

Written evidence submitted by Bond

Digital, Culture, Media and Sport Committee

Impact of Covid-19 on DCMS Sectors

Written submission made on behalf of Bond, Friday 1 May 2020

1. Introduction

1.1. Bond is the UK network for organisations working in international development and humanitarian aid. It unites over 400 organisations, ranging from small specialist charities to large international non-governmental organisations (INGOs) with a world-wide presence. Most of these organisations are charities registered in England and Wales. As COVID-19 continues to spread worldwide, we are supporting our members to adapt their programmes and operations and keep their staff safe and organisations secure. We are responding to the needs of our members by mobilising the sector, advocating for additional support for civil society, and providing the latest information and insights on the crisis.

2. Executive summary

2.1. UK charities are working on the frontline delivering lifesaving care to people living in the UK and in some of the poorest parts of the world. They provide a lifeline to many people around the world living in countries with weak public health and social services infrastructure. However, many UK charities are in severe financial crisis and at risk of closure as voluntary income has dried up as a result of the pandemic restrictions. UK charities that work internationally are not able to access the £750 million announced for charities by the Chancellor of the Exchequer on 8 April 2020. Many will not survive if they don't receive urgent financial support to cover their core organisational costs.

2.2. Further intervention will be necessary to meet the need of charity beneficiaries in the form of a Stabilisation Fund. This should be in the range of £4 billion. At least £320 million of this fund should be made available to UK charities working internationally. The Government should also make regulatory changes to some of the existing schemes announced by government to allow charities to become eligible by increasing the flexibility of the furlough scheme or access for charities to small business funding.

3. UK charities working internationally and the global fight against Covid-19

3.1. Covid-19 is a global health crisis. The virus does not respect international borders. As the Secretary of State for International Development said on 12 April 2020: "our ability to protect the British public will only be effective if we strengthen the healthcare systems of vulnerable developing countries too."¹

3.2. Unless urgent action is taken, there is a risk Covid-19 will trigger a global humanitarian emergency on a scale unlike any we have witnessed before. When the virus takes hold in

¹ [Half a billion people could be pushed into poverty by coronavirus, warns Oxfam](#), Oxfam International, 09 April 2020

poverty stricken, densely populated areas of developing countries it will be devastating, and it will hit the most vulnerable people hardest. The pandemic will devastate already stretched health systems, overwhelm social safety nets, push half a billion more into poverty¹ and send fragile economies into tailspin. We will see crisis piled upon crisis as the virus hits fragile and conflict affected countries like Yemen and refugee camps such as Cox's Bazaar.

3.3. UK charities and their local partners are already on the ground in these countries. They are working as frontline responders, strengthening health systems, delivering humanitarian aid, disseminating public health advice, making sure vulnerable and marginalised have access to care, monitoring restrictions on human rights, addressing secondary impacts (e.g. rise in violence against women) and tackling hate crimes and exclusion. This is vital work that will help to curb the global spread of Covid-19 and bring an end to this pandemic.

4. What has been the immediate impact on Covid-19 on the sector?

4.1. UK charities working internationally are experiencing a severe shortfall in funding as a result of Covid-19, which is making it difficult for them to deliver vital work in the communities that they are present. There are two main reasons for this, a decline in voluntary income (see 4.2) and lower cost recovery rates from donor funded programmes (see 4.3). The result is that many organisations 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. This is happening at a time when humanitarian need and demand for services is increasing.

4.2. In a survey of Bond members undertaken on 22-29 April 2020 and completed by 116 organisations (26% of the total membership), 43% of respondents reported that their organisations will fold within six months unless additional funding is made available. Organisations are also making cuts to staffing costs, either through redundancies, cutting salaries or freezing pay or recruitment. 54% of respondents said their organisations have furloughed staff. It appears that medium and large organisations have made more use of the coronavirus Job Retention Scheme: 40% of respondents from small organisations, 67% from medium organisations, and 59% from large organisations said they have furloughed staff. 10% of respondents have already made redundancies, with this figure being made up entirely of small and medium sized organisations. With regards to other measures, 58% of respondents have imposed a recruitment freeze, 28% of have asked staff to take temporary pay cuts, 9% have introduced a pay freeze and 9% have imposed a temporary reduction in hours.

