

10th December 2008

Poverty Impact Fund – consultation

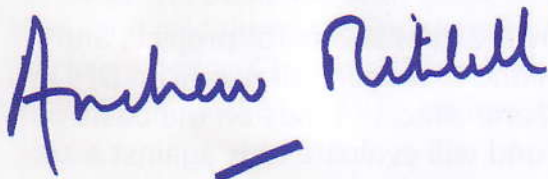
At the Conservative Party Conference in October I announced that the next Conservative Government will establish a new fund aimed at supporting British NGOs and charities working to tackle global poverty.

We are now undertaking a formal consultation with leading British NGOs and outline our proposal overleaf.

In designing the Fund we have remained open-minded about many of its details, as we are keen to hear the opinions of the NGOs at whom the Fund is aimed before we finalise them.

We would, therefore, be very interested to hear your thoughts.

May I also wish you a happy Christmas and every success in 2009.



Andrew Mitchell MP
Shadow Secretary of State for International Development

POVERTY IMPACT FUND – BACKGROUND

The problem

British NGOs are among the best in the world, fighting on the front line of the battle against poverty. But restrictive rules are stopping many of them from getting government support.

- NGOs who do not have a Programme Partnership Agreement with DFID can bid for funds if they meet three types of criteria: (i) championing a 'rights-based' approach to development; (ii) focusing on governance issues; or (iii) raising awareness of development issues in the UK. This system provides welcome funds for NGOs doing valuable work in these areas. But the top-down nature of the rules means that many NGOs focused on tangible outcomes outside these niche areas find it difficult to get funding from DFID.
- DFID's existing funds are massively oversubscribed. Competition is intense, and demand far exceeds the funding available. For example, the 'Civil Society Challenge Fund' Team appraised 181 applications from 106 different civil society organisations and agreed funding for just 33 new projects. The unmet demand for funding from NGOs is huge.

Our solution

We will establish a demand-led, performance-based Poverty Impact Fund, worth £40 million in its first year. The Fund will be open to British NGOs and charities, working alone or in partnership with local NGOs or other organisations in developing countries.

How will the Poverty Impact Fund work? The Fund will invite submissions for projects and programmes to reduce poverty in developing countries. Fund managers, drawn from DFID, NGOs and the private sector, will assess the applications, and allocate funds on the basis of their anticipated effectiveness in reducing poverty. The Fund will evaluate bids against a set of criteria, including:

- Projected impact on poverty;
- Sustainability: will the positive impact of the project continue after Fund resources have been used, and will the project have a clear element of local ownership, including wherever possible direct feedback from local beneficiaries?;
- Clarity of output and outcome measures;
- Strength and independence of audit/monitoring systems;
- Potential impact in boosting local health and education systems, where relevant;
- Alignment with the national poverty reduction strategy of the host country, since we are committed to the Paris-Accra harmonisation and alignment principles.

All projects will be expected to have clear measures of outputs, outcomes and impact from the outset. The Fund will adopt a match-funding principle – for example, providing 50 per cent of funding to match 50 per cent from the NGO – to help NGOs fundraise and to establish a very direct community of interest with the taxpayer.

The benefits

In addition to having a demonstrable impact on poverty, through supporting the work of NGOs who can show clear results, the fund will:

- **Champion the demand-led, bottom-up principle.** The demand-led approach to funding is increasingly recognised as an effective way to allocate aid: for example, the Global Fund to Fight AIDS, TB and Malaria and the Children's Investment Fund Foundation use variants of this approach.
- **Encourage innovation.** The Fund will maximise innovation and enterprise, letting 'a thousand flowers bloom', tapping into a wide range of NGOs and supporting a wider range of projects than the current structures allow. To balance risk in the portfolio, the Fund will also support projects which are well-established and have a demonstrable performance record.
- **Generate additional resources.** We expect that the match-funding approach will assist NGOs with fundraising, as contributions from individuals will lever matching support from DFID.

Costs and funding

The Fund will be worth £40 million in its first year. We envisage that administration costs of the Fund will be in line with those of the other Challenge Funds. The Fund will be separate from, and additional to, the current channels of funding available to NGOs, including PPAs and the existing Challenge Funds. The Fund and associated costs will be paid for from the projected increase in DFID's budget as it rises to 0.7 per cent of national income by 2013.

"...a Conservative government will establish a new fund that will support British charities, NGOs and organisations that are well placed to change lives, reduce poverty and extend opportunity. Rather than relying on a top-down approach to development, we will invite NGOs and charities to take the lead..."

Andrew Mitchell MP

Speech to Conservative Party Conference, 1st October 2008

THE CONSULTATION

1. What should the application process be for NGOs who want to access the Fund? How many funding rounds should there be every year?
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2. What should the minimum and maximum grant sizes be?
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3. What should the eligibility criteria be?
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4. What should the match funding element be – what percentage of funds should DFID provide, and what percentage should be provided by the NGO itself? Should these levels vary? If so, in what circumstances?
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5. What systems should we use to monitor and evaluate monies used by the Poverty Impact Fund?
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6. The Fund will be demand-led – but what guidelines should we use to achieve the best balance of projects in terms of size, sector and country allocation?
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7. How should we strike the right balance between encouraging innovative projects and ensuring concrete outcomes?
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8. Do you have any other comments you would like to make?
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Please keep submissions to a maximum of 2 pages.

Responses should be sent by email, **by 30 January 2009**, to **andrewmitchellimp@parliament.uk** with the subject line **'Poverty Impact Fund Consultation – [insert name of your NGO]'**.