



# INNOVATION PROCUREMENT PLAN



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## Introduction

The Department for Innovation, Universities and Skills (DIUS) published a White Paper “Innovation Nation” in March 2008 that committed all government departments to develop an Innovation Procurement Plan (IPP).

The Department for International Development (DFID) has developed this IPP to complement and support the deliverables within our [Commercial Strategy](#).

In the current financial climate, it is more important than ever to find new and better ways to deliver DFID’s strategic aims. To stimulate innovative solutions through procurement DFID will focus on 4 main themes: Identifying Innovation, Capturing Innovation, Early Market Engagement, and Involving Small and Medium-sized Enterprise’s (SME’s). The IPP provides a summary of our key priorities and the targets we have set for 2010.

## Background to DFID

DFID is the part of UK government that manages Britain's aid to poor countries and works to get rid of extreme poverty. We have headquarters in London and East Kilbride and 64 offices overseas.

There are two sets of targets we are working towards. First, we are working to reach the [Millennium Development Goals](#) (MDGs), international targets agreed by the United Nations (UN) to halve world poverty by 2015. Second, the government’s Public Service Agreement (PSA) sets objectives and targets by which we measure our progress towards this aim.

We work with governments of developing countries, charities, businesses and international bodies, including the World Bank, the UN agencies and the European Commission. All our partners share our ambition to achieve the MDGs.

DFID’s total procurement spend on goods and services in 2008/09 was £647m. DFID also invests in the region of £5 billion through grants to third parties such as multilateral agencies, developing country partners and civil society organisations.

## Innovation in DFID

Innovation is very important to DFID and has already played a significant role in helping DFID to lift more people out of poverty. DFID supports a culture of innovation whereby creativity, teamwork, diversity and effective collaboration are behaviours that are actively encouraged.

As highlighted in DFID's [White Paper](#) "Eliminating World Poverty: Building our Common Future", our objective is to use innovative ways of working with the private sector to secure better performance, value for money and investment. Examples of innovative approaches include:

- Providing support to innovative financing in health through an expanded [International Finance Facility for Immunisation](#) (IFFim).
- By scaling up our investment in low carbon development DFID will pilot climate change innovation and seed funding for clean technology.
- Involvement in risk sharing ventures such as [Challenge Funds](#) that offer grants to businesses.
- A new [Business Innovation Facility](#) will be launched in early 2010, supporting at least 30 new business initiatives in six pilot countries to boost employment and incomes.
- As part of our new approach to working with civil society, DFID will offer new Development Innovation Funding to help community groups and individuals support small scale, innovative work.

DFID will spend up to £1 billion on research over the next five years. DFID's [Research Strategy](#) sets out our priorities for long-term research. DFID will develop and support research that will contribute to a global pool of knowledge and technologies for development that will:

- Strike a balance between creating new knowledge and technology and getting knowledge and technology (both new and existing) into use;
- Make the most of our ability to influence policy to make sure research makes an impact;
- Use different methods of funding to join up national, regional and global research efforts, so that they are more relevant to what matters most to developing countries; and to achieve a bigger impact on poverty reduction;

- Redouble our effort to strengthen developing countries' capability to do and use research.

Our expanded research programme will be a key source of innovation for the future and includes themes such as economic growth in developing countries and climate change. Recent changes in the structure of DFID Research are designed to increase the intellectual capability of DFID as a whole through innovative approaches, better networking knowledge, routine use of evidence and better understanding and assessment of available evidence thinking.

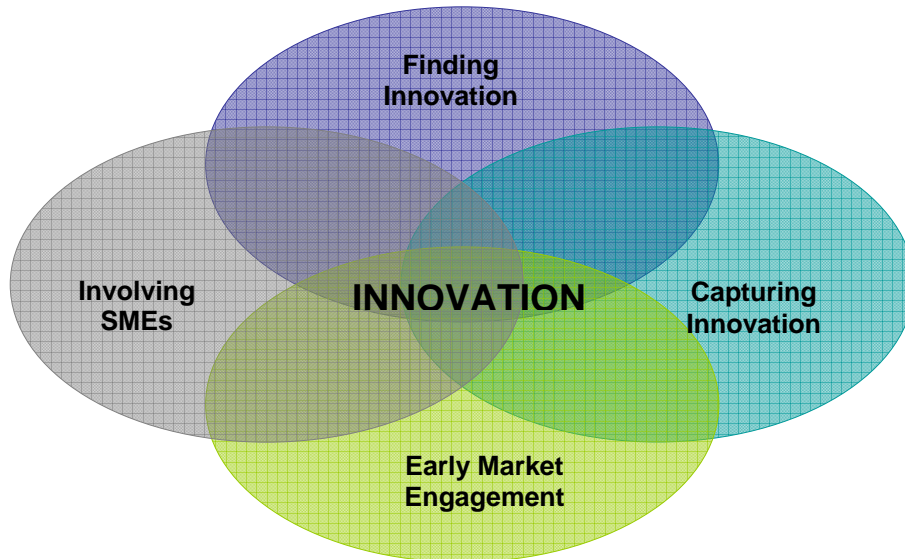
## **Innovation in Procurement**

DFID has achieved a great deal through innovative approaches, but we can do more from a procurement perspective to stimulate, identify and capture innovative solutions.