4.3. Charities do not operate under a single business model. Different operating models may include a blend of income from investments, grants, contracts, fundraising events, retail, service provision and voluntary donations. Charities who contract for services will typically also rely on other income streams, such as trading and fundraising. Virtually all charities have seen their main income sources plummet: income from fundraising and trading has stopped to protect the public; simultaneously charity investments have been negatively affected by the wider economic impacts of COVID-19. A survey of 550 charities in the UK undertaken by NCVO, Institute of Fundraising and the Charity Finance Group in March 2020 showed that income from voluntary giving (i.e. unrestricted income) is predicted to fall by an average of 48%, and that total income would fall by a third. Institute of Fundraising reported that the survey was disproportionately populated by organisations with an international focus.

- 4.4. Many development, humanitarian and peacebuilding programmes in developing countries funded by the UK Government and other institutional donors are stalling because of emergency measures taken to curb the spread of Covid-19 in these countries. This means spend on DFID grants and contracts is slowing, resulting in lower cost recovery rates, which are used to cover core costs required to sustain organisations. We are asking DFID and other donors to take steps to support civil society organisations in receipt of grants and contracts during the COVID-19 crisis. This includes increasing flexible use of funds, ideally by ‘un-restricting’ existing programme funding to enable NGOs to pivot existing programmes so that organisations can respond in-country; accelerate funding and procurement processes to mitigate the disruption caused by COVID-19; and ensuring that funding policies support supplier survival by adapting current funding streams to help preserve the organisational and operational infrastructure of international NGOs responding to COVID-19.
- 4.5. The decline in income means that charities are having to eat into their reserves. Reserve levels are based on risk and on average are set at around three months of usual operating costs. However, we are not in usual times, with major income sources stopped overnight, the value of investments plummeting and demand increasing. Reserves are not all held in liquid assets and cannot be rapidly accessed. Those with once healthy free reserves are seeing those resources rapidly depleting and their financial resilience eradicated. We know that international development organisations are particularly exposed in terms of their low levels of free reserves. A HaysMacintyre survey in October 2019 revealed that 24% of a selected group of 189 Bond members had reserves sufficient to continue operating for three months. A survey of Bond members conducted in April 2020 showed that most organisations will still be operating in three months-time (95.7%). However, 43% of respondents reported that their organisations will fold within six months unless additional funding is made available. A respondent from one small international development charity stated, “We have lost all of this year's unrestricted funding, and as a small organisation with small levels of reserves we can't take such a hit. It poses an existential threat.”

5. How effectively has the support provided by DCMS, other Government departments and arms-length bodies addressed the sector's needs?

- 5.1. The UK Government has now allocated a total pot of £750m to frontline and ‘essential’ charities involved in the immediate response to COVID-19: £360 million - of which £200m is allocated to hospices – leaving a pot of £160m to be allocated by government departments; £370m in grants to small and medium-sized charities, allocated through the National Lottery Communities Fund for those in England; commitment to match fund sums donated at BBC's Big Night in charity appeal, or at least £20m, to the National Emergencies Trust appeal. UK charities working internationally will not benefit from the £750 million announced for charities by the Chancellor of the Exchequer on 8 April 2020.
- 5.2. DFID has made some funding available to support humanitarian work, although this falls far short of the amount needed to tackle a crisis on this scale. £20 million has been made available through the Rapid Response Facility (RRF), an emergency response fund for international NGOs, which enables pre-registered organisations to apply for humanitarian funding following a disaster, a conflict or a sudden spike in an ongoing emergency. However, the £20 million pledged so far does not reflect the size or nature of the response needed. Only 36 international NGOs (of which most but not all are UK charities) were eligible to apply for RRF funding for work in up to 15 countries. Of the 92 proposals received from these organisations, only 7 were funded. We urge DFID to increase the amount of funding

allocated to an amount commensurate to the delivery capacity and reach of NGOs. Taking into account previous RRF activations for single-country responses of approximately £5m for a shorter time-period, we believe that a 15-country call for 6-month projects merits at least a £100 million investment from DFID.

