



Department
for International
Development



Small to Medium Enterprise Action Plan



June 2019

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Forewords



I am delighted to have taken on the role of DFID’s Ministerial Champion for Small and Medium Sized Enterprises.

There are over 5.7 million Small to Medium Enterprises in the UK. They are the motor of growth in our economy, driving innovation and greater productivity, finding solutions and creating jobs.

SMEs also play a vital role in delivering UK aid to millions of poor and vulnerable people throughout the world.

DFID has long recognised the importance of SMEs. Recent figures published by the Cabinet Office show that over 40% of DFID funds in 2017-18 were delivered through SMEs – one of the best outcomes in government. In the last two years, we have introduced a range of reforms to make it easier for SMEs to work with us as suppliers, or as sub-contractors in our supply chains.

But we can and will do more. This SME Action Plan sets out how we will continue to draw on the skills, energy and expertise of small businesses – both in the UK and in our partner countries – to help us deliver effective, good value development programmes to reduce global poverty in the UK national interest.

Baroness Sugg

Parliamentary Under Secretary of State for International Development & SME Champion



In my role as the Crown Representative for SMEs, I am very keen to work with all government departments to share best practice and to promote the benefits of working with our smaller businesses.

Having recently visited the Commercial Team in East Kilbride, I was particularly encouraged to learn about the progress DFID have made in increasing the amount of business they do with SMEs.

As a department, DFID are clearly demonstrating both their commitment and drive to do more business with our smaller companies. This action plan builds on those achievements and will help DFID to deliver the next phase. I very much look forward to working with colleagues at the department to help support them in achieving their ambitious targets.

Martin Traynor

Small Business Crown Representative, Cabinet Office



I am proud of the work DFID has done to date supporting the governments SME agenda. There are still areas that can be improved, and the department strives to be a government leader.

SMEs are a vital part of DFIDs supply network and since 2015, have accounted for over 30% of the departments contracted spend. I would like to see this trend continue to grow in the coming years

We recognize that SMEs still face challenges when it comes to working with DFID and other government departments. However, the department will continue to focus on new initiatives and processes to reduce these barriers and make our funding opportunities more accessible for both UK SMEs and local in-country businesses. Growing and improving markets both in the UK and around the world.

With this SME action plan and DFIDs commitment to continuously improve our practices, the department is on track to achieve 40% SME spend by 2022, a stretching goal above the UK governments target of 33%.

Nick Ford, FCIPS

Head of Procurement and Commercial Department

Background

The Department for International Development (DFID) leads the UK's work to end extreme poverty. We are tackling the global challenges of our time including poverty and disease, mass migration, insecurity and conflict. Our work is building a safer, healthier, more prosperous world for people in developing countries and in the UK too.

DFID's main responsibilities are strengthening global peace, security and governance, strengthening resilience and response to crisis, promoting global prosperity, tackling extreme poverty and helping the world's most vulnerable and delivering value for money for the UK's tax payer.



Our Aim

The Government has launched extensive initiatives, since 2010, to improve and increase opportunities for small to medium enterprises (SMEs). In 2015, the government increased the previous 25% target to 33% (one third of the DFIDs commercial spend) to reach small to medium enterprises through direct spend or indirectly through the supply chain by 2022.

What are SMEs?

An SME is any organisation that has fewer than 250 employees and a turnover of less than €50m or a balance sheet total less than €43m. A breakdown of the different organisation sizes is in the below table.

