

DEPARTMENT FOR INTERNATIONAL DEVELOPMENT

SME Action Plan November 2016



Department
for International
Development



UKaid
from the British people

Background

The Government has launched extensive initiatives since 2010 to improve and increase opportunities for SMEs. The Cabinet Office reports that 27.1% of central government direct and indirect contracted business spend in 2014/15 was with SMEs. DFID is fully committed to supporting SME's and to contributing to the Government's targets. Since 2010 DFID has implemented a range of measures designed to increase SME participation and support economic growth. Table 1 below illustrates the growth in DFID's direct contractual spend with SME Organisations in the period between 2012 and 2016.

DFID's direct and indirect SME spend for 2014/15 was 38.8%, exceeding the targeted levels of 33%. This means that across government DFID has the second highest proportion of contractual spend with SME's (See table 2 below). DFID's direct and indirect SME spend total for 2015/16 was 41.3%, recognition of the continuing commitment to support SMEs both directly and across the wider supply chain.

A 2020 stretch target of 40% for DFID's direct and indirect SME spend has been set. This plan outlines how DFID has and will continue to support both the Government's SME agenda and SME organisations directly and actions that are being taken to enable the achievement of the 2020 target.

Table 1
Direct SME Spend

	12/13 £	13/14 £	14/15 £	15/16 £
Total SME Spend	232,001,386	310,950,188	367,724,460	430,983,746
Total Procurement Spend	729,606,024	1,032,921,595	1,237,767,377	1,342,314,478
% SME Spend of Total Spend	31.8%	30.1%	30%	32.11%
UK Government Target	25%	25%	25%	33%

Table 2

Central Government Direct and Indirect Spend with SMEs

Department	2014/15 Full Year						2020 SME Target (Direct and indirect)
	Total Procurement Spend (£m)	Direct Spend with SMEs (£m)	Direct Spend with SMEs as %	Indirect Spend with SMEs (£m) 2	Indirect Spend with SMEs as %	Total Spend with SMEs as %	
BIS	£1,815	£411	22.7%	£55	3.0%	25.7%	42%
CO	£210	£18	8.6%	£19	9.0%	17.6%	33%
DCLG	£267	£60	22.6%	£8	2.8%	25.4%	28%
DCMS	£367	£125	34.2%	£12	3.3%	37.5%	33%
DECC	£2,129	£43	2.0%	£378	17.8%	19.8%	30%
DEFRA	£1,357	£213	15.7%	£78	5.7%	21.5%	33%
DfE	£398	£120	30.2%	£7	1.9%	32.1%	33%
DFID	£1,238	£367	29.6%	£113	9.2%	38.8%	40%
DFT	£3,538	£130	3.7%	£1,044	29.5%	33.2%	33%
DH	£1,782	£202	11.3%	£151	8.5%	19.8%	23%
DWP	£2,982	£151	5.0%	£332	11.1%	16.2%	33%
FCO	£387	£103	26.5%	£47	7.3%	33.8%	33%
HMRC	£1,372	£137	10.0%	£119	8.7%	18.7%	25%
HMT	£92	£6	6.4%	£2	2.2%	8.6%	10%
HO	£2,603	£201	7.7%	£310	11.9%	19.6%	20%
MOD	£19,582	£822	4.2%	£2,973	15.2%	19.4%	25%
MOJ	£4,753	£1,766	37.2%	£210	4.4%	41.6%	38%
Other				£1,408			
Total	£44,871	£4,876	10.9%	£7,266	16.2%	27.1%	29.7%

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. More and more work is carried out in fragile and conflict affected environments. This 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:

Ease of Engagement for SME's	<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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SME Friendly Procurement Practices	<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 SME’s
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Strengthen SME Relationships with Prime Contractors	<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 ➤ Key Supplier SME plan
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To address the challenges faced by SME’s, DFID applies a wide range of interventions to address many of the potential barriers to entry particularly:

Procurement Interventions to Date aimed at increasing SME access	<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 SME’s to tender for smaller lower value contracts, encouraging access ➤ Early Market Engagement, through Prior Information Notices (PIN) and social media alerts and topical Supplier Days ➤ Creating opportunities for SMEs to access business via sub contract routes with Lead Contractors ➤ Extended Information Forums - Increased interaction with suppliers 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
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- to OJEU release
- Amendment to Terms and Conditions : Non Exclusivity
- Statement of Priorities and Expectations launched ensuring joint commitment and alignment regarding transparency, integrity and behaviours and IATI commitment

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 SME's allowing them clearer and closer access to programme design and delivery.

