Negotiating funding agreements

## Typical points to negotiate with funders

The conditions imposed by funders vary enormously but typically include:

* **Co-financing/match-funding requirements:** How much you need to provide, when by and in what format. For example, is it necessary that all co-funding has a shared logical framework?
* **Progress reports**: The funding agreement/contract will almost always state reporting frequency, format and style.
* **Procurement guidelines:** The funding agreement/contract and/or its appendices may detail what procedures must be followed for purchases, such as the need to obtain a certain number of quotations for items over a set amount, and/or restrictions on where to buy items.
* **Scope and designation of funds**: What funds may, or may not, be used for; whether funds can be carried forward from one financial year to the next.
* **Administrative overheads**: The specific items that are allowable or excluded. It may also detail whether overheads can be charged as a percentage of the total amount funded, or as a percentage of actual expenditure. This is information that your finance team will need to know.
* **Budget line items**: Specific budget headings/account classifications which correspond with the original funding application.
* **Virement policy**: i.e. permission (or otherwise) to transfer surpluses in the budget from one budget heading to another, and within what limits.
* **Accounting methods**: For example, the funding agreement/contract may specify how to keep accounting records and the basis for reporting on them e.g. accruals or cash accounting.
* **Reporting format**: For example, do they ask for line by line expenditure reporting, or are summary totals sufficient?
* **Supporting documentation**: For example, do you need to provide original or copies of receipts?
* **Bank accounts and interest:** For example, separate bank accounts may be required by some funders. There may also be rules on what you are able to do with any interest earned on sums invested.
* **Equipment:** The funding agreement/contract and/or appendices may tell you how to treat fixed assets purchased, and how to dispose of equipment at the end of a project.
* **External audit**. Some funders require a separate external audit, which should be budgeted for in terms of actual costs plus staff time to support.
* **Staff appointments:** Salary scales may be fixed; funders may ask to approve appointments.
* **The currency in which the funds are transferred and reported:** See the later section in the course on currency exchange.
* **What happens with any surplus:** Does it have to be returned to the funder on an annual basis, or can you negotiate reallocation?

## How to review a funding agreement/contract

Read through the following table:

|  |  |
| --- | --- |
| **Condition** | **Action** |
| Can be easily met and fits with existing practice and procedures | Identify who is responsible and when the tasks have to be fulfilled |
| Cannot currently be met but is acceptable and will require a change in systems or procedures | Identify what changes have to be made to fulfil the condition and any resource implications |
| Contradicts values, is not acceptable or cannot be easily met within existing practice and procedures | Negotiate with funder- or decline to enter into the agreement |

Now read through a funding agreement that you are currently negotiating or are in the early stages of implementation, thinking about the three categories above.

Using the following worksheet, list the conditions set by the funder, assess them and identify any corresponding actions required.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Condition** | **Compliance with current systems** | | | **Action(s) to be taken** |
| **No change required** | **Acceptable. Change req.** | **Not acceptable** |
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## Negotiating with funders

* Some funder conditions may simply be unacceptable to your organisation as they may contradict your policies or procedures, or make implementation difficult or impossible e.g. funds disbursed in arrears.
* If the conditions of a grant or contract are too restrictive or cannot be met, then you can negotiate - remember funders need NGOs to fulfil their objectives - and may not appreciate what is unreasonable/too onerous.
* Once you are ready to negotiate with the funder, please remember to remove any internal comments made during the review process from the document that you share with them.
* Always record your notes on agreements regarding the grant agreement/contract
* Remember that the ultimate decision on whether or not to pursue funding will sit with your organisation’s leadership

## Common points to negotiate

* New bank accounts to be avoided wherever possible.
* Payment schedules - we need pre-payment wherever possible (rather than payment after expenditure).
* Payment to be made to the head office, rather than direct to the country, in order to optimise central treasury management.
* Termination clauses – make sure that in the event of early termination, all outstanding expenditure and committed costs will be covered. You should also ensure that it is a mutually accessible option – i.e. can be triggered by you as well as by the funder.
* That evidencing can be done with copied rather than original receipts – and that 100% evidencing is avoided wherever possible.

## Negotiating top tips

* Know, and stick to your bottom line. Remember that we have the right to walk away and say no! Do not sell yourself or your organisation short.
* Have all the facts at your fingertips, including suggesting alternative options.
* If you find yourself getting pushed into a corner, withdraw gracefully by saying you will discuss the proposal with your finance, legal or senior management teams, and then seek guidance.

## Sample Grant Agreement Cheat Sheet

**‘Systematic Evaluation of CEPF and Capacity Development of CEPF Grantees’**

**Key points document**

1. The grant is active between the 1st January 2015 until July 31st 2017
2. Project director is Chloe Hodgkinson

**Finance**

1. The grant total is USD 249,999
2. $51,596 disbursed on signing of contract. Quarterly disbursements are made upon submission of cash flow projection and financial reports.
3. Payments are made into FFI’s Cambridge USD account
4. Up to 15% of total grant can allocated between direct cost lines. Any other changes have to have written prior permission from CEPF
5. Any unspent funds at the end of the grant must be returned to the funder
6. Any exchange of USD to local currency must be at the best available rate through the ‘channels authorized by applicable laws and regulations’. Transactions must be verified through receipts or other documents to demonstrate the legality of these transactions.

**Reporting**

1. Progress reports within 30 days at the end of each 6 month period in CEPF format
2. Financial reports submitted within 30 days of end of quarter in CEPF format. This will include a detailed list of project expenses
3. Final technical and financial reports within 60 days of end of grant in CEPF format

|  |  |
| --- | --- |
| **Report type** | **Submission deadline** |
| Financial | April 31st 2015 |
| Technical and financial | July 31st 2015 |
| Financial | October 31st 2015 |
| Technical and financial | January 31st 2016 |
| Financial | April 31st 2016 |
| Technical and financial | July 31st 2016 |
| Financial | October 31st 2016 |
| Technical and financial | January 31st 2017 |
| Financial | April 31st 2017 |
| Final Technical and financial | September 31st 2017 |

1. Full copies of all procurement records to be maintained for all purchased of good and services. See CEPF guide to procurement.

**Other**

1. FFI has to pass on full terms and conditions in contract to all sub-contracts and sub-awards
2. CEPF funds cannot be used for propaganda or attempting to influence legislation, land acquisition nor physical relocation of people.