

Department for International Development Procurement Capability Review Improvement Plan

Version and Date: Version 1
Approved by: DFID Management Board
Plan Owner: Sue Owen, Commercial Director

DFID - PCR Improvement Plan

Summary of Review

The Review highlighted the importance of the procurement / commercial function to the delivery of DFID's strategic business objectives, and noted the huge diversity and complexity of DFID's portfolio and aid instruments, the particular challenges of the environment in developing countries, and the very good CSR settlement. The Review found that DFID had made good progress with the quality, legitimacy and value for money of its direct procurements, supplier management, and professionalisation programme and training approaches. But the Review did not find evidence that DFID has sufficiently embedded a culture of good commercial management within the organization and through the various aid instruments. A small percentage of expenditure is for directly purchased goods and services. These are well managed, but the much greater sums invested through third parties under various agreements could benefit from closer commercial scrutiny, and assessment of the potential to obtain greater value-for-money and development benefits from their procurement systems and practices. The Review encouraged DFID to build on its procurement base. There should be a clearer, and better articulated, commercial vision throughout the organization, led by the Management Board which would include a commercial champion. A new commercial strategy should be developed, including new procurement policies, to be implemented through better management of markets. New guidance material and training should be available. The procurement profession should be refreshed through revised organization, greater professional weight and visibility, sharper central focus on category management and high risk business, and decentralization of low-value or low-risk contract management. The Review noted the benefit of having a high quality, well motivated and skilled work force.

Vision

To develop DFID's procurement / commercial capability such that direct and indirect purchased goods and services produce significant value-for-money and development benefits.

Programme Governance

The procurement change and development programme is owned by Sue Owen, Director General Corporate Performance. The programme will be managed by the Head of Value for Money Department in conjunction with the Head of Procurement, with the full support of the DFID Board. The existing procurement and commercial governance structure will be updated to ensure that all future procurement and commercial decisions receive the appropriate level of scrutiny based on risk, value and complexity.

Outcomes and Benefits

Implementation of the PCR recommendations, and the DFID Commercial Strategy, will deliver a procurement capability that consistently adds value and benefits to development processes.

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| Today | In 12 months | In 24 months |
|--|--|---|
| <p>1. Visibility & Impact of Leadership</p> <p>1a. The Board to agree, and promulgate, a shared and broader definition of procurement and the value that such an approach can deliver for DFID's development objectives</p> <p>1b. A board member to be nominated to champion corporate procurement, taking responsibility for strategy implementation and leadership of engagement with third parties</p> <p>1c. The board to provide commercial leadership and clearly communicate its vision and plans for the integration of commercial considerations in the effective delivery of aid and the achievement of VFM across all development activity</p> <p>1d. The Management Board will be asked to endorse and lead these processes and communicate them across DFID</p> | <p>1a. Vision and scope of commercial management endorsed by Management Board and delivered</p> <p>1b.1 Commercial Champion role established within Management Board</p> <p>1b.2 Commercial Champion involved in effective engagement and reporting on commercial performance</p> <p>1c.1 Commercial Strategy endorsed by Management Board</p> <p>1c.2 Communications policy for new commercial management approach developed, and new communications campaign launched, including a range of high-profile actions to help DFID staff and suppliers appreciate the commercial context in which the organisation is operating</p> | <ul style="list-style-type: none"> • Clear leadership at Board level of a higher role for commercial management throughout DFID • Commercial Champion seen as influential at Board level and throughout DFID • Identified increased value from third party processes • Commercial considerations form part of all major programme designs and decisions • Communications campaign monitored, and refreshed |

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| Today | In 12 Months | In 24 months |
|--|--|--|
| <p>2. Vision, Aspirations, Business & Policy Alignment</p> <p>A Commercial Strategy, including supporting new procurement policies to be developed, setting out the approach for the transformation of procurement. Addressing specifically:</p> <p>2a. leadership of commercial functions</p> <p>2b. the use of procurement as a deliberate tool to achieve development outcomes</p> <p>2c. the procurement cycle - including a sharper focus on supplier performance</p> <p>2d. effective management of procurement</p> <p>2e. the enhancement of the professional skills.</p> <p>2f. Upgrading of management information</p> | <p>Strategy and policies to achieve:</p> <p>2a.1 Strong commercial management, particularly of high risk/high value business</p> <p>2a.2 A sensibly organised set of centralised and decentralised commercial management functions</p> <p>2b.1 Flexibility and use of a wider set of procurement tools</p> <p>2b.2 Fuller and earlier assessment of commercial implications of plans</p> <p>2c Strong supplier performance management</p> <p>2d.1 Effective category management</p> <p>2d.2 Collaboration with OGDs / OGC where possible, incl. through DFID / FCO Shared Services Programme</p> <p>2d.3 Close association with the OGC Consultancy Value Programme</p> <p>2e.1 Better MIS, e.g. about the entire business with suppliers, costs, and performance</p> <p>2e.2 Enhanced role and visibility of head of profession (HOP)</p> | <ul style="list-style-type: none"> • DFID benefiting from stronger commercial management • Flexibility in approach applied appropriately • Wider set of procurement tools used across DFID business • Operation of centralised and decentralised functions • Commercial implications addressed in development plans • Suppliers benefiting from stronger supplier performance management • Category management performing effectively, and benefiting from better MI • Collaboration delivering tangible and measurable benefits • MI informing commercial decision making • Significant impact on development programme from quality and value of goods and services. |