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

DFID Framework Operators

	Total Lead organisations	SME Lead Organisations	SME sub contractors
GEFA (Global Evaluation)	27	20	
PEAKS (Professional Evidence and Applied Knowledge Services)	4	3	33
EACD (Expert Advisory Call Down)	4		87
Wealth Creation	23*	10	
Forensic Audit	8	8	
Goods & Equipment	1		
Conflict Stability & Security (FCO Framework which can be accessed by DFID)			
TOTALS	67	41	120

**N.B. Some Lead Framework operators are on more than one Framework*

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's supply chains.
- Widening and deepening of SME Data Collection to include indirect spend with SME's
- Strategic dialogue and compliance monitoring with Key Suppliers to ensure they are taking all necessary action to encourage SME participation in the supply chain
- Continued engagement with and discovery of SME's
- Further Pipeline Development and promotion (highlighting SME opportunities)
- Extended use of "push" digital platforms (social media)
- Timely Early Market Engagement and Supplier Days
- Stepped up Communications and Information Forums
- Updated Statement of Priorities and Expectations ensuring joint commitment and alignment for all DFID suppliers. The Statement includes an expectation that suppliers will proactively support and implement 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.

The actions set out in annex A reflect the progress that has been made since 2011 and highlights the actions being pursued to ensure the current position is maintained and improved upon for future years.

DFID SME ACTION PLAN – as at November 2016

Action	Context	Target Date	Success Measured	Status	Update
<p>1.SME SPEND</p> <p>Increase SME level as a % of total procurement spend (including both Direct and Indirect spend)</p>	<p>DFID SME Direct Spend in 2015/16 was 32.1%. Indirect spend is 9.3%. Total SME spend for 15/16 is 41.3% .Improved data interventions should further improve this figure</p>	<p>Direct Spend Reported quarterly</p> <p>Indirect spend to be incorporated as part of quarterly reporting as soon as possible</p>	<p>Achieving 33% Spend with SME's in 16/17.</p>	<p>Direct target in line with forecast projections. Indirect spend analysis improving .</p>	<p>Currently on track to achieve target of direct spend on SME's Indirect spend capture methodology under development</p>
<p>2. SME REPORTING</p> <p>Review and improve the integrity of SME data and reporting – widening and deepening the scope.</p>	<p>Good access to direct SME spend available through DFID Technology platforms</p> <p>Visibility of tier 2 spend</p>	<p>Q2 12/13</p> <p>Tier 2 detail being published to IATI for all contracts from Feb2015</p>	<p>Achieved</p> <p>% of SME at tier 2 captured</p>	<p>Complete</p> <p>Reviewing systems & processes</p>	<p>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.</p> <p>Stretch Target – to have greater visibility of tier 2 indirect spend with SME's by end FY 2016/17.</p>
<p>SME FRIENDLY PROCESSES</p> <p>Deploy Lean Procurement Principles: Procurement Group staff trained in Lean Procurement. Gap Analysis & Actions for "Lean" improvements.</p>	<p>Gap analysis identified key areas for improvement: 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)</p>	<p>Q2 13/14</p>	<p>Achieved</p>	<p>Complete</p>	<p>Output-based contracts now mainstreamed as an option for business as usual.</p> <p>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.</p>
<p>3. SME ACTIVITY OVERVIEW</p> <p>Analyse and maintain overview of SME activity:</p> <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. 	<p>The pre-qualified DFID Framework Agreement network supply base consists of lead suppliers and sub-contractors, a large proportion of which are SMEs</p>	<p>Ongoing</p> <p>Early Market Engagement Participation being measured as business as usual</p>	<p>Increasing SME participation and engagement to include Pre Procurement Engagement</p>	<p>Ongoing</p>	<p>Data is collected through Frameworks regarding the proportion of contracts which are awarded to SMEs:</p> <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.

					<ul style="list-style-type: none"> • Increased % of suppliers on new Frameworks are SME's. • % proportion of SMEs winning mini-competitions under a framework is greater than on large programmes
<p>4. SME ENGAGEMENT OPPORTUNITIES</p> <p>Supplier engagement forums:</p> <ul style="list-style-type: none"> • Raise awareness and understanding of SME barriers with Key and other direct suppliers through engagement with DIT & British Expertise (Aid Funded Business) 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 DIT, BE & DFID, host SME events •Develop detailed understanding of barriers to participation for SME's through surveys and outreach programmes. •Promote SME" friendly" practices 	Supplier Friendly Focus	Ongoing	Collection of feedback and Increasing participation levels and contracts being awarded to existing and new SME's.	Ongoing	<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, DIT(AFB) , BOND etc.</p> <p>Access to up & coming events notified via website and Twitter</p> <p>Extended Information Forums - Increased interaction with suppliers via Web Site/Pipeline/DIT/British Expertise/Bond/Supplier Conference/Supplier days/WeConnect/SBRI. UNOPs</p> <p>Creating opportunities for SME's to access potential business with tier 1 suppliers</p>
<p>5. INFORMATION SHARING</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 to improve sharing 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. 	Q4 15/16	<p>Pipeline accuracy measurement</p> <p>Timely Early Market Engagement. (EME) events for all tender opportunities Better and earlier notification of EME details</p>	Ongoing	<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 twitter , supplier event calendar and the pipeline providing greater opportunities for SME's to become involved and have an influence at early stages. Pipeline accuracy continuously improving</p> <p>Collect SME data from all procurement procedures measuring the impact and effectiveness of Early Market Engagement.</p> <p>Survey monkey as means of engaging FW suppliers early in process and sharing pipeline information.</p>

