

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.

COVID-19 TEMPORARY HOLDBACK APPROACH FOR PROJECTS ENDING IN FISCAL YEAR 2020-2021 or 2021-2022	
Project Value	Holdback
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.