

Readout from Supply Chain Engagement Meeting with BEI, Bond and Humentum, 10 September 2020

DFID: Juliet Chua, Darren Welch, Colette Whigham, Diana Dalton, Benedict Latto, Carina Casey, Hannah Riley, Juliette Harrison

External: Graham MacKay (Bond), Tim Boyes-Watson (Humentum), Jonathan Pell (Adam Smith International), Derrick Sanyahumbi (British Expertise International).

Overview:

- Apologies from FCDO that we had to reschedule from last week, as it was the first week of the merger.
- Juliet Chua, Darren Welch and Colette Whigham gave some initial thoughts on how the transition with the new organisation was going.
- Juliet would be continuing on the Board of the new organisation as Director General for Finance and Corporate Services. Senior management had been keen to ensure blend between development and foreign affairs responsibilities within portfolios at DG level, which would help with integration.
- There will be a new £190M funding package for coronavirus and famine, addressing the impact on an estimated 6M people in countries of concern. Nick Dyer has been appointed as UK's first Special Envoy for Famine Prevention and Humanitarian Affairs to work in partnership with other donors, UN agencies, NGOs and foundations to help prevent catastrophic famine.
- The Foreign Secretary has confirmed his commitment to 0.7% and has repeated the Prime Minister's assurances regarding commitment to high levels of external scrutiny of aid. ICAI has been confirmed as remaining, and there will be a review of ICAI now that it has been up and running for a decade.
- A letter has been shared with supply partners. This has given a fair amount of detail on the merger, but the invitation is open to ask, if there are further questions. FCDO would be looking at its supply chain. The plan is to organise a private sector roundtable at the end of September, to mirror CSO engagement, bringing in Directors General. At that point they will be able to cover the main points on a plan for structured engagement, and will give clarity on timing. The agenda is currently being decided, but will include what the commercial priorities are.
- Tim shared that intelligence from supplier Finance Directors is that they are keen to know what is changing and what is not, regarding finance rules. For example, NPAC (overhead costs). There is anxiety over what the future pipeline will be like, for both grants and contracts. Any updates will be gratefully received by the sector.

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- The structure below DG level has not yet been decided, but Director level would be decided soon. The merger would have a series of phases, with questions to work on at each stage. Currently, there are still two finance systems in operation. These will be merged only when ready and when the first order questions have been addressed.

Prioritisation:

- There is still a huge amount of pressure on the budget, and FCDO is currently working through reprofiling decisions. We are trying to minimize the impact on partners and maintain priorities for Ministers. So far, there are not as many contract terminations as initially thought and it appears SROs are focusing more on reprofiling spend to outer years.
- It is not yet clear when a new pipeline will be launched. If launched today it would be very lean. Some opportunities will start to appear in the coming weeks. FCDO is not planning a big pipeline in the short term. After the Spending Review and Integrated Review, we will be in a better position to release a full pipeline.
- There is appetite from supply partners to keep some of the improved supplier terms, ranging from advance payment to flexibility. Commercial suppliers would like an ongoing discussion about this.
- Priorities will be aligned as much as possible with the Foreign Secretary priorities in the public domain. It is not possible to give the full shape of the spend until year end because of the movable target of ODA mapping to GNI. FCDO has been in touch with just about everyone where cuts need to be made by now, a couple of items are still ongoing with negotiations. Decisions have been made also based on what was achievable – where the money could be got, so it doesn't entirely map to priorities. FCDO has limits on what it can commit now for the next Financial Year ahead of the Spending Review, but we can give more clarity after that.
- UK Aid Match has been committed to by Baroness Sugg. Appeals are starting in the autumn and Round 4 has all been agreed.
- The 0.7% aid commitment is always managed with shifting spend around to meet the target. However, there is a higher level of uncertainty than usual this year.

Spending review:

- FCDO is currently finalizing its bids to HM Treasury. Once the Spending Review and Integrated Review are published, there will be a much clearer picture of the direction we are heading.

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- The level of ambition is high. In principle, it will be a 3-year spending round on resource, and a 4-year round on capital.
- There was appetite from supply partners to meet the Foreign Secretary and the Permanent Under-Secretary. There was continued engagement on the CSO side through Baroness Sugg on COVID-19, with the next Steering Group focused on Rights and Governance.
- There is an ambition to have coherence in the countries FCDO works in, but we are currently working through questions about what that means, and ensuring it is right.
- All three of the partner representative groups fed back that they had found this group very useful, and were keen for engagement to continue. Juliet Chua thanked them for the feedback, and was grateful to have worked together through the initial phase of COVID-19 and supplier relief. The FCDO team will now be thinking about engagement in the round, and what engagement with other DGs would be helpful. The team will put back a proposition on next phase of engagement when it has been considered in the context of the new landscape. Thank you to colleagues from across the sector who have joined this call and given their time.