

Juliet Chua
Director General, Finance and Corporate Performance
Department for International Development
22 Whitehall
London
SW1A 2EG

09 April 2020

Dear Juliet,

Covid-19: Civil society organisational resilience

Many thanks for continuing to meet with your partners and suppliers to discuss all the funding and financing options. We are very keen to work in partnership with DFID to find solutions to the problems the sector is facing. However, we do need more urgent progress, especially in light of the lack of support for international charities in the wider charity package yesterday. We know that you will now be looking at that so thought it might be helpful to clarify some of the options on paper.

As you know the key financing and funding problems that are stopping charities deliver vital work at the moment are two-fold:

- With country programmes stalling, spend on grants and contracts will slow resulting in lower cost recovery rates, that are required to sustain organisations.
- With unrestricted fundraising now stopped for many charities there is little coming in to contribute to organisational core costs.

The result of both of these is that many DFID partners are approaching acute shortfalls in cash and reserves. For some organisations with limited reserves this could mean the possibility of not surviving the next 3-6 months.

The key priority should be to pivot and re-programme existing awards and portfolios to respond to COVID-19. By doing so DFID can also sustain the capacity of your partners so that they can continue to respond given their current financial challenges. DFID could also demonstrate to the public and tax-payers how you are working with our sector to rapidly respond and reallocate funds to the crisis at hand.

Some possible mechanisms that we have already discussed and communicated that could enable faster reprogramming that can be achieved with existing funding allocations and policies are:

1. Pivoting funding to meet the changing demands on country programmes directly or indirectly affected by COVID-19.
2. A suite of flexible operational initiatives that make working easier such as payment in advance as a default and relaxation of procurement rules to match social distancing advice.
3. Initiatives that target organisational survival in the short term such as support for essential core costs and salaries and to allow maximum flexibility in existing grants with given parameters, (within a portfolio or within a country or region).
4. A stabilisation loan or granting mechanism that would sustain core capacity in the short term.

In addition to the above, and to add a bit specificity there are some more concrete suggestions that we should consider:


5. 6-month Forgivable Loans for the now unfunded share of Core Organisational Operating Costs due to falls in public fundraising. These are the core central continuing costs, which are vital to programme readiness and delivery and are not therefore duplicated by other broader measures available such as furloughing.
6. A swift pragmatic increase to your NPAC rate by an additional 7% and the full application of your Cost Transparency approach across your entire existing DFID portfolio.
7. As is already specified in your Cost Transparency approach, convert NPAC percentages that link to programme spend or results to core costs to fixed amounts that would be paid whether or not the programme spend could take place. If this were used it would mean restructuring the grant to allow fewer outputs, although there may be cases where the humanitarian imperative means that cost-extensions to allow project scale up are needed.
8. Allow reprogramming of funds within existing grants at either the country level or at a broader portfolio level.
9. Acknowledging that the very welcome DCMS support is focused on the domestic agenda, we would look for support that DFID is already planning for smaller charities to be as flexible and inclusive as possible over the coming period (including those that do not currently received DFID grants).

Currently the way a lot of reprogramming is happening is on an award by award basis, with the emphasis on a discussion with the respective SRO. The risk is that this may result in mixed messages, inconsistency, slow and time-consuming decision making and therefore undermine our response. We believe it is important for DFID to bring comprehensive clarity to the situation to reassure charities and enable them to begin to plan for the new environment we are all in.

Yours sincerely,



Stephanie Draper
Chief Executive
Bond



Tim Boyes-Watson
Global Director, Alliances & Advocacy
Humentum



CC:

Nick Dyer, Acting Permanent Secretary
Diana Dalton, Head of Inclusive Societies Department
Nick Ford, Head of the Procurement and Commercial Department