



Department
for International
Development



Supplying Value

Conference Report 2013



Introduction

Supplying Value – DFID’s inaugural supplier conference - was held on 17th July 2013 at the BIS Conference Centre, London. Over 30 of DFID’s key suppliers, including private sector companies, NGOs and SMEs attended the conference alongside senior DFID representatives for a series of presentations and workshops focussing on the theme Supplying Value.

Opening remarks

Joy Hutcheon, Director General, DFID

The conference was opened by Joy Hutcheon, Director General, Country Programmes and member of DFID’s Executive Management Committee. Joy shared information about DFID’s current focus and future direction and priorities, enabling suppliers to factor these into their own business planning. Key points included:

Current focus

DFID’s current focus is on results and delivery. The department is working hard to support the scaling up of UK aid to 0.7% of GNI. This work is currently on plan but continued focus is required to ensure successful achievement. There is a clear focus on doing this in ways which ensure value for money, reduce risks of fraud and corruption and increase transparency.

Looking ahead

- The UK has been at the forefront in both the UN High Level Panel Report on the Post 2015 Development Framework and the 2013 G8 summit.
- The final set of post 2015 goals will be agreed over the next two years. We are pleased with the principles set out in the High Level Panel’s report, particularly the scale of ambition and the ‘Leave No One Behind’ principle.
- The G8 summit had a very clear agenda: open trade, fairer taxes and greater transparency. We believe we made real progress on all three of these, which are key parts of the ‘golden thread’ required to create free and prosperous societies.
- DFID’s emerging priorities include:
 - Economic development – both in terms of strengthening business environments and directly engaging more with the private sector.
 - Unlocking the potential of women and girls, by lobbying on key issues and increasing our programming, with a particular focus on ensuring control of economic assets.
 - Strengthening our work in fragile and conflict affected states. This will include a clear focus on work to increase accountability and transparency - key elements required to establish and underpin open societies.

Reflections on DFID’s supplier management activity

- DFID’s shift of focus onto results is permanent. Transparency and accountability remain key to DFID’s operations. Improving VfM and the measurement of results are top priorities.
- Supplier performance needs to be actively managed. Suppliers and DFID will need to get better at holding frank conversations to challenge areas of poor performance while at the same time working together more collaboratively.
- There is a need to plan ahead to strengthen and deepen DFID’s supply base and markets, particularly in fragile and conflict markets. Suppliers and DFID each have a part to play in this.



Delivering more for less

Martin Bowden, Head of Profession for Procurement, DFID

Martin discussed the challenge of 'delivering more for less', providing an update on progress with commercial reform in DFID and focussing on the need for DFID and Suppliers to work together more effectively. On this latter point, he highlighted three things that Suppliers and DFID will need to do to enable more effective collaboration.

Commercial reform in DFID

Improved commercial management and a more strategic approach to procurement is a key part of DFID improving value for money. Commercial priorities this year are:

- to deliver 0.7 while maximising value for money, with an emphasis on increasing early market engagement as a means to do this;
- to embed key supplier management and structured performance monitoring of top contracts;
- to deploy and embed more specialist Commercial Advisors at the frontline and;
- to deliver high quality commercial learning and development across DFID.

Our opportunity: Collaborate more effectively to deliver better VfM

Martin challenged suppliers to increase value for money, recognising that significant value for money benefits can be gained if we - Suppliers and DFID – can engage and collaborate more effectively. This is reflected in the Statement of Priorities & Expectations, which provides an important perspective on where and how collaboration can deliver more.

Improving collaboration is not easy and the challenge for all of us is to implement the changes necessary to drive this improvement. These include:

1. Developing and retaining a shared focus on maximising value. Simply put, this means driving the greatest possible development impact at the lowest possible total cost;
2. Actively managing and maximising our alignment. We all need to build on the many areas where DFID and Supplier goals and objectives align and to manage carefully the areas/ occasions where we have different perspectives.
3. Recognising that this will be challenging and will require change. There is no 'silver bullet' solution. Real progress will require commitment and sustained effort.

Martin closed by noting that together DFID and its Suppliers have made good early progress improving collaboration. There is a strong commitment to this from DFID and clear evidence of commitment from our Suppliers too - we have a great opportunity to improve together.

Challenges for programme teams

Peter Hawkins, Head of Profession for Programme Management, DFID

Peter Hawkins, DFID's newly appointed Head of Profession for Programme Management, provided an update on DFID's programme management activity and future strategy. He opened a discussion on the challenges faced both by DFID and supplier programme teams.