Table – Defining an SME

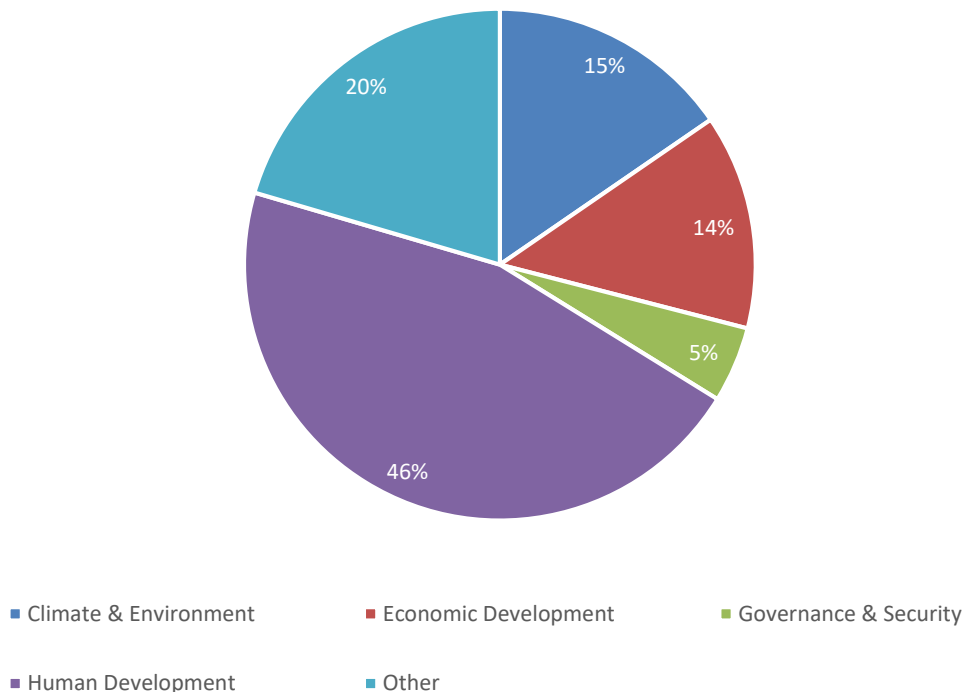
Turnover or balance sheet total	Headcount	Business size
≤ €50 million or ≤ €43 million	<250	Medium sized
≤ €10 million or ≤ €10 million	<50	Small
≤ €2 million or ≤ €2 million	<10	Micro

DFID has already implemented a range of measures designed to increase SME participation and support economic growth. However, the organisation is committed to continuously improve on the opportunities available to SMEs and support the government target. DFID is keen to be a government leader and ensure best practice with our work with SMEs.

DFID Spend

In 2017/2018 DFID spent £1.19 billion through contracts with suppliers. The chart below is a breakdown of this spend by thematic sector.

Summary



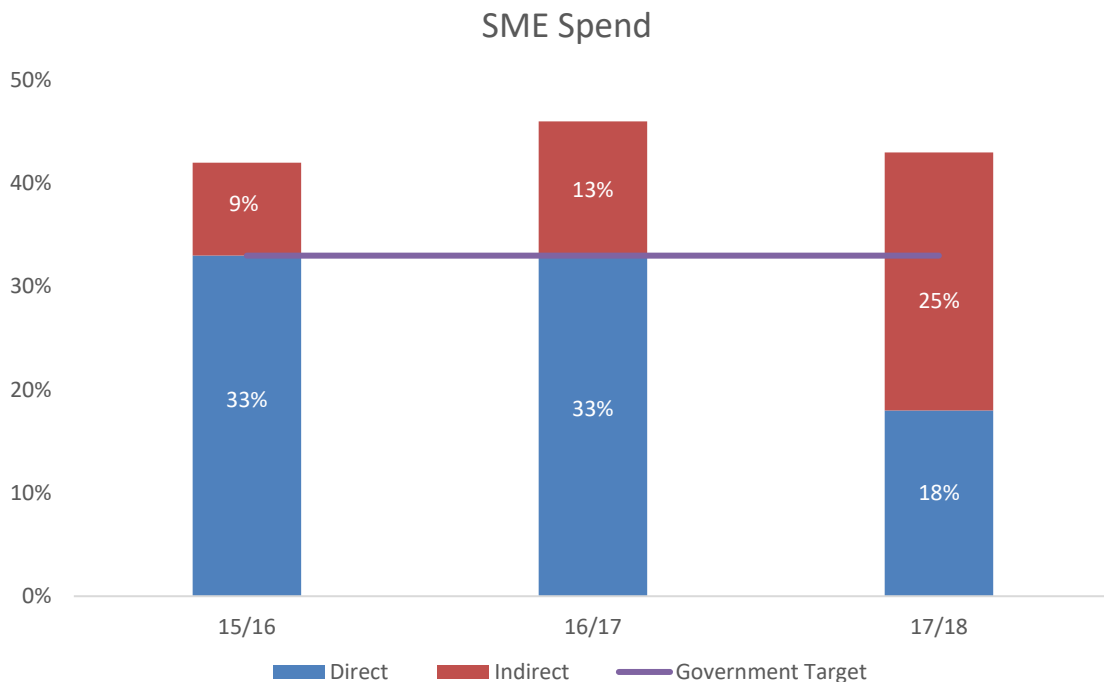
DFID operates in over 30 countries worldwide running a variety of contracts in various sectors. The chart above shows for the last financial year the majority of contractual spend targeted Human Development.

