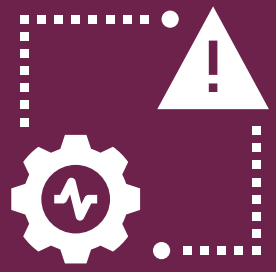
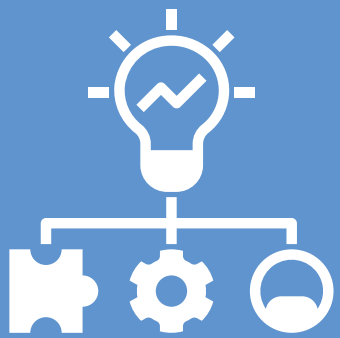




MARCH 2023

From Operations to Outcomes: A Policy Blueprint for Locally-Led Development

Insights and Recommendations from the Global Development and Humanitarian Assistance Community

Part of the Collective Journey to Equitable Development

About the Report

Without local leadership, the global development and humanitarian assistance sector cannot deliver effective, equitable, and sustainable solutions for the world's most pressing challenges. Many in the sector understand this principle, but locally-led development is not yet the reality.

What, then, will it take to operationalize locally-led development, and specifically, how can funders and international non-governmental organizations (INGOs) change how they work to remove obstacles and partner with local entities?

Those were the questions behind Humentum's year-long series of interactive webinars. We invited 20 global thought-leaders from donor organizations, INGOs, and national non-governmental organizations (NNGOs) to lead a series of collective conversations with more than 2,000 participants from over 100 countries over the course of a year. The focus was on the power of operating models to faciliate—or hinder—locally-led development. Through those conversations, we surfaced several promising models to examine further.

This report outlines those models in greater detail, as well as key policy recommendations for funders and INGOs to consider. We share this to contribute to the growing set of resources and recommendations around how to reshape the global development sector to better reflect the people it seeks to serve.

Humentum unlocks the strategic power of operating models for social good organizations. We focus on practical solutions to improve the effectiveness of finance, people, risk, and compliance processes. Equity, resilience, and accountability are at the center of our approach.

Acknowledgements

Neither this report nor the Operationalizing Locally-Led Development webinar series would have been possible without the tremendous contributions of our expert panelists and moderators. Thank you to all who agreed to join us and shared their insights on these important topics.

Panelists

1. Charlie Benjamin, Senior Advisor, Near East Foundation
2. Gavin Churchyard, Founder and CEO of The Aurum Institute
3. Larry Cooley, Founder and President Emeritus of Management Systems International
4. Justin Fugle, Head of Policy, Plan International
5. Harriet Gimbo, Programme Quality, Research, Innovation and Impact Advisor, ActionAid Global Secretariat
6. Jenny Hodgson, Executive Director, Global Fund for Community Foundations
7. Riva Kantowitz, Founder, Radical Flexibility Fund
8. Chidi Koldsweat, Founder, Donors for Africa Foundation
9. Rose Maruru, Co-Founder and CEO, EPIC Africa
10. Ntombfikile Mtshali, Deputy CEO/Principal Investigator: The Aurum Institute
11. Lydia Nylander, Senior Risk Management Advisor — ERM Program Manager, USAID
12. Tessie San Martin, CEO, FHI360
13. Elina Sarkisova, Senior Manager, Resonance
14. Bonaventure Sokpoh, Head of Policy, Advocacy, and Learning, CHS Alliance
15. Michele Sumilas, Assistant to the Administrator, USAID PPL
16. Amy Taylor, Chief Strategy Officer, Civicus
17. Randy Tift, Former USAID Chief Acquisition and Assistance Policy Office
18. Gunjan Veda, Senior Advisor, Public Policy & Global Collaborative Research, Movement for Community-led Development
19. George Were, Senior Director of Internal Audit, CRS
20. Haidy Wijaya, Finance Director, World Vision Uganda

Moderators

Dr. Christine Sow, President and CEO, Humentum

Pape Amadou Gaye, Founder, The Baobab Institute

Ennie Chipembere Chikwema, Director for Locally-Led Development, Humentum

Report co-authored by Cynthia Smith and Jenna Thoretz, Humentum

All panelist titles and organizations reflect their affiliations at the time of the webinars, 2022.

