



ADVOCACY ADVISOR
A Humentum Government Affairs & Advocacy Update
First Quarter, 2022

GLOBAL POLICY ADVOCACY: SHIFTING POWER TO RESHAPE THE SECTOR

What is one of the most impactful ways funders can reshape the global development and humanitarian assistance sector to be more equitable, accountable, and resilient?

According to Humentum’s new report, [“Breaking the Starvation Cycle: How international funders can stop trapping their grantees in the starvation cycle and start building their resilience,”](#) the answer is fairly straight forward: fully fund the administration costs associated with implementation of their local NGO grantees’ projects.

Humentum has analyzed extensive data on the financial health and cost coverage of 81 national NGOs (NNGOs) from ten countries in Africa, Asia, Latin America, and Europe. Humentum gathered this data through surveys, self-assessments, interviews, and a review of 286 restricted funding agreements from 92 distinct funders.

Humentum found that no funders were consistently providing their full and fair share of administration costs related to the projects they supported. This directly resulted in their NNGO recipients being significantly under-resourced in functions fundamental to their health and resilience, such as safeguarding against exploitation, abuse, and harassment; business development; and human resources, among others. Only those grantees with good income quality and a relatively developed cost recovery practice achieved more sound financial health.

We found that when donors expect and guide NNGO grantees to ask for their true administrative, or “indirect,” costs related to funded projects, NNGOs’ income quality is improved. By providing better cost coverage, while supporting grantees to strengthen their cost recovery practices, funders help fortify grantees’ overall financial health; shift the dependency power dynamics that lead NNGOs to “under-ask” in the first place; and lay a foundation for more impactful and sustainable donor-grantee partnerships. All of these elements, in turn, are fundamental to advancing locally-led development and building greater equity and resilience in the sector as a whole.

HUMENTUM GOVERNMENT AFFAIRS AND ADVOCACY

✓ **Engaging in Thought Leadership**

[New Findings Show How Funders Need to Break the NGO Starvation Cycle - Humentum](#) (March 2022)

[Project Grants Need Not Be the Enemy—A Three-Part Series: Part 2 \(philanthropy.com\)](#) Chronicle of Philanthropy (March 2022)

[How Donors are Trapping Local NGOs in a Starvation Cycle](#) DEVEX (March 2022)

[Operationalizing Locally-Led Development: Debunking the Myths](#) (March 2022)

[Creating an environment where fraud cannot thrive - Humentum](#) (February 2022)

[Opinion: Locally led development — what it means to me](#) (February 2022)

[Locally-Led: Operationalizing USAID's New Vision](#) (February 2022)

✓ **Navigating Regional Crises and Sectoral Challenges**

○ **Ukraine Crisis**

Since the [invasion of Ukraine](#) by the Russian Federation, over 4 million Ukrainians have fled to surrounding countries and over 12 million are in need of humanitarian assistance. The [ongoing conflict has exacted significant damage](#) on the country's basic infrastructure and food supplies, with a consequent reverberating impact on the global food supply chain. To assist those organizations working in the region to address this growing refugee and humanitarian crisis, Humentum fields donor operational policy questions and concerns from members and provides real-time updates on USAID guidance, waivers, and authorities, as well as US Department of the Treasury/OFAC licenses and FAQs, all of which are highlighted in this Update.

○ **Compliance with Section 889 of the National Defense Authorization Act (NDAA) FY19**

Humentum works with its members to address challenges surrounding compliance with Section 889 of the National Defense Authorization Act (NDAA) FY'19 restrictions on the use of certain prohibited Chinese technologies. In recent months, we have engaged USAID, USDOS, OMB, and related entities on questions regarding Office of Director of National Intelligence (ODNI) 889 waivers, General Services Administration (GSA) guidance, and the agencies' own due diligence. During the quarter, Humentum also convened virtually a member working group to identify, discuss, and seek to resolve the key pain points implementing partners with US government funds – acquisition and assistance alike - are experiencing as they attempt to comply with 889 restrictions. The working group has now met twice and will meet monthly hereafter. Finally, earlier this quarter, Humentum and member organization CRS held a briefing for key Senate staffers on Section 889 compliance challenges to encourage engagement with the Administration on potential solutions.

✓ **Advancing Operational Policy Priorities to Shift the Power in the Sector**

○ **Locally-Led Development and Humanitarian Assistance**

Humentum supports its members and the sector in advancing a more equitable, resilient, and inclusive development and humanitarian assistance agenda; one where the design, implementation, and evaluation of donor programming is more localized and decision-making authorities are decentralized.

