracy measurement</p> <p>EME events for majority of tender opportunities</p>	<p>Ongoing</p>	<p>Work on Pipeline information is ongoing</p> <p>Timely EME with the market before any formal procurement is launched.</p> <p>EME session details are made available via the pipeline providing greater opportunities for SME's to become involved and have an influence at early stages. Pipeline accuracy has improved.</p> <p>Collect SME data from all procurement procedures measuring the impact and effectiveness of Early Market Engagement.</p> <p>Introduction of Google Sites, as means of engaging FW suppliers early in process and sharing pipeline information.</p>
<p>7</p> <p>Explore the application of Small Business Research Initiative (SBRI) to DFID Research & Development Opportunities.</p>	<p>DFID currently advertise all our R&D opportunities through OJEU and we have developed a tailored process for R&D to encourage ideas and innovation, whilst allowing flexibility to encourage</p>	<p>September 2015</p>	<p>Innovative Product designed and delivered in line with advertised requirement</p>	<p>Ongoing – Competition lifecycle likely to be between 18 to 24 months.</p>	<p>Launch first DFID SBRI in September 2015 (In conjunction with research department)</p> <p>Six SME organisations awarded contracts for work in February 2016.</p> <p>A further opportunity likely to be launched in Q2/3 2016</p>

	consortia and avoid unnecessary barriers to SMEs. We will explore where SBRI can provide additional benefits to this process.					
8	<p>Actively engage with DFID suppliers to encourage proactive support of HMG SME Agenda. Explore indirect spend levels with SMEs</p> <p>Facilitate formation of consortia and submission of consortia bids.</p> <p>Encourage organisations to increase emphasis on SME engagement</p> <p>increase SME participation with focus on investment and innovation</p>	<p>Supplier Management Programme focusing on top 11 (12 from 2016) suppliers.</p> <p>KSM suppliers started reporting their indirect SME spend via Cabinet Office and these will be used as a basis for proactive discussions</p>	<p>Accurate Measurement of indirect supply chain – process fully agreed and operational by Q1 2016</p>	<p>Easy to access indirect as well as direct supply base through existing technology platform – consistent reporting.</p>	<p>2017 was the launch of the Supplier Relationship Management programme. Implementation phases to continue through 2018</p>	<p>Proactively encouraging organisations to report their indirect spend through SMEs. – increasing contractual requirements.</p> <p>DFID has introduced a supplier relationship programme in 2017 which will develop in 2018</p>
9	<p>Publish a “Code of Conduct” (a clear statement of DFID’s priorities and expectations of suppliers).</p>	<p>This statement includes a requirement for all suppliers to sign up to proactive support of HMG policy initiative and specifically highlights the SME agenda.</p>	<p>Q415/16</p>	<p>Demonstrable evidence of compliance with SoPE</p>	<p>SoPE replaced in 2017 with Code of Conduct now incorporated in T&Cs</p>	<p>T&Cs/Code of Conduct now encourage organisations to proactively support and implement UN global Compact and wider HMG policy initiatives such as the SME agenda and that suppliers engage with subcontractors in a way which is consistent with DFID’s treatment of its own suppliers, not only when bidding but also in subsequent contract delivery.</p> <p>DFID supports non-exclusivity enabling subcontractors/SMEs to maximise opportunities</p>
10	<p>DFID’s Head of Procurement and Commercial Department conduct quarterly reviews of progress on the SME Action Plan.</p> <p>SME Champion working Group: DFID SME Champion to work with other HMG Departments to Benchmark SME interventions and general performance improvement initiatives/case studies</p>	<p>The SME Champion to liaise with the HoP and management team. The SME % is monitored via procurement monthly Balanced Score Card</p> <p>HMG Departmental SME action plans now in place and visible.</p>	<p>Ongoing</p> <p>Continue to participate / take actions from HMG SME champions meeting</p> <p>Make contact</p>	<p>Increasing SME data reported quarterly</p>	<p>Indirect spend likely to further improve usage patterns.</p> <p>Ongoing</p>	<p>The Head of Procurement and Commercial Department also leads the Key Supplier Management programme, and maintains focus on the SME agenda. DFID has exceeded its SME target to date and continues to stretch.</p> <p>Ongoing benchmarking shows that DFID is exceeding its targets in line with government commitments.</p> <p>DFID to benchmark and share approaches/learning with other departments with a view to further improving engagement, access and</p>

		with 2 government departments who are leading in this space – DECC & MOJ	Contacts made, good practice models shared		performance.
11 Review and Simplify Pre-Qualification Templates	Less onerous, costly and time consuming for smaller companies to complete when applying for lower value contracts. Modified template for <£5M to reduce burden.	In place since HMG launch.	Lean process launched in 2013 has delivered significant improvement in this area.	Complete	Standardisation and simplification of the process through the application of the generic SQ template as prescribed by the HMG proforma. Increased use of the open procedure increasing access to SMEs. Standardisation of templates for continuity
12 Review frameworks and introduce lots wherever appropriate	Introduction of lotting. Lower value opportunities allowing better access to opportunities for SME's	All frameworks designed with lots since 2012.	New EU regulations will see all contracts subjected to consideration of lots as appropriate	Complete	New framework strategies consider lotting as default position. Lotted procurement considered for all framework related call off/ tenders EU legislation compliance DFID Frameworks undergoing renewal during 2016
13 Ensure that the SME plan is credible and adequately resourced and subject to senior level review in line with agreed stretch target	6 monthly SMT overview	Metrics reviewed as standing agenda item at SMT	Bi annual review	Ongoing	Regular resource level monitored and workload linked to SME engagement/initiatives
14 Increase accessibility to Early Market Engagements	Introduction of survey monkey to capture data on organisational interest in attending the events. Consistent approach for all companies, and data can be captured on attendees	Survey Monkey was introduced July 2016 with ongoing training and improvements in the process.	Data collection is in progress and is reviewed monthly in SMT metrics.	Complete/ ongoing reporting	Consistency across DFID procurement to use to same approach to capture EME attendance. Data can be downloaded at any time.
15 Increase Social Media footprint with the introduction of a procurement specific Twitter account	Introduce a DFID procurement specific twitter account with notices for events and funding opportunities. Upload and update the supplier engagement events calendar on DFID website.	Q2 2016		Complete/ ongoing reporting	Level playing field for notice period given for events and upcoming projects Public notifications for all to see, and encourage new SMEs to register through DFID portal @dfidprocurement twitter account now active