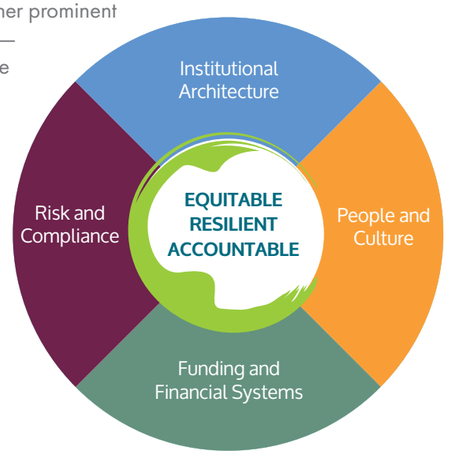
Background

In November 2021, U.S. Agency for International Development (USAID)'s Administrator Samantha Power announced a new vision for global development[1]. This vision is grounded in years of global efforts toward more equitable, locally-led development.

Building on previous initiatives such as the effort to localize humanitarian assistance through the Grand Bargain[2] and attempts to ensure local implementation of the 2030 Sustainable Development Goals[3], USAID's vision is also a renewed effort to the Agency's long-standing commitment to locally-led development. USAID seeks to do so by setting new measures for assessing its progress: 25 percent of funding will go to local partners by 2025; and 50 percent of programming will place local actors and institutions at the center of its design and implementation.

In the months following this announcement, USAID and implementers alike grappled with what and how these new targets will be operationalized. The community has wrestled with questions about how we collectively define "local," "local actors," and "locally-led and inclusive" and the sector's evolving conceptualizations of these terms will shape policy, procurement, and programming in the short and long terms.

In response to Administrator Power's vision for USAID, we brought together prominent global thought-leaders and over 2,000 policy makers and practitioners — donors, INGOs, and NNGOs alike — from over 100 countries to debate what it will take to realize not only USAID's specific targets but more broadly a more inclusive and locally-led sector[i]. The series brought together diverse perspectives to consider the "how" of locally-led; here we capture the most salient lessons learned across four operating model components[4] that Humentum believes must be addressed to create a more equitable, resilient, and accountable sector[5]: institutional architecture, people and culture, funding and finance, and risk and compliance.



Insights and Recommendations

Through the insights of our panelists and attendees, one message rose to the top: the future of development and assistance must be grounded in trust-based, partnership-driven agreements among NNGOs, INGOs, and funders. To achieve this vision, it will take concrete policy and practice changes that move the sector from talk to action.

Institutional Architecture

INSIGHT

Centralizing decision-making and authority in high-income countries limits the flexibility, agility, and efficacy of programming.

The current institutional structure of global development is hardly locally-led. Most decisions are made in high-income countries by individuals who do not share the lived realities of local constituents. In the current system, local organizations are relegated to the role of sub-awardees and implementers, while a select few organizations (usually based in high-income countries) receive funding directly and make decisions regarding its use and implementation. This is reflected in the numbers: in 2017, 60% of USAID's budget went to just 25 implementing partners[6].

Although Administrator Samantha Power has set an ambitious target to direct 25% of funding to local organizations, USAID's definition of local may prevent true power-shift. The Agency currently defines a local entity as those "that are registered and headquartered in the place of performance," which includes INGOs that have registered affiliates with local boards and leadership[7]. Despite being registered in the countries of operation, NGO country offices and affiliates are typically accountable to headquarter offices based in high-income countries for some aspect of their programming, budget, or strategy. In these cases, large INGOs still retain some ownership over development projects and priorities, and community-based organizations struggle to compete for funding and true ownership[8].

POLICY RECOMMENDATION

Decentralize and democratize organizational structure, decision-making, and authority.

- **Funders:** Ensure that in-country staff members have appropriate decision-making ability and authority. Embed a practice of local inclusion and co-creation in the policy and priority development process.
- **INGOs:** Reconsider the typical HQ-country office model, which centralizes power in high-income countries.

INSIGHT

Procurement designed in and by high-income countries for low-and middle-income countries cannot fully address the needs and priorities of affected communities.