Our level of spend in categories changes on a yearly basis as our programmes often depend on government priorities and country need. Within our categories of spend there will be significant differences in the number of direct and indirect opportunities for SMEs, for example, DFID has frameworks and uses pre-existing contracts that have been put in place by other government departments. This affects some of our approaches to SME engagement and spend due to these contracts being closed, however suppliers on our frameworks are still encouraged to use SMEs where possible.

DFID also use other methods of funding for select programmes for example accountable grants and Memorandum of Understanding (MOU), which could be of interest for SMEs to utilise.

DFID SME Spend

DFID's historical SME spend from 2015/2016 to 17/18 is included in the table below. DFID is fully committed to supporting SMEs within our supply chains and contributing to the government's targets. DFID's total SME spend for 2017/18 was 43%, continuing to exceed the target of 33%, which recognises DFID's continuing commitment to support SMEs both directly and across the wider supply chain.



DFID's focus on improving its business opportunities, awareness and facilitating SME access to its tenders have generated a consistent growth in indirect SME spend.

Although there was a fall in direct spend with SMEs in 2017/18, this was driven by several delivery partners growing in size and no longer being classified as SMEs. This is a positive sign that our commitment to working with and support SMEs is helping them to grow.

A 2022 stretch target of maintaining 40% for DFID's total SME spend each financial year has been set by our Ministers. Using forecasted projections, the organisation is currently on track to achieve the DFID stretch target of 40% SME spend by 2022. We continue to collate SME spend data and report this on an annual basis.

SME Case Study

DFID are committed to support SMEs throughout our supply market. Some of our suppliers have worked with us for many years and have now grown to the point where they are no longer classified as an SME. Oxford Policy Management (OPM) have worked with DFID for several years and over that time have grown. We asked them what it was like to work with DFID as an SME, you can read about their experience in the case study below.

As an SME, how do you approach bidding for DFID contracts?

We consider a wide range of project elements and issues when approaching working with DFID, including:

- Capacity and expertise assessment: A review of potential upcoming DFID projects in line with our expertise, resource availability, organisational strategic priorities, and our mission goals.
- Risk assessment and operational review: A full consideration of any tax, legal, staff security, contracting, and operational compliance issues.
- Technical review: Assessment of likely approach, scope, impact objectives, partners. Including discussions with potential subs/partners (if relevant) regarding approach and ensuring any required compliance elements (due diligence etc.) are in place.

If OPM are successful, how do you build strong working relationships with programme team?

Key steps that we take include:

- o Welcoming feedback: We act on any feedback received and request early meetings or discussions to ensure clarity and to constructively discuss feedback given. This enables us to develop and effective relationship with the Programme Team
- o Supporting changes: We are conscious that changes in local Programme Teams can present challenges. Our teams actively seek early meetings with incoming team members to help get them up to speed and support handover meetings with any outgoing team member.

What factors apply when determining to bid as a Lead or Sub Contractor?

Various factors may underpin a decision on whether to lead, including:

- o Scope and requirements of the specific project: Whether we have all of the necessary capability, experience, and capacity or if we need to sub to or partner with another organisation that has a greater breadth of experience in a subject area.
- o Logistical and in-country requirements: Where we have an existing in-country office and support staff available it may make more sense for us to lead rather than to partner or vice versa.
- o Culture and mission of a potential partners: We prefer to work with organisations with values and objectives similar to our own thus making for a more successful working relationship and project.