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|--|---|---|
| <p>3. Skills and Knowledge Development</p> <p>3a. Review the procurement organisation resources, structure and skills profile, ensuring that there is the right balance in central, regional and local capability</p> <p>3b. The policy for corporate procurement knowledge and understanding across DFID staff (both in UK and in-country), and their current competence level, should be reviewed</p> <p>3c. Implement a strategic procurement awareness programme covering all Board members, Directors, DGs and office heads</p> <p>3d. Develop a supplier relationship management programme aligned with OGC's Market Engagement Programme</p> | <p>3a. Revised organisational structure for commercial management within new Value For Money Department featuring teams focused on high value/risk business and category management</p> <p>3b.1 Reviewed HR requirements and revised skills / competences requirements for those involved in commercial management, building upon our well established professionalisation processes</p> <p>3b.2 Centralised management of high value, high risk business and categorised regular services requirements, and decentralised programme support and low-value purchases</p> <p>3b.3 Confirmation of level of programme staff delegation and development support</p> <p>3c.1 Procurement briefing to both Board and at Senior Civil Service retreats</p> <p>3d.1 New SRM programme by 31 Dec.</p> | <ul style="list-style-type: none"> • Revised structure implemented, and delivering results through better use of professional staff. Professionally qualified SCS level procurement post established and filled • Certain posts continue to carry requirements for refreshed competences • New delegations fully in use. Role of centre focused upon policy and professional development, category management, and management of high risk business. • Hubs set up in developing area regions, in which commercial staff are fully integrated within programme teams • Management Board, senior staff, regional, and sector retreats briefed regularly • SRM programme delivering tangible benefits • HoP valued member of OGC committee |

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| <p>4. Organisation, Systems & Processes</p> <p>4a. Create strategy to assure procurement efficiency, development effectiveness, and risk management with aid delivery partners</p> <p>4b. Research and analysis of the development effectiveness of multilateral aid agencies', recipient partners, and civil society organisations' procurement management systems, processes and supply bases, and judgement on whether closer linkages with DFID would have commercial benefits</p> <p>4c. Implement a procurement category management strategy for key areas - including international & country level supply market review and market development plans to build supplier capacity and competition when required</p> | <p>4a. Position and representation of procurement reflects new and expanded corporate role</p> <p>4b.1 Board decision on review recommendations</p> <p>4b.2 New approaches communicated within DFID, new organisational structures in place, new strategy implemented</p> <p>4c.1 Category Management strategy developed, and endorsed by Management Board</p> <p>4c.2 Supplier relations strategy designed and ready for full implementation</p> | <ul style="list-style-type: none"> • Non-contract relationships between DFID and third parties demonstrate value for money, and offer clearer assurances over commercial governance arrangements • Category Management strategy obtaining early forecast business needs; identification and explanation of areas of market difficulty and how to deal with them • Data demonstrates Increased developing country supplier interest in DFID business • Supplier Relations effective and delivering benefits to both sides |

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| <p>4d. Review guidelines and controls of procurement expenditure better to support front-line challenges of pace, complexity, reduced supply base and local supply market development</p> <p>4e. Ensure the existing performance management framework is sufficiently robust to accurately report procurement targets and benefits delivery across DFID</p> <p>4f. Develop approach to share experience / capability across network of procurement staff including LCOs</p> | <p>4d.1 Guidelines and controls in places for DFID and multilateral and other partners</p> <p>4d.2 Areas identified where more proactive 'progressive' procurement policies and techniques would yield better development outcomes</p> <p>4d.3 New approaches communicated, implemented, and monitored</p> <p>4d.4 Compliance checks on good practice mandated at director level</p> <p>4e.1 Performance management framework is effective</p> <p>4e.2 Quarterly commercial management reports for Management Board</p> <p>4e.3 Board using performance data in decision making</p> <p>4f.1 Senior Stakeholder Group of DFID procurement professionals quarterly meeting reports and action plans implemented and monitored, and commercial champion briefed</p> <p>4f.2 Staff development plan in place</p> | <ul style="list-style-type: none"> • Problems associated with pace or complexity are understood and addressed effectively • Supply base / markets with clear development plans • Performance data incorporated into MI at all management levels • Procurement benefit tracking • Procurement staff at all levels are better equipped for the tasks set them, and demonstrating this through high performance against challenging professional and personal objectives |