Procurement is often a lengthy process driven by donors far away from the communities that benefit from their funds. Rather than funding based on local priorities, organizations are expected to morph their programming and mandate to fit pre-determined and designed projects. Community-driven procurement models would reimagine the typical program cycle and procurement process to ensure efficient use of funds to address local priorities[9].

In the US, for example, Congress funds development and humanitarian efforts on a project basis. This constrains development and humanitarian initiatives to an artificially time-bound program cycle. This limits the potential of development funding to one-off technical solutions, rather than investing in the broader transformation of a community and the local eco-system[10].

POLICY RECOMMENDATION

Reimagine donor procurement processes and provide opportunities for local actors to submit unsolicited proposals.

- **Funders:** Increase awards based on unsolicited proposals from local actors and provide specific guidance on managing funding for local actors. Build awards around a longer program cycle and local partners' definitions of success.
- **INGOs:** Build in time for meaningful partner collaboration and co-creation in all aspects of the program cycle: from proposal development to program design, to program implementation, and monitoring and evaluation.

MOVING FROM TALK TO ACTION

REIMAGINING THE INGO AND THE ROLE OF GLOBAL CIVIL SOCIETY

Reimagining the INGO (RINGO) seeks to reimagine the global development sector by interrogating the purpose, structures, power, and positioning of INGOs. In concert with partners from local organizations, INGOs, and funders, RINGO has developed 8 prototypes to transform INGOs and the current system. One prototype, "For and By The People: An Alternative Solidarity Model," addresses the current institutional architecture. According to RINGO, this prototype "will turn the current 'call for proposal' models on its head by asking donors/ INGOs/supporters to respond to 'reverse calls for proposals' which lay out the kind of support identified by members of that platform." The prototype will be piloted in Swaziland* and will create space for local NGOs and CSOs to articulate their own priorities for development.

INSIGHT

NNGOs are expected to mirror the operating models of organizations in high-income countries, limiting their accountability, sustainability, and efficacy.

Since the creation of agencies like USAID, US-based INGOs have crafted their operating models to serve funder needs[11]. INGOs often have entire teams dedicated to crafting the perfect proposal to win a project bid or to comply with donor-imposed reporting and financial requirements. However, local organizations often have smaller teams, limited operating budgets, and do not have extensive knowledge about donor procurement and compliance processes. Expecting one to mirror the other is impractical.

Actors in high-income countries have tried to bridge this gap with capacity development programs that train local organizations to function as INGOs. This approach ignores the capacity that local organizations do possess. The true lack of capacity resides in high-income countries that do not have adequate systems in place to work with local partners[12]. Funders and INGOs should strengthen their internal capacity to co-create new partnership models to shift power.

POLICY RECOMMENDATION

Respect NNGOs' strengths and co-create new partnership models and ways of working.

- **Funders:** Support and embrace NNGOs' creation of their own risk, compliance, and partnership models. Communicate with local partners about policies and procedures at the outset of any funding agreement.
- **INGOs:** Adopt a longer-term view of partnership that allows for the building of mutual trust, co-created goals and outcomes, and mutual accountability grounded in respect and trust.

People and Culture

INSIGHT

The sector must confront its false assumptions about NNGOs before it shifts policy in favor of locally-led development.

The sector's rules, regulations, and policies are built on outdated and pernicious myths — that local organizations cannot manage large grants, that they are more prone to fraud, and that their capacities need to be built from the ground up. However, there is little research that demonstrates that local organizations are inherently more prone to fraud than their international counterparts[13]. If the evidence does not indicate that local organizations are untrustworthy partners, why do funder policies and reporting requirements suggest otherwise?

Mistrust of local partners is deeply embedded in the sector's current culture. There is a perception that directly funding local organizations or ceding decision-making authority means sacrificing quality or compliance. This assumption is the basis for the reluctance to award large sums of funding to new partners, and it informs the onerous compliance burdens that organizations face[14]. These policies and practices are products of personal and institutional beliefs, all of which must be deconstructed. Organizations can take steps in the right direction by reflecting on their own ways of working and revamping policies and procedures that reflect false narratives.