Being a sub does present challenges that need to be mitigated, for example, a sub may not always be directly included in discussions. However, we have found that an ability to move between the two roles on different projects – acting as lead in some instances or acting as sub in others - can offer significant value from a learning viewpoint. We believe the ability to act in each role gives us a better understanding of the lead/sub relationship and potential difficulties that can arise in each position; this helps us to build better governance, a stronger culture of openness and collaboration, and more effective knowledge sharing arrangements for consortium when we lead.

DFID Pipeline

DFID’s commercial pipeline is available to view on the DFID gov.uk website (link included ‘Useful links’ page).

Our pipeline is a live forward look at all upcoming potential commercial activity and is updated on a quarterly basis.

A pipeline is of benefit to all organisations that may bid for DFID contracts, especially SMEs as it allows them greater time to prepare.

Benefits of a Commercial Pipeline:

- It makes the market aware of future opportunities, ensuring a competitive market exists
- It allows organisations to plan their resources better to ensure they can respond to tenders on time
- Increase competition by improving the information we give the market about future opportunities
- Outlines when the required services are intended to be procured
- Ensures transparency when going to market

Pipeline Example

	Contract Title, Project ID, Project Title, Component Title, and Country	Value	Start - End
5	<p>Contract Title: African Cities Research Programme</p> <p>PO Number: 8211</p> <p>Contract Description: The programme will generate new, operationally-relevant evidence to help tackle the most significant problems constraining growth and development in individual African Cities. It will do this by increasing knowledge and understanding of the political economy of African cities and how the political settlement shapes, reforms and obstructs the city as an interlinked and complex system.</p> <p>Thematic area: Research</p> <p>Approach to Market(OJEU): Q1 2019</p>	£32.15m	2020 - 2026
6	<p>Contract Title: Research programme contract (RPC) on Cross-Border Conflict Evidence Policy and Trends (XCEPT)</p> <p>PO Number: 8292</p> <p>Contract Description: Research programme to carry out research on cross border conflict across the Middle East, Asia and Horn of Africa</p> <p>Thematic area: Governance, Conflict and Social Development</p> <p>Approach to Market(OJEU): Q2 2019</p>	£14.75m	2020 - 2026

Please note: The pipeline is subject to revision by DFID and entries may change

Action Plan

The UK Government continues to be a significant influential force in global aid and development. The political environment continues to represent unprecedented challenges in the countries supported by DFID.

We remain committed to encouraging and supporting SMEs and increasing their level of spend (directly or indirectly).

DFID has three key areas of focus to encourage greater SME participation:

1. SME Opportunities
2. Continual Improvement
3. SME Relationships with Larger Organisations

Within each key focus area, we have three outcomes that we aim to achieve and have included actions on how the department intends to reach each goal.

The action plan is a live document and the department will be actively refreshing it with new actions and updates via the gov.uk webpages.

There will be a continued focus on the importance of the SME agenda across DFID and its supply chain by reviewing the actions we are taking and updating our action plan on quarterly basis.

Outcome 1: Visibility

What we've done:

- DFID are committed to make all our opportunities visible to the market. Using internal databases to gather intel as quickly as possible, we advertise our opportunities through [Social Media](#) and our Calendar of Engagement Events, regularly updated on [gov.uk](#). From here suppliers can register to attend Early Market Engagements or contact us to access to further information. Each quarter we release an updated pipeline on gov.uk

Action:

- DFID will monitor and review registrations and enquiries to ensure our process is successful. We will also share adverts from other government departments and vice versa, to increase opportunities for our supply base.

Outcome 2: Accessibility

What we've done:

- To ensure maximum attendance of our market engagement events, DFID are now making more use of technology by using online platforms such as Microsoft Teams, Skype and Survey Monkey along with the traditional in-person event. These routes allow the events to be accessible to all, regardless of your location.

