OPERATIONALIZING LOCALLY-LED DEVELOPMENT: THE SECTOR WAITS FOR USAID TO ISSUE ITS LONG-PROMISED PLANS

In her June 7, 2022 remarks during the Third Quarter FY22 USAID New Business Forecast webinar, the Administrator's Senior Advisor on Localization, Sarah Rose, detailed USAID's forthcoming approach to locally-led development.

"USAID will approach localization in four broad ways:
● We will shift power to local actors by integrating local voices and leadership into all aspects of our programs
● We will channel a larger portion of assistance directly to credible local partners while ensuring accountability for the appropriate use of funds and achievement of development and humanitarian results
● We will apply local capacity strengthening efforts and elements of local systems practice in pursuit of locally-led development
● And we will serve as an advocate and thought leader."

In her comments, Rose previewed policies and strategies that will reflect an Agency-wide prioritization of locally-led development, including a revised Acquisitions and Assistance Strategy, revised Agency Risk Appetite Statement, and new Partnership Principles. She further noted that "within a few months, we will finalize and roll out a new Local Capacity Strengthening policy—the first of its kind at USAID...." Most of these documents have been in various stages of formulation and review for over a year.

Rose also highlighted how the Agency's new 2022-2026 Agency Learning Agenda, "will drive research and learning about how USAID can more equitably engage local knowledge, assets, and practices and align programming with local priorities and metrics for success." Rose noted that USAID "will deploy, over time, new measures to track the extent to which our programs are incorporating local leadership and voices throughout the program cycle."

Humentum looks forward to USAID's release of these policy documents which will impact, perhaps more than anything else, the Agency's day-to-day approach to operationalizing a more localized and equitable development agenda.

HUMENTUM GOVERNMENT AFFAIRS AND ADVOCACY

✓ **Engaging in Thought Leadership**

Call for funders to move from Value for Money to Value for Ideas (July 27, 2022) Jenna Thoretz shares an overview of Humentum's webinar, which explored the Breaking the Starvation Cycle report. Moderated by Dr. Christine Sow, the panel brought together experts to discuss the report's findings and their recommendations for the future.

Growing frustrations puts GSA on hot seat to fix the transition to UEI (July 15, 2022) For this Federal News Network article, Jason Miller interviewed Cynthia Smith to discuss the impact on our sector of prolonged delays in the US Government's switch from DUNS numbers to Uniform Entity Identifiers (UEI).

WATCH: Reimagining Risk and Accountability (July 6, 2022) Part of Humentum's Operationalizing Locally-Led Development Webinar Series.

WATCH: Breaking the starvation cycle – report findings (June 15, 2022) View the recording from this webinar on Humentum's ground-breaking report on the non-profit sector's funding "starvation cycle".

A necessary operating model for equity in global development (June 8, 2022) In this Devex article, CEO Christine Sow advocates for an equity-centered model of development to ensure fair, meaningful, and lasting change in the sector. Find out how Humentum is helping organizations move from talk to action.

WATCH: Operationalizing Locally-Led Development: Building Partnerships of "Consequence" (May 4, 2022) Part of Humentum's Operationalizing Locally-Led Development Webinar Series.

✓ **Navigating Sectoral Challenges**

○ **The Adverse Impact of the General Service Administration's Rocky Transition to Unique Entity Identifiers (UEI)**

On April 4, 2022, the federal government ceased using the DUNS Number to identify entities, replacing it instead with the Unique Entity Identifier, created in SAM.gov. On its website, GSA maintains that "this transition allows the government to streamline the entity identification and validation process, making it easier and less burdensome for entities to do business with the federal government." Despite these intentions, the transition from DUNS to UEI has been anything but smooth. At one point this quarter, some 30,000 UEI applications were reportedly backlogged. Glitches and processing issues plagued attempts at reducing that backlog. In the meantime, the delays are having an outsized

impact on those seeking to work with US foreign assistance funding – particularly new and local partners to the US government.

Humentum members and their implementing partners report that programs in Iraq, Turkey, Jordan, Sri Lanka, Tanzania, and others have been adversely impacted by the GSA delays. For instance, a local entity that had been working with a member INGO to develop and submit a proposal was barred from doing so because GSA had yet to process their UEI request, despite months in the system. In another case, a multi-million-dollar bid was submitted by an implementing partner for programming in Iraq but because of delays in processing their UEI renewal, their bid was refused for review by the awarding agency. In other cases, life-saving humanitarian assistance has been slowed because local partners identified in an award have not been able to get their UEIs at no fault of their own.

In response, Humentum has worked with our members' awarding agencies, including USAID and State Department, to address the most pressing cases, encourage fast tracking of urgent UEI requests due to the nature of the programming funded, and to liaise with GSA to identify immediate-term solutions. Humentum has also urged USAID and DOS to encourage agreement officers to exercise flexibility where allowable when considering procurement and implementation eligibility.