POLICY RECOMMENDATION

Powerful actors should audit their internal culture, policies, and practices and engage in organizational learning to ensure an equitable approach to partnerships with NNGOs.

- **Funders:** Unpack internal culture, policies, and practices and strengthen institutional capacity to work with local partners in respectful, mutually accountable ways. Revise internal policies and processes to reflect this cultural shift, and leverage power to advocate that other funders undertake the same process.
- **INGOs:** Unpack internal culture, policies, and practices and examine current approaches to partnering with local organizations. Revise or adopt new partnership principles that are co-created with local organizations and grounded in respect and mutual accountability.

MOVING FROM TALK TO ACTION

DEMAND-DRIVEN CAPACITY STRENGTHENING IN PARAGUAY

Started in 2015, USAID's Local Works program has encouraged programming and development approaches that are "more flexible, locally responsive, and sustainable." A common metric for evaluating Local Works programming is the CBLD-9 indicator, which requires organizations to develop their own priorities for capacity strengthening and demonstrate improved performance. According to USAID, this is a more demand-driven approach to capacity strengthening. For Local Works recipient Fundación Paraguaya (FP), an NNGO based in Paraguay, the CBLD-9 indicator was transformational. By identifying their own priorities for capacity strengthening and developing solutions, FP felt that the training they received was more tailored and produced more sustainable results. According to USAID, one staff member at FP stated: "When you listen, when it's demand-driven, the solutions are more effective."

INSIGHT

NNGOs should determine their own priorities for capacity strengthening and organizational resilience and funding should follow, in turn.

Although investing in the core functions and capacity of local organizations is essential to build organizational resilience, not all forms of capacity strengthening are created equal[15]. Traditionally, INGO or funder-led capacity strengthening has been limited to technical training and is project-focused. In other situations, as is often the case with the President's Emergency Plan for AIDS Relief (PEPFAR), capacity strengthening is about creating organizations that are designed to comply with USG funding requirements[16]. These approaches to capacity strengthening serve the interests of funders or INGOs, not the priorities of local communities.

Locally-led capacity strengthening would allow organizations to request assistance based on a self-assessment of their goals and needs, moving beyond a narrow focus on technical training or funder compliance. This kind of capacity strengthening should become embedded into the everyday practices of organizations, with consistent support and funding to match. In time, capacity strengthening should morph into a more mutual and reciprocal model of capacity sharing. Such a model moves from knowledge transfer to knowledge sharing, leading to a stronger, more resilient sector overall.

POLICY RECOMMENDATION

Include and fund both locally-driven capacity strengthening and professional development in programming.

- **Funders:** Funders can incentivize local capacity strengthening by either increasing unrestricted funding or designating specific funding for capacity strengthening. Funders should fund local capacity strengthening beyond compliance and technical skills needed to implement a single program.
- **INGOs:** Support local partners to identify their priorities for capacity strengthening and professional development and provide access to learning and development resources.

INSIGHT

Local knowledge should be valued in equal measure to globally-sourced knowledge.

Despite the years of experience and wealth of knowledge that local personnel bring to the table, inequitable compensation models and hiring practices do not indicate that this knowledge is valued by international actors. While many INGOs and funders verbally acknowledge the importance of local and indigenous knowledge, non-local staff continue to occupy senior leadership roles, even when a local staff member is equally qualified. Where local staff are hired, there are still challenges associated with equitable compensation when compared with staff based in high-income countries.

A key example of these disparities is in the way USAID treats its own local staff. These Foreign Service Nationals (FSNs) live in the countries where they work, yet they have not had the authority to make budgetary decisions and sign contracts[17]. However, during COVID-19, FSNs were given increased authority to act as Agreement Officers and Contracting Officers, sign contracts, and make funding decisions on behalf of the United States government (USG). In the absence of US staff members, FSNs were able to perform the same functions, to the same standards.

POLICY RECOMMENDATION

Demonstrate the value of local knowledge through equitable compensation models and hiring local staff in leadership and decision-making roles.

- **Funders:** Where possible, hire local staff in leadership positions. Adjust internal policies to create an enabling environment for local staff to implement programs.
- **INGOs:** Give local experts decision-making and budgetary authority. Examine and revise global pay scales to provide equitable compensation for staff in low- and middle-income countries.