The discussion included the following observations:



- Whilst Programme Management can sometimes be misunderstood as being an 'admin' activity rather than one critical to the delivery of programmes, DFID is taking positive steps to professionalise programme management. Suppliers were pleased that Peter brings a wealth of overseas experience to this new role.
- DFID and its supply chain needs to strengthen the approaches used to capture and share lessons learnt and to build institutional memory. Suppliers were tasked with submitting ideas to DFID on how this could be achieved.
- Continuity in the definition and implementation of VfM principles throughout DFID, particularly across country programme teams, is essential for effective programme delivery. Administrative tasks should be managed carefully to avoid them becoming a distraction from the core goal of ensuring a greater focus on overall programme performance and the delivery of outputs.
- Further clarity of roles and responsibilities both within DFID and between DFID and suppliers is needed to ensure effective communication in the delivery of programmes.
- There is a continuing need for regular reviews, communication, feedback and improvement plans for programmes.
- DFID and its suppliers should build more flexibility into DFID's programmes so that spending can be adjusted during delivery. Programme teams must be honest and frank about programme performance so that spending can be adjusted where appropriate

The future of international development and the role of the private sector

David Elliott, Head of Profession for Private Sector Development, DFID

David Elliot led a round table discussion on the future of international development and the role of the private sector. The discussion centred around three topics:

- Reading the Runes
- Strengthening the Relationship
- Rules of Engagement

The following points emerged:

- There is a shift in emphasis towards wider 'economic development' (recognising that this includes but extends beyond 'private sector development').
- We can expect greater dialogue and engagement between DFID and the private sector.
- Monitoring and evaluation should be utilised to help shape programmes during the delivery phase.
- A high standard of verified data, clear programme objectives and sophisticated measurement mechanisms are needed to fully exploit the benefits of 'payment by results' programmes. The move towards payment by results is positive and will need to be carefully managed given the challenges involved – this is a learning process.
- There is a need for staff to understand both the complexities of international development and the strengths and challenges of the private sector. DFID and private sector partners need to work to understand each other's perspectives.
- There is potential for development organisations to partner with private sector companies. An example of the extractives industry was given, whereby the potential development impact can differ according to the resource mined/extracted.



Rt Hon Justine Greening MP **Secretary of State for International Development**

The Secretary of State recognised that suppliers play an important role for DFID and reiterated the need to continually improve value for money. She reinforced that this required suppliers and DFID to consider what can be done in our own organisations and ways in which we can collaborate and work more effectively. The Secretary of State highlighted greater transparency as a way to drive improvement and challenged all organisations receiving and managing funds from DFID to release open data on how this money is spent.

Key points made by the Secretary of State included:

- Recognising that there has been good progress since her meeting with key suppliers in November last year and that maintaining this pace to continually improve value for money and performance is fundamental for a healthy and effective supply chain. Transparency, accountability and value for money must be central to everything we do.
- Reminding suppliers that Ministers now scrutinise the award of all contracts over £1m to ensure value for money and review supplier performance in more detail.
- Highlighting that transparency is of vital importance. It helps us to demonstrate the value for money we deliver and improve the effectiveness of our work. The UK Aid Transparency Guarantee commits DFID to making our development work fully transparent. The Secretary of State reiterated her expectation that all organisations receiving and managing funds from DFID – including suppliers and NGOs – should release open data on how this money is being spent.
- Re-emphasising the future focus areas noted by Joy Hutcheon, Suppliers should expect and plan for an increased focus on; economic development and ending aid dependency through jobs; unleashing the potential of women and girls; leading in emergencies and; more of DFID's work being in fragile and conflicted affected regions. DFID's focus on increasing value for money, transparency and results will continue.
- Confirming that alignment with our Statement of Priorities & Expectations is key:
 - DFID needs evidence that suppliers are applying the principles of transparency to show where aid money goes.
 - Prime contractors need to manage their supply chains effectively with evidence of true supply chain development and collaboration.
 - Suppliers should also be making greater use of local staff with a stronger emphasis on building local sustainable capacity.
 - Suppliers should develop their capacity and capability to operate in our focus countries, especially in fragile states.

The Secretary of State noted that DFID and suppliers must build on the good progress made to continue driving improvement and that the Supplier Conference – which will be an annual event – would help us to collaborate and improve value for money.