Doing this requires a shift in how donors procure and how INGOs support the sector. Compliance regimes must be reconfigured to place greater value on the skills and capacity of local and national NGOs, creating mechanisms for risk sharing that are more equitable across the donor-implementer landscape, and ensure accountability by all actors to the communities that development and humanitarian interventions are intended to serve. A truly locally led agenda requires US government donor agencies that operate with foreign assistance to ensure full cost recovery not just among their US-based partners, but also local and NNGO partners. It also requires all donors – public and private alike - to revise their valuation of and investment in implementing partners' actual administration costs.

In addition to the mutually reinforcing policy initiatives outlined below (risk and accountability, full cost recovery, and international financial reporting guidance), Humentum has launched a year-long open webinar series on the policies and practices requisite for the operationalization of locally led development (LLD). Every other month in 2022, we convene leading global thought leaders and practitioners from the NNGO, INGO, and donor communities to dissect the challenges to and identify solutions for operationalizing LLD. This quarter, Humentum hosted two of these webinars, the first on [tackling the structural barriers to LLD](#) and the [second on debunking the myths surrounding LLD](#). Combined, the events garnered some 800 registrants from more than 20 countries. The next webinar, to be held on May 4, 2022, will explore the need to build true “partnerships of consequence” to advance LLD. [Click here](#) to register for this free event. On the off-months, Humentum will be hosting members-only “working out loud” virtual sessions to dive even more deeply into these topics. [The first of these was held on April 6, 2022](#). Look for our learnings and analyses from these engagements in future Humentum thought leadership.

▪ **Rethinking Risk and Accountability**

Humentum believes that the sector's current approach to risk management is one of the most significant barriers to locally led humanitarian action. All too frequently, international NGOs (INGOs) bear the burden of both funder and implementing partners' respective risk. At the same time, local and NNGOs increasingly report feeling undermined by funder accountability and due diligence frameworks that paint them as inherently “riskier” than INGOs, with little consideration for or valuation of their unique strengths.

To address this, Humentum and the [Start Network](#) have launched the [Risk and Accountability Initiative](#) over the past quarter. Through the Initiative, we seek to diversify and contextualize risk and accountability requirements, so that local entities can access funding and respond more effectively to the needs of affected communities. Together, we will explore new approaches and tools for assessing and managing risk that increase accountability to crisis-affected communities while removing barriers to funding.

- **Ensuring Full-Cost Recovery**

In 2021, Humentum was commissioned by the consortia of private grant-making foundations, Funders for Real Costs, Real Change, to study the impact of restricted and partial administration cost funding of NNGOs across the globe. Restricted project funding does not typically cover the full share of the administration costs organizations incur, such as organizational management, finance, human resources, rent, and utilities. Because administration is essential to the effective, efficient, and safe delivery of projects, NGOs that lack sufficient funding for such costs are hamstrung. Alternatively, they must rely on limited reserves or unrestricted income if they exist. The problem is further exacerbated by a general reluctance among NGOs to reveal to donors their full administration costs. There is a misperception in the sector that expenditure in these areas demonstrates inefficiency and undermines legitimacy. This creates a vicious cycle of organizations reporting artificially deflated administrative costs and funders uncertain if they are covering an appropriate portion.

During the quarter, and as outlined elsewhere in this Update, Humentum published the study's findings, analysis, and recommendations - which have been covered by the media, including The Chronicle of Philanthropy and DEVEX. Read the [Executive Summary and Full Report](#).

- **Developing International Financial Reporting Guidance: [International Financial Reporting Guidance for NPOs \(IFR4NPO\)](#)**

Humentum and its partner, the Chartered Institute of Public Finance and Accountancy (CIPFA), released for comment by October 2021 a two-part [IFR4NPO Consultation Paper](#) to give non-profit organizations around the world the opportunity to contribute to the development of international financial reporting guidance for the sector. There are no common international accounting standards for NPOs, unlike in the private and public sectors. And, only a few jurisdictions have developed guidance that address the unique characteristics of NPOs and the types of transactions they undertake. The feedback to this consultation will inform the development of international guidance. During the quarter, Humentum completed its analysis of part one consultation responses. Some 965 people from 96 countries participated in our virtual regional roundtables and webinars during the consultation period, and we received the written responses of 208 individuals from 33 countries. A summary of the feedback is [here](#) and our February 2022 presentation on the findings is [here](#).