Action:

DFID are rolling out a refreshed approach to market engagement, maximising the use of technology approach to improve how suppliers can access market engagement events.

Outcome 3: Communication

What we've done:

- DFID are keen to offer the best support possible to suppliers while also being able to communicate clearly. The [Supplier Engagement](#) and [SME engagement](#) mailboxes have been set up to offer suppliers another channel to access information. These mailboxes are tracked and monitored, and we aim to respond to all queries within 4 working days. This ensures our supply base can contact DFID regarding any procurement queries.

Action:

- Continued engagement with SMEs and new potential supply partners by hosting and attending several supplier events offering informative DFID guidance.
- Deliver quarterly "How to bid for DFID Contracts" webex aimed at SMEs, helping them understand how to bid.
- Develop regular SME focused events to allow SMEs to engage with DFID directly on key issues and concerns.

SME Opportunities

Continual Improvement

Outcome 1: Best Practice

What we've done:

- DFID has set high, but achievable standards across the UK aid supply base with clear Terms and Conditions.
- Our terms & conditions and the Code of Conduct set the standard for financial management, transparency, ethical behaviour, respect for human rights, social responsibility and safeguarding against sexual abuse, exploitation and harassment and they allow the department to have confidence in our supply base.
- This approach aids suppliers to achieve best practice in areas that will also improve their business with other customers. The new model contract and Code of Conduct has already been adopted by the FCO for its new CSSF and Prosperity Fund framework.

Action:

- Continue to support our supply base with our terms and conditions and keep the market informed on version updates.

Outcome 2: Compliance

What we've done:

- A central Compliance & Risk team is now in place to consistently manage compliance and risk across our Supply Partner arrangements, on an ongoing basis. There are three levels of compliance with the Code. The lower levels were developed after consultation to ensure the Code does not act as a barrier to smaller supply partners working with DFID.

Action:

The team will work collaboratively with our supply partners to achieve compliance in an agreed timeframe in areas where you may not have been able to reach standards set within our code.

Outcome 3: Opportunities

What we've done:

DFID is committed to making our opportunities available to all organisations, including SMEs.

- We are using new contracting methods, including adding 'lots' to our contracts to encourage increased opportunities for SMEs and micro SMEs. For example, the new IMDP Framework due to commence early 2019/20 fiscal year has been split into 2 lots per thematic area:
 1. Low value Lot. Spend up to £3m which can be Direct award or via mini competition
 2. High value Lot. Over £2m up to £12m which can be Direct award or mini competition
- All direct contract opportunities are published on Contracts Finder and you can be alerted to opportunities if you are registered on the DFID Supplier Portal
- All sub contract opportunities (>£25k post award) will be advertised on Contracts Finder by the lead (prime) supplier

Action:

- Increasing framework opportunities, more becoming available that allow SMEs to bid individually or as a member of a consortium, with the market being informed at the earliest possible stage.

SME Relationships with DFID & Large Organisations

Outcome 1: Market Events

What we've done:

- DFID ran a number of successful 'Open for Business' events in 2018 engaging with potential suppliers from across the UK. Using feedback from these events, we are now planning focused "Matchmaking" events.

Action:

- Increase market collaboration events to support developing and scoping future DFID programmes.
- Developing match making events to allow potential suppliers to network with other SMEs and large organisations to discuss working together
- Working to end the practice of exclusivity, allowing SMEs to work with multiple organisations - maximising the chance of winning DFID work.
- Develop regular SME focused events to allow SMEs to engage with DFID directly on key issues and concerns.

Outcome 2: Reducing Barriers

What we've done:

Our lead (or prime) suppliers are obliged under our Terms and Conditions to:

- advertise subcontract opportunities >£25k on Contracts Finder
- report on how much they spend on subcontracting, and separately how much they spend directly with SME or VCSE organisations in the delivery of the original contract

Action:

- Deeper analysis of SME Data (including the collation of indirect spend with SMEs) to help build an improved understanding of the department spend and where we can improve.