USAID, DOS, GSA and others stood up an inter-agency task force in the last two months to address the UEI processing concerns of those entities working with US foreign assistance funding. It is through this task force that members' urgent requests are filtered. To date, GSA maintains that they have responded to most of these elevation requests, but they are not hearing back from the applicant organizations, so their tickets are closed due to unresponsiveness. Additionally, GSA has informed USAID that many UEI applicants are submitting insufficient or improper documentation. Yet, when GSA follows-up with applicants about those documents, they receive no response. Since this may be part of the larger issue with the system, Humentum encourages its members to be certain that all their local partners are reviewing correspondence regularly and timely responding to GSA.

Humentum will continue to advocate on this issue in the coming quarter. For further resources, including GSA FAQs and checklists, see below. Also, Humentum members' concerns were highlighted recently in this Federal News Network article.

   o **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 convened monthly its member 889 policy 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 met with attorneys from Humentum Industry Partner, Hogan Lovells, submitted comments to USAID regarding implementation of its new Modified Foreign Assistance waiver which it responded to, and shared tools and strategies for due diligence and compliance conundrums.

Effective July 1, 2022, USAID updated the ADS 303 Standard Provisions, incorporating implementing language on cost allowability pursuant to its Modified Foreign Assistance 889 waiver for both US and Non-US NGOs. Also in July, and following months of Humentum advocacy, the Department of State confirmed that it has requested a six-year extension of its waiver currently set to expire at the end of this fiscal year.

✓ **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 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).

Throughout 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. To date, we have convened nearly 1600 professionals from 102

countries on: dismantling structural barriers to LLD; busting misguided and harmful LLD myths; building partnerships of consequence to advance LLD; and reimagining risk and accountability. We have also published thought leadership pieces, available on the website, following each of the webinars. Stay tuned for our next webinar in August on innovative financing, and for our Humentum podcast on building partnerships of consequence with Pape Gaye.

▪ 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. Too frequently, international NGOs (INGOs) bear the burden of both funder and implementing partners' respective risk. At the same time, 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. Humentum and the Start Network launched the Risk and Accountability Initiative in order 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 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

Humentum has studied the impact of restricted and partial administration cost funding of NNGOs which does not cover the full share of administration costs, such as management, finance, human resources, rent, and utilities. Because it is essential to the effective, efficient, and safe delivery of projects, NGOs that lack sufficient administration funding are hamstrung or must rely on limited reserves or unrestricted income if they exist. NGOs' reluctance to reveal to donors their full administration expenses further exacerbates a vicious cycle of reporting artificially deflated, thus underfunded, costs. Humentum's findings, analysis, and recommendations are here: Executive Summary and Full Report.

▪ Developing International Financial Reporting Guidance: International Financial Reporting Guidance for NPOs (IFR4NPO)

Through IFR4NPO, Humentum and its partner, the Chartered Institute of Public Finance and Accountancy (CIPFA), give non-profit organizations around the world the opportunity to contribute to the development of the first international financial reporting guidance for the sector.

○ Safeguarding: Preventing Sexual Exploitation, Abuse, and Harassment (PSEAH)

Humentum advocates for PSEAH policies and practices. Currently, we work with CHS Alliance to design a training scheme that will improve the quality of safeguarding investigations across the globe.

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

Building on its Benchmarking Race, Inclusion, and Diversity in Global Engagement, or BRIDGE, survey, Humentum convenes members in dialogue around the principles of DEI in global development operations. Data paints a startling picture of inequity and uneven power dynamics. We examine DEI in employee recruitment, advancement, and compensation plans, donor funding, and program design and implementation.

✓ **Responding to Members' Emergent Operational Issues and Agencies' Proposed Policies**

Humentum advocates on behalf of members before donor agencies on their operational issues as they arise. Humentum also submits comments on relevant proposed federal government regulations and notices of information collection published in the Federal Register.

During this quarter, Humentum advocated 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. 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. Past policy did not require AOs to share the review with or allow comments from the recipient as is done for CPARs under acquisition instruments. Humentum sought to change this. The post-implementation performance review form, which is found here, will be replaced soon with a May 2022 version, which corrected a CFR reference. With our advocacy, USAID has committed to revising ADS 303 to encourage AORs to discuss the performance review with the recipient once completed. The ADS 303 revision is scheduled to be issued in FY 2023.

As outlined above, Humentum has also dedicated significant time to advocating on behalf of members and their local partners who have been trapped in the GSA UEI backlog.

