



3 October 2017

On 16th December 2016 I wrote to DFID suppliers setting out my intention to increase scrutiny of our contracted spend. This decision followed serious concerns over waste in DFID contracts and unethical behaviour by one of our biggest suppliers.

Since then, I have instituted a number of new safeguards in DFID procurements. I have now approved the findings of a fundamental review of our management of suppliers. These have been developed after extensive engagement with business experts, private sector organisations outside the development industry, other development organisations and other government departments. They constitute a bold plan for reform of DFID's supplier market.

The key recommendations are:

- **Ensuring the highest standards of ethical and professional conduct by suppliers.**
 - A tough new DFID Supply Partner Code of Conduct for all new tenders, with legally enforceable sanctions for non-compliance. This Code will go beyond DFID's current commercial requirements and cover ethical behaviour, new transparency obligations, environmental sustainability and social responsibility. Specific measures include a requirement to sign up to the UN's Global Compact and assurances to tackle modern slavery. No longer relying on self-certification, DFID will set up a dedicated team to ensure that suppliers are complying.
- **Driving down costs along the supply chain.**
 - Tough new measures to bear down even harder on costs and provide greater transparency in contracts and throughout supply chains, including

- Open Book Accounting and clauses in all contracts enabling DFID to intervene if necessary to ensure a fair deal for the taxpayer.
- Annual information will be produced on DFID's own commercial practices, setting out improvements during the year and making further recommendations for improvement. More information will be placed in the public domain, including on allowable costs in days rates and annual league tables of supplier performance.
 - **Levelling the playing field for small suppliers and sub-contractors.**
 - Ending agreements imposed on sub-contractors which restrict their ability to work for other suppliers. We will introduce new protections for small suppliers and sub-contractors in consortia, including contract checks to eradicate so called "bid candy" practices in which major suppliers drop sub-contractors once they have won the contract.
 - Breaking up suitable contracts into manageable sizes and services for smaller suppliers.
 - **Opening up DFID procurement to new entrants.**
 - DFID will run expanded Early Market Engagement events across the UK and overseas to reach out to new suppliers, particularly SMEs. DFID will launch a rolling programme of events, opening up contracts to a wider range of British businesses.
 - Reducing red tape and de-mystifying processes for small and micro suppliers. This will include new updated digital platforms and improved use of social media to inform potential suppliers about contract opportunities, and simplified documentation to enable easier interaction with DFID.
 - **Robust relationship management to deliver better value for money.**
 - Introducing a new approach to supplier management which will allow DFID to examine and hold suppliers to account. This will bring DFID into line with best practice in the private sector and will enable it to challenge delivery partners on value for money, enable DFID to identify underlying performance problems, such as financial management, and help DFID to tap into a supplier's wider areas of expertise.
 - **Building the commercial capability and systems to deliver.**
 - Introducing a new training package for DFID staff and a mandatory staff Code of Practice, together with a specialist supplier compliance team to enforce adherence to DFID's expectations.

New Terms and Conditions, incorporating the Code of Conduct, Open Book Accounting and clauses enabling DFID to get, use and verify information from its suppliers, and if necessary intervene to prevent excess profits, have applied to all new DFID tenders from 1 September. DFID intends to apply the new measures to all contract extensions as they arise and over the coming months to

existing high-value, strategic contracts. My officials will be in touch to discuss the timescales for implementation and the details of how we will monitor the new commitments we expect from our contractors.

I fully recognise the valuable role DFID suppliers play in helping deliver life-changing and life-saving aid to the world's poorest people as well as the dedication and commitment of your staff. I recognise too, your right to make a return on the work you do and that this needs to appropriately reflect the risks you bear in challenging environments in which you work.

At the same time I am determined to ensure that DFID funds are spent in the most effective and transparent way to produce the very best results for poor people and value for money for UK taxpayers. The reform plan I have announced will do this and help to maintain public confidence that UK aid is being used effectively, transparently and ethically.

I look forward to continuing to work collaboratively with you to improve performance, deliver value for money and strengthen innovation in delivering UK aid.

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'P. Patel', written in a cursive style.

Rt Hon Priti Patel MP
Secretary of State