Supply Chain Development

Louise Capaldi, Head of Strategic Sourcing, DFID

Andy Brock Managing Director International Health and Education, Cambridge Education and HLSP

Nick Santcross, Divisional Director, Health and Education International, Mott MacDonald

Louise Nicholls, Head of Responsible Sourcing, Marks and Spencer

- Louise Capaldi gave an overview of DFID's Statement of Priorities and Expectations for Suppliers, in particular highlighting the roles that suppliers have in developing more sustainable supply chains, beyond using local suppliers as part of bid teams but in developing sustainable capacity in countries.
- Andy Brock and Nick Santcross presented the proactive steps that Mott MacDonald has implemented in response to the DFID Statement of Priorities and Expectations and the SoS' challenge for increased value for money. Their response reflects on what they are already doing well and what they could do better. This included greater attention to collaboration, staff exchanges, applying lean processes and the establishment of the Centre of Excellence which aims to promote best practice in DFID programmes.
- The presentation provided a good case study for suppliers to consider when developing their own approach in fully implementing DFID's Statement of Priorities and Expectations.
- Louise Nicholls, Head of Responsible Sourcing at M&S presented M&S' 'Plan A' and the company's approach to developing a sustainable supply base. Whilst operating in a different industry, direct parallels in embedding sustainability and building a strong supply base could be drawn for DFID's suppliers. Louise Nicholls emphasised that Marks and Spencer have made 'Plan A' a part of their business, rather than a separate programme. They have seen clear benefits, including:
 - Made a real difference to the issues M&S tackles
 - Built reputation with customers & stakeholders
 - Motivated their people
 - Opened up new markets
 - Mitigated risk
 - Delivered financial return
- Louise explained the three stages undertaken to develop the supply chain:
 - 'Getting going' – embedding standards, measurements and shared systems – driven by M&S requirements
 - 'Creating change' – collaboration, training programmes, conferences, defining sustainability and applying an honest approach with a strong emphasis on lesson learning.
 - 'Self-sufficiency' – enabling the supply base to drive this for themselves.



Improving value for money – shared supplier facilities

Bryan Richmond, Crown Agents

In recognition of the opportunity of improved value for money through greater supply chain collaboration, DFID along with Crown Agents, explored the potential for suppliers to take the lead in reducing costs through sharing overseas facilities.

- There was a general view that shared supplier facilities would offer a range of opportunities and benefits for DFID and suppliers. This is however a complex process to realise.
- Sharing some facilities would be easier than others, e.g. sharing office space would be more complex than leveraging cross supplier volumes to reduce hotel and vehicle costs.
- Whilst some suppliers expressed an expectation that DFID, rather than suppliers, would lead this activity, Crown agents took the positive step in coordinating with a smaller group of suppliers in undertaking pilots to explore and develop this opportunity further.

Working with small enterprises

Kevin McGrath, DFID

Thomas Pedrick, Director at PwC

- Kevin McGrath encouraged discussion on how medium to large suppliers can improve the engagement and involvement of SMEs. Kevin drew examples from DFID's SME action plan, with its achievement of 31% spend via SMEs in response to the HMG target of 25%, to stress the importance of SMEs in growing the economy and the subsequent initiatives to remove the barriers for SMEs bidding for public sector requirements.
- Thomas Pedrick provided a PwC perspective on using SMEs, highlighting Cabinet Office data returns showing that 49% of their spend is via SMEs. He identified PwC's 'Alliance' approach and the rationale for using Alliance partners to develop strategic partner relationships.
- The feedback session examined issues of barriers for SMEs bidding directly, exclusivity agreements, SMEs as part of consortia on DFID frameworks and statistical returns on SME data from suppliers to Cabinet Office.

How Voluntary, Community and Social Enterprises (VCSEs) can thrive in public contracting

Michael O'Toole, Cabinet Office

This workshop discussed how VCSEs can play an effective and sustainable role in supply chains, providing both good practical examples to help 'small' enterprises and considerations for medium – large enterprises for developing SME engagement as a whole.

- The workshop covered new models of commissioning and the opportunities and risks for VCSEs, performance related contracting, outcome-based commissioning and payment-by-results.
- There was a discussion on the potential benefits of VCSEs to public service buyers as well as some of the key issues that VCSEs face.



Closing Remarks

Martin Bowden provided brief closing remarks drawing on the highlights from the conference and thanking the team and attendees for the positive engagement, collaboration and excellent dialogue throughout the day.

Martin highlighted three key takeaways / themes that he had noted throughout the day:

- The importance of sharing information and experiences to support lesson learning.
- The relevance of considering 'Value' as being the achievement of the greatest possible Development Impact at the lowest possible Total Cost.
- The appetite among Suppliers and DFID to embrace the collaborative agenda and to use it to challenge and improve the way we do business.

Supplying Value was the first of what is planned to become DFID's annual supplier conference. The event was successful in bringing together a large group of DFID's suppliers to discuss a variety of topics around value for money and allowed suppliers to network, share experiences and engage with senior DFID stakeholders.



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