- **Safeguarding: Prevention of Sexual Exploitation and Abuse (PSEAH)**

Humentum advocates for policies and practices that advance the prevention of sexual exploitation and abuse in the sector. Over the quarter, [we worked with CHS Alliance to design a training scheme that will improve the quality of safeguarding investigations](#) across the globe. During the quarter, the training manual was completed thanks to a team of dedicated authors and reviewers, which included experienced investigators, UK FCDO, and USAID technical and legal experts.

- **Diversity, Equity, and Inclusion (DEI) in Global Development**

Building on its co-design and launch of the [Benchmarking Race, Inclusion, and Diversity in Global Engagement, or BRIDGE, survey](#), an institutional survey of U.S.-based development and humanitarian organizations, Humentum continued to convene members in dialogue around the principles of DEI in global development operations. BRIDGE survey data painted a startling picture of inequity and uneven power dynamics. Humentum continues the conversation around these findings through roundtables, deep-dives, spot-polls, and webinars. We examine DEI in employee recruitment, advancement, and compensation plans, donor funding, and program design and implementation. Register now for our next event in May 2022, [Leading DEI with Data and Heart](#). During the quarter, [Humentum supported the Coalition for Racial & Ethnic Equity in Development \(CREED\) pledge](#) to advance racial and ethnic equity (REE) in development and humanitarian organizations. This pledge will inform the way Humentum engages on racial and ethnic equity within our organization and how we advocate for it in the sector.

- ✓ **Responding to Operational Issues and Proposed Regulations**

In addition to navigating regional and operational crises and promoting its proactive policy agenda, Humentum responds to discrete member operational issues and concerns as they arise. These include anything from a question about donor policy or practice or the interpretation of a presidential executive order to a request for a sample safeguarding policy. Humentum builds relationships with various offices of US and UK donor agencies to field these questions on behalf of our members in an anonymized fashion.

For instance, during the quarter Humentum has been in communication with the OMB regarding a question raised regarding the allowability of 2 CFR 200.414(f) *de minimis* rates by non-profits under Federal Acquisition Regulation (FAR)-governed contracts. The primary inquiry was whether the *de minimis* is a "cost plus a percentage of cost type contract" prohibited by FAR 44.203(b)(2). Thanks to our ongoing engagement, OMB is considering solutions to ameliorate the confusion created by conflicting guidance set forth in the FAR and Uniform Guidance, respectively.

In another example, Humentum is advocating with USAID to make available for implementing partner review the assistance funding recipient performance appraisals completed pursuant to ADS 303.3.18. These reviews are documented using USAID's performance review template, which is not available to implementing partners. Per ADS

303.3.9, Agreement Officers (AOs) must use the completed performance reviews to inform their risk assessment of the applicant for new awards. The policy does not require AOs to share the review with or allow comments from the recipient as is done for CPARs under acquisition instruments. Humentum is seeking to change this.

Finally, and when applicable, Humentum also submits comments to proposed regulations and notices of information collection published in the Federal Register.

KEY US GOVERNMENT DONOR POLICY AND GUIDANCE UPDATES

➤ **EXECUTIVE OFFICE OF THE PRESIDENT**

○ **Executive Orders**

Action: Executive Orders.

Summary: Since taking office in January 2021, President Biden has issued [85 Executive Orders](#). Those of note for the sector from the **past quarter** include:

- Executive Order 14064, [Protecting Certain Property of Da Afghanistan Bank for the Benefit of the People of Afghanistan](#) (February 15, 2022).
- Executive Order 14067, [Ensuring Responsible Development of Digital Assets](#) (March 14, 2022).
- Executive Order 14069, [Advancing Economy, Efficiency, and Effectiveness in Federal Contracting by Promoting Pay Equity and Transparency](#) (March 18, 2022).
- Executive Orders on Russian Aggression in Ukraine, including but not limited to EO 14065, [Blocking Property of Certain Persons and Prohibiting Certain Transactions With Respect to Continued Russian Efforts To Undermine the Sovereignty and Territorial Integrity of Ukraine](#) (February 23, 2022)

➤ **US DEPARTMENT OF THE TREASURY/OFFICE OF FOREIGN ASSETS CONTROL (OFAC)**

○ **Ukraine General License**

[Ukraine General License Number 23](#) - Certain Transactions in Support of Nongovernmental Organizations' Activities (March 11, 2022)

➤ **US DEPARTMENT OF STATE (STATE)**

- **FY2022-FY2026 State & USAID Joint Strategic Plan**

In late March 2022, the State and USAID released their [Joint Strategic Plan](#) for fiscal years 2022 through 2026. The plan “sets forth the vision and direction for both organizations and presents how the Department and USAID will implement U.S. foreign policy and development assistance” in the coming years.