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| Work streams/ Recommendations | Project Objectives | Deliverables | Timing |
|---|--|---|--|
| Develop a Commercial Strategy | To develop and implement a Commercial Strategy that is agreed by DFID's Management Board, and whose principles and procurement policies are accepted across DFID | <ul style="list-style-type: none"> • Consultation across key stakeholders • Draft Commercial Strategy documents • Board endorsement of Commercial Strategy • All directors and heads of office advised of approved Strategy • Strategy published on internal and external websites • Strategy's impact monitored | June 08 Aug 08 Aug 08 Aug 08 Aug 08 July 09 |
| Review the procurement organisation resources, structure and skills profile | <p>To re-organise the procurement organisation, creating new central teams focused upon high value/risk, and Category Management, and decentralised routine contract work, thus binding together commercial and programme management</p> <p>To use sound work force planning techniques to introduce revised skills and competences for staff engaged in commercial management</p> | <ul style="list-style-type: none"> • Restructured organisation of the professional procurement group. • An HR process that facilitates the development, qualification, recruitment and retention of professional staff • A revised and upgraded departmental programme of training that matches the skills and competences required for the commercial management competences of their posts | Dec 08 June 09 Jan 09 |

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| <p>Develop a strategic awareness programme covering all Board members, directors, DGs and office heads</p> | <p>All Top Management and heads of office sensitised to opportunities that may accrue from better commercial management and market engagement under a range of aid instruments</p> <p>Effective DFID-wide communications strategy in place</p> | <ul style="list-style-type: none"> • All Management Board briefed annually • Briefings at SCS away-days • Commercial Management featuring in agenda at all regional and thematic retreats • All head of office briefed before taking up their appointments • All programme managers aware of commercial priorities | <p>Annual</p> <p>As Plan</p> <p>As Plan</p> <p>On Appt.</p> <p>On Appt.</p> |
| <p>Develop a supplier relationship management programme aligned with OGC's Market Engagement Programme</p> | <p>To improve business relationship between DFID and its main suppliers</p> <p>To collect and analyse supplier performance data from all DFID offices</p> <p>To inform commercial decision making, and improve value for money and obtain development benefits through supplier relationship management (SRM)</p> | <ul style="list-style-type: none"> • An integrated IT system that enables supplier information to be captured cost-effectively, and which produces reports and data required to conduct supplier analysis • Aggregated category information, used by Category Management teams to achieve value-for-money from contract management • Regular meetings to inform both DFID and suppliers of future plans and intentions, and to develop ways to improve value and development benefits | <p>Jan 09</p> <p>Jan 09</p> <p>Jan 09</p> |

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|---|---|--|---|
| <p>Review guidelines and controls of procurement expenditure better to support front-line challenges</p> | <p>To identify areas where proactive procurement policies and techniques could yield better development outcomes from third party procurements, recognising that DFID is only one of their funding partners</p> | <ul style="list-style-type: none"> • Review terms of reference to be developed through consultation with range of internal and external stakeholders • Review conducted • Results analysed, and discussed with stakeholders • Report submitted to Management Board, with persuasive case for radical changes to DFID governance of its approaches to investment in third parties if justified • Revised approach implemented, and monitored | <p>Sep 08</p> <p>Nov 08</p> <p>Jan 09</p> <p>Feb 09</p> <p>Apr 09</p> |
| <p>Ensure the existing performance framework is sufficiently robust to accurately report procurement targets and benefits delivery across DFID, and develop approach to share capability across procurement network</p> | <p>To strengthen quality of performance framework and set in place challenging value-for-money benefits from a range of aid instruments</p> <p>To strengthen capability across entire DFID commercial cadre</p> | <ul style="list-style-type: none"> • An effective performance management system • Improved quarterly commercial management reports for the Management Board • Evidence that the Management Board uses these reports in their messages to staff related to commercial management • Staff development plan in place | <p>Jan 09</p> <p>Jan 09</p> <p>Jan 09</p> <p>Jan 09</p> |