US GOVERNMENT DONOR OPERATIONAL POLICY AND GUIDANCE UPDATES

➤ **EXECUTIVE OFFICE OF THE PRESIDENT**

o **Executive Orders**
Action: Executive Orders.
Summary: Since taking office in January 2021, President Biden has issued 94 Executive Orders. Those of note for the sector from this **quarter** include:

o EO 14078, Bolstering Efforts To Bring Hostages and Wrongfully Detained United States Nationals Home (July 19, 2022)

- Executive Order 14076, [Protecting Access to Reproductive Healthcare Services](#) (July 8, 2022)

- Executive Order 14075, [Advancing Equality for Lesbian, Gay, Bisexual, Transgender, Queer, and Intersex Individuals](#) (June 15, 2022)

- Executive Order 14071, [Prohibiting New Investment in and Certain Services to the Russian Federation in Response to Continued Russian Federation Aggression](#) (April 6, 2022)

- Executive Order 14070, [Continuing To Strengthen Americans' Access to Affordable, Quality Health Coverage](#) (April 5, 2022)

➢ GENERAL SERVICES ADMINISTRATION (GSA)

o Unique Entity Identifier (UEI) FAQs
Action: FAQs.
Summary: GSA issued resources on Unique Entity Identifier requests, including reasons why UEI entity validation documents are denied: [7 Common Entity Validation Mistakes](#) and a comprehensive guide and checklist for applicants in [this FAQ](#).

➢ US AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID)

o Management Bureau/Office of Acquisition and Assistance
Action: Policy Revisions.
Summary: On July 1, 2022, USAID/M/OAA revised [ADS 303, Grants and Cooperative Agreements to Non-Governmental Organizations](#) provisions relating to prohibitions under Section 889 of the FY 2019 John S. McCain National Defense Authorization Act (NDAA), specifically the standard provision entitled "Prohibition on Certain Telecommunication and Video Surveillance Services or Equipment (July 2022)," available in the following references:

- [ADS 303maa, Standard Provisions for U.S. Nongovernmental Organizations](#)
- [ADS 303mab, Standard Provisions for Non-U.S. Nongovernmental Organizations](#)
- [ADS 303mat, Standard Provisions for Fixed Amount Awards to Nongovernmental Organizations](#)

Per USAID/M/OAA, "the Section 889 prohibitions for assistance are solely an issue of cost allowability. In accordance with the cost principles in 2 CFR § 200.471, obligating or expending costs for covered telecommunications and video surveillance services or equipment or services as described in 2 CFR § 200.216 are unallowable. Recipients and subrecipients are prohibited from using award funds, including direct and indirect costs, cost share and program income, for such covered telecommunications and video surveillance services or equipment, except as otherwise authorized in the award. The

previous Special Award Requirement, if incorporated into the award, authorized such costs through September 30, 2022. This standard provision entitled "Prohibition on Certain Telecommunication and Video Surveillance Services or Equipment (July 2022)," if added to an award, continues to authorize such costs through September 30, 2022, and will also make such costs allowable from October 1, 2022, through September 30, 2028, **only when there is no available alternate eligible source** for the services or equipment."

Action: FY2022 Third Quarter New Business Forecast and Partner Update
Summary: On June 7, 2022, USAID/M/OAA hosted the FY22 Third Quarter New Business Forecast and Partner Update webinar. A list of responses to questions, 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. During this quarter's meeting, Director Mark Walther introduced Shirley Baldwin as the director of foreign operations at M/OAA. Walther also acknowledged the ongoing delays with GSA's processing of UEI tickets and reiterated that USAID and State are part of a foreign assistance-focused working group that convenes weekly with GSA to address ongoing issues. Finally, Walther reminded participants that the forthcoming Acquisition and Assistance Strategy "refresh" is underway with an implementation plan to be rolled out in the coming months.

   o **Policy, Planning, and Learning Bureau**
In November 2021, USAID Administrator Samantha Power outlined "A New Vision for Global Development." While centering inclusivity in USAID's agenda, Power stressed the importance of diversity, equity, and inclusion, localization, and evidence-based decision making.

For several months, USAID has been previewing a series of forthcoming policies to operationalize this strategy. In March 8, 2022, testimony on USAID's locally-led targets before the US House of Representatives Foreign Affairs Sub-Committee, USAID PPL Assistant to the Administrator Michele Sumilas described USAID's 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, 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.

On July 22, 2022, USAID released a new, draft Agency-wide Policy Framework. The Agency opened a public comment period for the draft framework, from July 22, 2022, through August 1, 2022. Humentum is convening its member LLD Policy Working Group to formulate and submit comments on the draft.

➢ **US DEPARTMENT OF STATE (STATE)**

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

State and USAID released the Joint Strategic Plan for the 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.

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 the 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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