- 5.3. Additional humanitarian funding will not make up for the shortfalls in income many organisations are experiencing. Recognising the economic impact of the crisis on UK based INGOs, which is already impairing their ability to operate programmes in their countries of operation, we urge the UK Government commit to a key stabilisation fund or loan mechanism enabling UK INGOs to continue operating at this critical time and enabling the retention and deployment of staff. We propose the amount available for a stabilisation fund should be based on reduction in income for three months and is around £320 million. The Government should also make regulatory changes to some of the existing schemes announced by government to allow charities to become eligible by increasing the flexibility of the furlough scheme or access for charities to small business funding.

6. What will the likely long-term impacts of Covid-19 be on the sector, and what support is needed to deal with those?

- 6.1. The impact of Covid-19 will continue to impact UK charities working internationally for some years to come, although the duration and severity of these impacts will depend on several factors including (but not limited to) the duration of the lockdown and social distancing measures in the UK, the effect of the crisis on the UK economy, and the impact of the pandemic in developing countries where UK international development charities work. For most UK charities working internationally, the effects of the current crisis will continue beyond this financial year. In a survey of Bond members conducted in April 2020, only 28% of respondents reported that, assuming they remain in place for 3 months, the effects of social distancing measures on organisational finances will be limited to this financial year (2020/21). 70% said that the crisis will affect their organisational finances either this financial year and beyond, or will start to affect them in the following financial year (2021/22). As one respondent from a medium-sized organisation stated: "The extent of the long-term economic impact of the pandemic is still largely unknown... I am confident of navigating through 2020, but nervous about the impact in 2021 on our organisational financial viability". Respondents cited several reasons for this including: sustained impact on public fundraising, which could be exacerbated if the crisis triggers a recession; negative impact of the current crisis on organisational reserves, which will take a long time to rebuild; loss of expertise and knowledge due to redundancies and other issues with staff retention; reduced income from investments; decline in income from corporates; reductions in income from grants and contracts as donor income and priorities change.
- 6.2. The value of the government schemes has been limited to date for civil society organisations as they were not designed with the understanding that charity and not for profit business models delivering public benefit are inherently different from those of profit making business. These schemes are based on an assumption that demand has reduced and income levels have halted temporarily. For the charity sector, neither are true, as demand in many areas has increased and income levels will not return. These measures do not help the long term sustainability of the sector to continue to be able to play their essential role as partners to government in meeting need, and do not go far enough to ensure even survival through the immediate crisis.

7. What lessons can be learnt from how DCMS, arms-length bodies and the sector have dealt with Covid-19?

7.1. We know that early intervention is crucial. The UK Government has not responded quickly enough or at the scale required to enable UK charities working internationally to support communities around the world to respond to the pandemic or prevent organisational closures. We urge the UK Government commit to a key stabilisation fund or loan mechanism to enable UK INGOs to continue their lifesaving activities at this critical time and enabling the retention and deployment of staff.

8. How might the sector evolve after Covid-19, and how can DCMS support such innovation to deal with future challenges?

8.1. In the long term, organisations may have to develop new business models, while rebuilding their reserves and reducing organisational fragility, both of which may take some time. Prior to the crisis, fundraising income and individual giving were strong yet these are the areas that appear to have been hit hardest by the pandemic and measures taken to curb the spread of the virus. While increases in institutional donor flexibility will help, without additional support we will be looking at a much smaller, consolidated UK international development sector, which is less influential on the world stage. One of the great strengths of the UK international development sector is its diversity and impact. According the most recent NCVO almanac, there are over 6,600 UK charities working internationally. This ranges from large multi-mandate organisations which work across several countries, to small specialist organisations working in a single or handful of places. How the sector adjusts, perhaps through greater focus and mergers, will be key to the UK maintaining its leadership role around the world. We urge DCMS to work with DFID to provide support now in the form of a stabilisation fund, to support organisational resilience and maintain the UK's world-leading reputation for aid and development.