<p>6 INCREASED NEW OPPORTUNITIES</p> <p>Explore the application of Small Business Research Initiative (SBRI) to DFID Research & Development Opportunities.</p>	<p>DFID currently advertise all R&D opportunities through OJEU. A tailored process has been developed for R&D to encourage ideas and innovation, whilst allowing flexibility. This further encourages consortia and limits unnecessary barriers to SMEs. We will explore where SBRI can provide additional benefits to this process.</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 2017</p>
<p>7 KSM SUPPLIERS INPUT</p> <p>Actively engage with DFID's key suppliers to encourage proactive support of HMG SME Agenda.</p> <p>Explore indirect spend levels with SMEs</p> <p>Facilitate formation of consortia and submission of consortia bids.</p> <p>Encourage Key Suppliers 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 2017) 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 2017</p>	<p>Easy to access indirect as well as direct supply base through existing technology platform – consistent reporting.</p>	<p>Ongoing Refining systems implemented in 2017</p>	<p>Proactively encouraging top 12 suppliers to report their indirect spend through SMEs. – increasing contractual requirements.</p> <p>DFID has expanded the number of KSM contractors and launched a similar pilot programme with DFID's strategic NGOs</p>
<p>8 CODE OF CONDUCT</p> <p>Publish and periodically update 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>Updated and strengthened SoPE launched in March 2016</p>	<p>The Statement includes an expectation that suppliers will proactively support and implement 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/SME's to maximise opportunities</p> <p>Compliance checking to be improved from Q1 2017</p>

<p>9 CROSS HMG INTERVENTIONS</p> <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 with government departments who are leading in this space</p>	<p>Increasing SME data reported quarterly</p> <p>Contacts made, good practice models shared</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 department SME Champions with a view to further improving engagement, access and performance. Q4 2016</p>
<p>PROCESS SIMPLIFICATION</p> <p>Review and Simplify Pre-Qualification Templates</p>	<p>Less onerous, costly and time consuming for smaller companies to complete when applying for lower value contracts. Modified template for <£5M to reduce burden.</p>	<p>In place since HMG launch.</p>	<p>Lean process launched in 2013 has delivered significant improvement in this area.</p>	<p>Complete</p>	<p>Standardisation and simplification of the process through the application of the generic PQQ template as prescribed by the HMG proforma.</p> <p>Increased use of the open procedure increasing access to SMEs.</p> <p>Standardisation of templates for continuity</p>
<p>FRAMEWORK REVIEW</p> <p>Review frameworks and introduce lots wherever appropriate</p>	<p>Introduction of lotting. Lower value opportunities allowing better access to opportunities for SME's</p>	<p>All frameworks designed with lots since 2012.</p>	<p>New EU regulations will see all contracts subjected to consideration of lots as appropriate</p>	<p>Complete</p>	<p>New framework strategies consider lotting as default position.</p> <p>Lotted procurement considered for all framework related call off/ tenders</p> <p>EU legislation compliance DFID Frameworks undergoing renewal during 2016</p>
<p>10 SME ACTION PLAN REVIEWS</p> <p>Ensure that the SME plan is credible and adequately resourced and subject to senior level review in line with agreed stretch target</p>	<p>6 monthly SMT overview</p>	<p>Metrics reviewed as standing agenda item at SMT</p>	<p>Bi annual review</p>	<p>Ongoing</p>	<p>Regular resource level monitored and workload linked to SME engagement/initiatives</p>
<p>11 VISIBILITY OF OPPORTUNITIES</p> <p>Increase accessibility to Early Market Engagements</p>	<p>Introduction of survey monkey to capture data on organisational interest in attending the</p>	<p>Survey Monkey introduced July 2016 with ongoing training and</p>	<p>Data collection is in progress and will be reviewed monthly in SMT metrics.</p>	<p>Ongoing</p>	<p>Consistency across DFID procurement to use to same approach to capturing EME attendance and delivery of EME content . Data can be downloaded at any time.</p>

	events. Consistent approach for all companies, and data can be captured on attendees	improvements in the process.			
12 SOCIAL MEDIA					
Increase Social Media footprint with the introduction of a procurement specific Twitter account	Introduce a DFID procurement specific twitter account Upload /update the supplier engagement events calendar on DFID website. Regular updates on twitter on events, tender advice and success stories	Q2 2016		Complete/ ongoing reporting	Consistency of notice period given for events and upcoming projects Public notifications widely publicised . Encouragement of new SMEs to register through DFID portal.

N.B. GREY shading denotes action completed