The OGC Procurement Capability Review (PCR) 2008, highlighted the potential for DFID to obtain greater value for money and development benefits from our procurement systems and practices. The first stage of our Procurement Transformation Programme is already underway to address the OGC recommendations. These changes will support a more innovative approach to procurement in the future by:

- Raising commercial awareness across DFID.
- Developing a professional cadre who have the skills to recognise and develop innovative opportunities.
- Working with suppliers to stimulate innovative solutions in the market place.
- Bringing increased flexibility into our procurement processes to encourage innovation.
- Taking advantage of new technology and procurement technique to drive out efficiencies and support continuous improvement.
- Improving contract and performance management to capture the benefits of innovation throughout the life of a contract.

Our IPP will focus on 4 key themes:



## **FINDING INNOVATION**

Developing innovative solutions requires people with the right knowledge and skills to recognise ideas that will generate value. DFID will continue to develop and deploy our cadre of procurement specialists to encourage creativity through procurement and to drive a culture of continuous improvement.

A process of “Horizon Scanning” will be implemented to identify potential threats, opportunities and likely future developments in the market place. We will explore new ideas, problems or trends within specific markets and consider the impact on resources, priorities and delivery. This market information will be used to inform future procurement strategy.

We will encourage a business environment that is conducive to new concepts through effective team working and collaboration. As part of our procurement communication strategy, we will raise commercial awareness across DFID with the aim of improving client (DFID and our external development partners) capability and applying this more effectively to supplier relations for maximum benefit.

## **CAPTURING INNOVATION**

DFID will adopt a more strategic approach to sourcing and the management of supplier relationships throughout the life of the contract. This will include partnership approaches and collaborative procurement. Our Strategic Sourcing Model will follow established best practice targeted on generating commercial efficiencies and risk mitigation while delivering improved value.

The early involvement of procurement specialists in design requirements will ensure specifications focus on outcomes where appropriate and avoid an overly prescriptive approach to the requirement. This will give suppliers increased flexibility and the opportunity to propose more innovative solutions.

We will maximise the potential benefits of communication with clients, suppliers and other key stakeholders through knowledge sharing, collaboration and cross-functional dialogue. Thinking about our market place, our requirements, our deliverables and our internal processes will enable us to see and link issues and opportunities in a different way. Working with others, we will capture these opportunities for increased efficiency and effectiveness.

Procurement specialists will provide guidance and support to clients on the most effective procurement option for their requirement. We will adopt a more flexible approach to managing risk through application of a wider range of alternatives. Options such as the Competitive Dialogue Procedure will be used where appropriate and we will continue to use innovative financing mechanisms such as the IFFim mentioned earlier.

## **EARLY MARKET ENGAGEMENT**

Procurement specialists will work closely with clients to encourage effective long term planning of requirements. Making better use of Management Information and the implementation of our Category Management Strategy will support a more strategic approach to DFID spend and the supplier market.

We will improve our communication of long-term plans to the supplier market to facilitate greater understanding of DFID requirements. This will allow suppliers to plan ahead and work with DFID to meet future challenges and to identify opportunities for increased efficiency and innovative solutions.

## **INVOLVING SMEs**

We will encourage SME participation by engaging early with the market, communicating frequently and being less prescriptive in our specification of requirements.

Greater supply chain transparency will allow SMEs to identify opportunities to work with first tier suppliers as a supply chain partner. DFID will work with first tier suppliers to identify opportunities to tap into the innovative solutions that SMEs can provide.

We will continue to work towards implementing the recommendations set out in the [Glover Report](#).

## **KEY TARGETS**

DFID has identified the following initial key targets for the IPP during 2010. These will be refined and expanded as part of our regular review of the IPP.

- Publish our IPP and subsequent updates on our internal and external websites.
- Complete the first stage of our Procurement Transformation Programme. This includes the introduction of Strategic Sourcing, Category Management and Supplier Relationship Management into DFID's procurement policy and processes.
- Consult and engage with key stakeholders to identify new opportunities for innovation.
- Work in partnership/collaboration with FCO and other Government Departments to identify synergies that have the potential to deliver benefits.
- Include innovation within our Strategic Sourcing programmes.
- Integrate innovation within our procurement guidance and training programmes.
- Continue to work with OGC in developing a performance measurement framework that will demonstrate the benefits achieved through innovation.

## IMPLEMENTATION AND GOVERNANCE

The Innovation Procurement Plan will be implemented in a phased approach aligned with our Procurement Transformation Program. It will be communicated to all staff using a variety of methods for the widest possible distribution. The IPP is endorsed by the SCS, Head of Procurement Profession.

We will update the IPP on an annual basis, to ensure alignment with our commercial strategy and business objectives.

Department for International Development  
1 Palace Street  
London SW1E 5HE  
UK

and at:

Abercrombie House  
Eaglesham Road  
East Kilbride  
Glasgow G75 8EA  
UK

Tel: +44 (0)20 7023 0000  
Fax: +44 (0)20 7023 0016  
Website: [www.dfid.gov.uk](http://www.dfid.gov.uk)  
Email: [enquiry@dfid.gov.uk](mailto:enquiry@dfid.gov.uk)  
Public enquiry point: 0845 3004100  
Or +44 1355 84 3132 (if you are calling from abroad)

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