- **FY2023 International Affairs Budget**

Also in late March 2022, State and USAID released the FY 2023 International Affairs Congressional Budget Justification, which sets forth the funding required to fulfill their missions globally. Here are the State and USAID budget rollout materials: [State and USAID overview](#), [State Department Fact Sheet](#), and the [USAID Fact Sheet](#).

- **Foreign Service Core Precept on DEIA**

In April 2022, State announced that it is now tying criteria for promotions and bonuses to the advancement of diversity, equity, inclusion, and accessibility (DEIA). To be competitive for a promotion or eligible for bonuses, all State employees must demonstrate how they have worked to advance, through concrete measures, the agency’s DEIA objectives. For more on this, read [The Case for a Foreign Service Core Precept on DEIA \(afsa.org\)](#).

- **US AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID)**

- **USAID FY2022 Second Quarter New Business Forecast**

On March 22, 2022, USAID hosted the FY22 Second Quarter New Business Forecast webinar. A full list of responses to the General, Washington, and Mission questions submitted, as well as a transcript and recording of the webinar, are available on [USAID’s Business Forecast page](#), along with FAQs and recordings from prior webinars. Prospective changes to USAID’s procurement processes - such as phased acquisition, streamlined proposal evaluation criteria, and oral presentations - were previewed in the webinar. These are signs that [a “refreshed” A&A Strategy](#) may help open the door to a more diverse, locally-led pool of implementing partners.

- **USAID Resources for Implementing Partners Operating in Ukraine**

In response to the Russian Federation’s aggression in Ukraine, USAID/Management Bureau/Office of Acquisition and Assistance posted updates, FAQs, and waivers for implementing partners. These, including the March 7, 2022, [Branding and Marking Source and Nationality Waivers](#) and the March 22, 2022, [Extension of Evacuation Authorities](#) are all available [here](#).

- **USAID Inclusive Global Development Strategy**

In November, 2021, USAID Administrator Samantha Power outlined [“A New Vision for Global Development”](#), which places inclusive development at the fore of USAID’s agenda. Power stressed the importance of diversity, equity, and inclusion, localization, and evidence-based decision making. As part of this vision, USAID also announced the launch of [www.workwithusaid.org](#). The site serves as a resource hub for existing and new local and international implementing partners.

Since then, USAID has previewed a series of forthcoming related policy developments. In [March 8, 2022, testimony](#) on USAID's locally-led targets before the US House of Representatives Foreign Affairs Sub-Committee, USAID described its plans to define the term "local entity" this Spring, publish an updated Acquisition and Assistance Strategy, develop a localization "playbook," finalize its Local Capacity Development Strategy (see below for more on this), and craft a locally-led development policy. Moreover, the Agency expressed its intentions to streamline funding application processes, potentially use more Fixed Amount Awards to work with new entities, and increase its risk appetite, human resources, and business practices to incentivize partnerships with new, local organizations. Humentum will track and engage the agency on these new policy adjustments as they are developed.

- **USAID Local Capacity Development Strategy**

In response to USAID's draft [local capacity development strategy for the Agency](#), released for review and comment by January 2022, Humentum gathered member and stakeholder input and submitted [these comments on their behalf](#).

HOW YOU CAN BE INVOLVED

- ✓ Visit the members only **Humentum Connect Government Affairs & Advocacy Community** for real-time updates on these and other related outreach, engagement, and advocacy opportunities
- ✓ Visit our [Advocacy webpage](#) for a clearinghouse of Humentum advocacy action items and updates
- ✓ **Reach out** to Cynthia Smith, Director of Government Affairs & Advocacy at: Cynthia.Smith@Humentum.org with any questions, concerns, or suggestions regarding current or needed advocacy with donor agencies on the sector's behalf.
- ✓ **Take advantage** of Humentum's topical webinars, roundtables, and working groups on donor policies and critical issues, as they arise

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