

## **Briefing: Achieving Value for Money through Procurement – DFID’s approach to its supplier market – a performance review**

Yesterday the Independent Commission for Aid Impact (ICAI) released its Report on DFID’s approach to its supplier market. It is the first in a series of performance reviews of DFID’s procurement and analyses progress against its reforms and makes recommendations regarding the challenges they face.

### Overall evaluation

ICAI has granted a ‘green-amber’ score to DFID, reaffirming that DFID’s use of contracts is competitive and delivers value for the taxpayer: “the Department for International Development has developed a credible approach to enabling fair and open competition in its supplier market and to achieving value for money in its procurement.”

ICAI praises DFID’s “concerted effort to build up commercial capacity within the procurement department and beyond” and the fact that it has successfully “identified issues within its procurement practices that might inhibit competition and subsequently launched a number of initiatives to address them”.

However, the Review also identifies some areas for improvement, which are in line with those identified through the Supplier Review.

### Main challenges/areas for improvement

- **The level of market concentration**

While DFID has reached the Government target to spend >30% through SMEs, concerns remain about access for micro and small suppliers, particularly in developing countries. ICAI believes diversity and competition in the supplier market is still limited: in 2016-17, only 3% of DFID contracts by value went to suppliers in developing countries as prime contractors. Suppliers with a record in delivering DFID contracts, particularly those in the Key Supplier Management Programme, may

have advantage over new suppliers such as SMEs, thus creating barriers to new entrants and limiting even more the competition.

- **Transparency and accountability**

Following the commitment made by the International Development Secretary to prevent “excessive profiteering”, DFID has included open-book accounting in its contracts but this has been undermined by capacity constraints. ICAI has recommended this process be accelerated to ensure enhanced fee transparency.

- **Communication regarding procurement opportunities**

ICAI highlights the ongoing need to simplify processes and improve information sharing for small and micro suppliers.

### Recommendations

ICAI concluded its Report with four recommendations:

1. Adopt a more systematic approach to promoting the participation of local suppliers.
2. Develop clear plans on the use of open-book accounting and improve fee rate transparency, while ensuring clear communication to the supplier market.
3. Accelerate efforts to improve communication of pipeline opportunities to the market.
4. Implement stronger change management approach for the next phase of DFID’s commercial reform plans.

### Key Stats

- Amount procured through contracts: £1.4bn in 2016-17 or 14% of DFID’s total budget
- DFID’s contract spending through SMEs: 33% - which exceeds the Government’s target. DFID have an aspiration to spend 40% through SMEs by 2020
- Percentage of developing country prime contracts: 3%

### CDR Response

CDR sees this report as an important demonstration of support for DFID's use of contracts and the value it delivers for the taxpayer. It is positive that the

Department is making on-going investments in its capacity to improve against the areas identified in the report, and previously identified through the Supplier Review. We welcome ICAI's call to level the playing field in terms of access to information to all suppliers and support SMEs and local participation in DFID's supplier market.

#### Report in the media

- “Watchdog gives DFID green-amber light on supplier reform, more still needed” - [Devex](#)
- “Department for international development shuns poor countries when choosing suppliers” - [The Times](#)