



Department
for International
Development



DFID Response

November 2018

DFID Response to the Independent Commission for Aid Impact (ICAI) recommendations on “Achieving value for money through procurement – DFID’s approach to value for money through tendering and contract management. September 2018”

The Department for International Development (DFID) welcomes the ICAI Review and its recognition of our concerted efforts to strengthen our procurement function with improvement accelerating in the last three years. ICAI acknowledges that “the new sourcing process means that DFID now approaches procurement for major projects in a more strategic way. More early market engagement has helped to increase competition”.

In the last year DFID has introduced new strategic sourcing approaches, contract terms and conditions that increase transparency of costs and profits, Strategic Relationship Management to improve the performance of our key suppliers, a ground-breaking Code of Conduct setting out the ethical standards and behaviours we expect from all our suppliers and the introduction of the new Commercial Platform due to launch in January 2019.

These changes are helping to deliver better development results and show taxpayers that UK aid is delivered effectively and reaches the people who need it.

Whilst a number of the areas raised by ICAI relate to areas addressed by the new strategic approaches and other change processes already underway we

have considered where we can further improve our performance.

Recommendation 1: Before the next major revision of its supplier code and contracting terms, or future changes that may materially affect suppliers, DFID should conduct an effective consultation process with its supplier market, to ensure informed decisions and minimise the risks of unintended consequences.

Agree

The update to our standard contract Terms and Conditions issued in August 2018 reflects feedback from our consultation with our suppliers. We will continue to engage in effective and open discussions with the supply market on current processes and we will consult on any future major change to our Terms and Conditions. We already have in place extensive programmes of engagement to get feedback from the supply market.

- DFID suppliers participated in a roundtable discussion chaired by Lord Bates on 29th June 2018 to set out their experiences of doing business with DFID and identify opportunities for improvement. We will continue to hold roundtables as required.
 - A Partner Voice survey issued in the summer to our contracted suppliers. This is an approach followed by other government departments. The results will be shared with our supply base and inform our future planning and engagement.
 - Supplier feedback helped inform the most recent revision of our Terms and Conditions in August 2018.
 - DFID continues to hold Early Market Engagement events for all its programmes as part of the tendering process. These events allow the market to understand our programmes and help improve their design.
 - We carried out an innovative online Early Market Engagement for the ambitious multi-disciplinary framework tendered in October. More than 100 suppliers provided detailed feedback, helping to improve the framework's design and Terms of Reference.
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- DFID's Strategic Relationship Management programme (SRM) provides a robust platform for strategic discussion and performance management at portfolio level with DFID's strategic suppliers. Introduced in January

2018, it is being phased in and on track to cover 80% of DFID's contract and grant spend by April 2019. SRM is best practice across the private sector and increasingly common in the public sector, where we have been working closely with the Government Commercial organisation. SRM provides key supply partners with a dedicated DFID relationship manager for day-to-day engagement, structured reviews six times a year and year-round executive level sponsorship in both DFID and the supply partner organisation.

- We continue to hold regional Open for Business events, led by Ministers, across the country to help local businesses understand our processes and encourage them to compete for DFID business. Over 200 organisations have attended events in Birmingham, Leeds, London and Cardiff, with further events scheduled for Edinburgh, Newcastle and Belfast. The events provide information about our markets and the type of services we buy, enabling potential suppliers to make more informed choices about how their services might be suitable for aid delivery.

Recommendation 2: DFID should accelerate its timetable for acquiring a suitable management information system for procurement, to ensure that its commercial decisions are informed by data.

Agree

- Work is underway to implement a new management information system for procurement and commercial delivery. This has required extensive analysis and development work to find a solution that meets DFID's complex core needs.
- Our investigation of the management information systems available in the current market place concluded that the market did not offer a single solution that could meet all DFID requirements, particularly integration capability with our existing finance systems and aid management platforms.
- Following an extended period of early market engagement which included consultation with aid partners and other government

departments on their best practice procurement and MI systems, we undertook a second selection exercise on a revised, simplified specification. This selection process included a 'Proof of Concept' stage where basic prototypes of shortlisted bidders were developed and tested by our sample user community. A preferred bidder was chosen and awarded a contract in July 2018. This will go live in early 2019, initially providing core functions such as e-Tendering, a supplier portal and a central contract register. Subsequent future phases will enhance and build on this to include further contract types and agreements such as accountable grants, memorandums of understandings, with low value contracting following through 2019.

- The system is being introduced in an agile manner with our user needs and research informing all aspects of its design. The system will be fully tested by staff with a training and change management strategy established to assist staff in developing the capability and confidence to use the new system effectively. A supplier network will also be established to provide a forum to engage with suppliers and receive early feedback on our improved external portal and the advertising of opportunities.

Recommendation 3: DFID should instigate a formal contract management regime, underpinned by appropriate training and guidance and supported by a senior official responsible for contract management across the department. The new regime should include appropriate adaptive contract management techniques, to ensure that supplier accountability is balanced with the need for innovation and adaptive management in pursuit of development results.

Agree

- Over the last few years DFID has invested heavily in building programme management capability across the full range of competencies set out in its Programme Management Capability Framework (PDCF). While contract management is reflected in this framework, we agree that there is a need for greater strengthening in this area.

- DFID is working with the Cabinet Office as part of its cross-government Contract Management and Capability Programme (CMCP) initiative. This programme will provide training and accreditation for all DFID staff who manage, support or oversee a contract, Memorandum of Understanding or Accountable Grant. Based on the Contract Management Professional Standards, staff will be accredited at three levels – Foundation, Practitioner and Expert. The level at which an individual is accredited will depend on the activities for which they are responsible and the value, sensitivity and political risk of the contract.
- We will aim to ensure that all of our programme managers complete the Foundation level training over the next two years. We are also investigating ways to develop the higher levels of expertise across DFID to strengthen the management of the full range of our programme funding arrangements including MoUs and accountable grants as well as contracts.
- DFID's Director of Finance and Delivery has been appointed Senior Transformation Lead for the programme and will lead work to improve contract management. We aim to adopt best practice identified by the Cabinet Office and other government departments and to develop an approach which best reflects DFID's operating model, optimises value for money and balances supplier accountability with innovation and flexibility in delivery.