Outcome 3: Collaboration

What we've done:

- DFID have a large and varied supply network with suppliers of all shapes and sizes involved in the delivery of our programmes. The Strategic Relationship Management team, brought in following the supplier review, are working with our highest impact prime suppliers and regularly engage with them on working with SMEs and how they can support the SME agenda and opportunities across key contracts.

Action:

- Strengthening our strategic dialogue with primes to ensure they are taking all necessary action to encourage SME participation in the supply chain.

Strengthening our dialogue with SMEs across different tiers of the supply chain to identify barriers to working with DFID or our primes.

Our Commitment

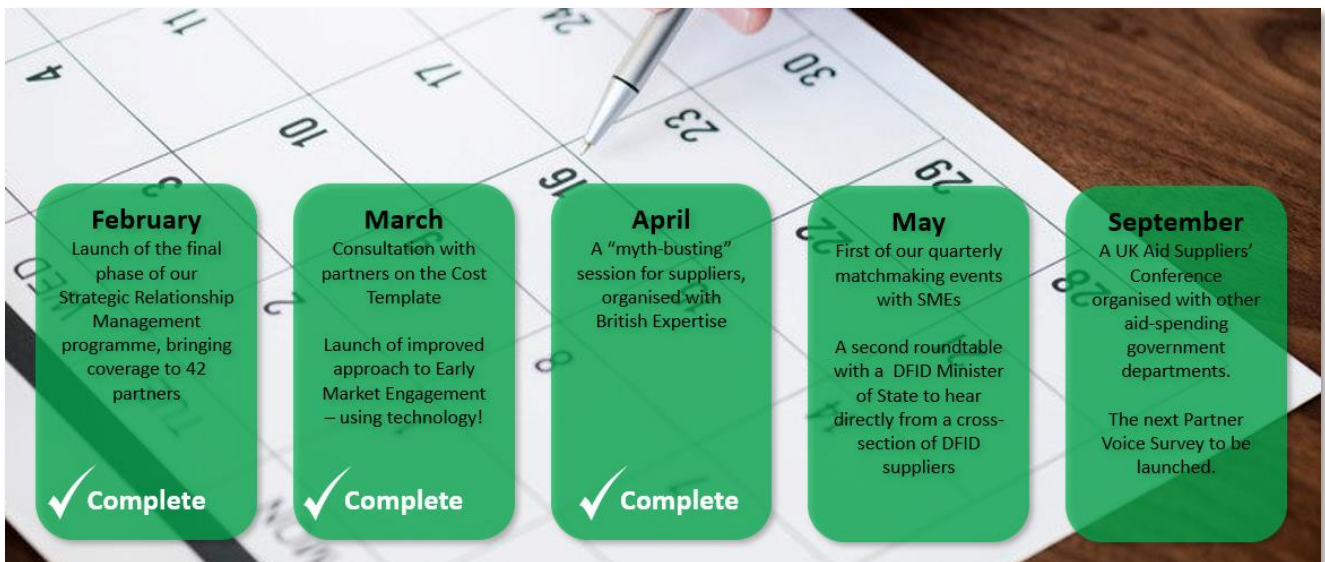
Value for money remains at the forefront of DFID's commercial agenda, continually striving to ensure the best value for taxpayers' money and through enabling more supply partners DFID will increase bidding levels and deliver wider benefits from DFID's current and future programmes.

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.

The Future

- Promotion of DFID pipeline on gov.uk, regularly updating the document when changes are made
- DFID are working to introduce a Social Value policy that will address social impact through procurement and will apply to all contracts over the OJEU threshold.
- Share good news stories linked to partnership working informing the supply base of the effective measures in place through Social Media and on gov.uk
- DFID will engage with Federation of Small Business (FSB) to seek their support on the process laid out within this action plan.



Useful Links

[DFID Website:](#)

[DFID Supplier Portal:](#)

[Commercial Pipeline:](#)

[Contracts Finder:](#)

[Calendar of Engagement Events updated in this page:](#)

[Social Media:](#)

[Email: supplierengagement@dfid.gov.uk](mailto:supplierengagement@dfid.gov.uk) or SMEengagement@dfid.gov.uk

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