

## Guidance to Partners on COVID-19 Temporary Approach to Holdbacks Global Affairs Canada

### Issue

- Due to COVID-19, many partners are experiencing financial challenges.
- The current holdback approach (5% across contribution agreements) may be contributing to these challenges for some organizations, particularly those with multiple large projects.

### Global Affairs Canada's Response

Global Affairs Canada is taking a temporary, two-pronged, approach in response to these challenges due to the impact of COVID-19. If warranted, it will be possible for Programs to release or reduce the holdbacks currently applied in contribution agreements for projects ending this fiscal year (2020-2021), and to reduce holdback for international development assistance projects ending next fiscal year (2021-2022). Decisions will be taken on a project-by-project basis, not on an organizational or portfolio basis. This proactive and flexible response is expected to significantly ease cash flow management for partners.

### Application of the Temporary Approach by Programs

Prior to agreeing to a request for the release of or holdback reduction from a partner, the Program will assess:

- Level of satisfaction with the performance of the organization in project results achieved to date and in matters of financial management.
- Confidence that expected results will be achieved according to the plans and stated objectives, that there is no potential overpayment, and that there are no potential outstanding liabilities.
- Confidence that there are no other terms and conditions specific to the initiative in the contribution agreement that may impact the decision to reduce the holdback.
- Timeliness and quality of narrative and financial reports to date and their confidence related to receipt of timely, quality final reports.

Based on this analysis, the Program may:

- Maintain the status quo to manage risks, including non-performance or overpayment; OR
- Apply the tiered holdback approach described below, if it provides the balance of flexibility and prudence required; OR
- Release up to 100% of the holdback. **(Available for projects ending in FY2020-2021 only).**

In cases where partners have adjusted or are adjusting project activities downwards as a result of COVID-19, Programs must ensure that the holdback amount is based on the revised budget.

<b>COVID-19 TEMPORARY HOLDBACK APPROACH FOR PROJECTS ENDING IN FISCAL YEAR 2020-2021 or 2021-2022</b>	
<b>Project Value</b>	<b>Holdback</b>
Up to \$2M	5%
Over \$2M to \$5M	5% to a maximum of \$150,000
Over \$5M to \$10M	5% to a maximum of \$250,000
Over \$10M	5% to a maximum of \$500,000

## **Operationalization**

- Organizations requesting a holdback adjustment will be required to provide a rationale for the request, explaining how the need for financial flexibility relates to the COVID-19 situation, and how the adjustment will support the successful completion of the project. The most recent budget will also be required.
- Approval of the Global Affairs Canada Program Director is required for any release or reduction of the holdback.
- Unless the holdback is adjusted in conjunction with other changes to the contribution agreement, in lieu of a formal amendment, an exchange of emails between GAC and the Organisation will officially document the approach for the reduction or the release of the holdback.