Funding and Financial Systems

INSIGHT

The current financing system leads to both funder and recipient fatigue, hindering innovative and effective programming.

Global development and humanitarian assistance funding continues to be administered by a small cohort of large, international NGOs and contractors, with around four percent of global funding going to local organizations[18].

Despite calls to diversify their partner base, donor agencies continue to funnel money to these traditional actors for a host of reasons — including exigencies that require rapid response, the time-consuming nature of due diligence and new partner vetting requirements, and the relative ease of doing business with known entities that have grown over the years to be one-stop-shops for large donors. By simply financing the status quo, however, donors shut out new voices, innovative approaches, and sustainable, locally-driven solutions to pressing needs.

At the same time, the current financing system hinders local and new actors from being able or willing to partner with donor agencies because of their short-term, narrow focus on project-based funding that comes with pre-conceptualized understandings of the needs at play and with pre-identified deliverables. If we want new solutions to age-old problems, we need to disrupt the status quo and make room for innovation and sustainability.

POLICY RECOMMENDATION

Reimagine and simplify the current financing system to fund a diverse set of organizations on a longer-term, mission-focused basis.

- **Funders:** Employ participatory, locally and regionally-based mechanisms to identify needs, propose solutions, earmark funding, undertake procurement, and implement programming that is both more innovative and sustainable because it prioritizes local knowledge and input from the start. Fund the missions of key local organizations vital to the ongoing sustainability of donor-funded projects. When possible, do not limit funding to short project cycles; make room for greater flexibility and contingency plans when situations require a pivot, and finance the ecosystem of entities that are vital to addressing the need over the longer-term.
- **INGOs:** Engage local organizations, experts, and knowledge in all stages of program development. Invest in lasting partnerships with local entities rather than poaching their staff for short-term projects or field offices for the INGO.

INSIGHT

To deliver long-term, sustainable programming, NNGOs need trust-based, flexible financing.

Throughout our year-long webinar series, expert panelists time and again highlighted the tremendous capacity of local actors to play a central and leading role in development programming. However, many funders continue to maintain that there is a substantially greater risk to partnering with local entities because of their purported lack of capacity. Funders' misapprehension of risk, in turn, drives restrictive and overly burdensome procurement, compliance, and financing requirements that then shut out new and local partners by creating barriers that are simply too high to overcome.

These barriers are further compounded by funders' chronic underfunding of implementers' administration costs associated with their projects, even though administration is vital for the effective, efficient, and safe delivery of those projects. Restricted, project-based financing does not typically cover a full share of the administration costs that organizations incur[19]. Even certain federal donor agencies of the United States government — which considers itself a full-cost recovery donor — do not fund the administration costs of non-US based partners.

The US Department of Health and Human Services (DHHS), for instance, caps indirect (administration) cost rate recovery for non-US based partners at 8 percent, if it is allowable at all[20]. Similarly, many new and local partners, who do not yet have a Negotiated Indirect Cost Rate Agreement (NICRA) with a cognizant US federal government donor agency, must take the de minimis rate of 10 percent. Organizations that do not have their full administration costs funded by donors are forced to draw on reserves to fund such functions or fund them disproportionately from unrestricted income. Many NNGOs in low-income countries, however, do not have a reserve or unrestricted income pool to cover the difference, making certain donor funding cost prohibitive.

POLICY RECOMMENDATION

Fully cover administration costs for NNGOs and develop more opportunities for unrestricted funding.

- **Funders:** Commit to full cost recovery for implementing partners, fully funding NNGOs' administration costs related to any donor-funded project or programing. When possible, invest in institutions by supporting their missions through unrestricted funding, allowing them to exercise autonomy over how and where that funding is allocated. Strategically make unrestricted, longer-term investments in local entities that are vital to long-term development objectives and the ecosystem necessary to sustain development gains.
- **INGOs:** Support NNGOs in their ability to accurately and fully account for their administration costs and to identify their indirect cost recovery rates. INGOs should ensure full cost recovery is built into sub or partner agreements with NNGOs.

INSIGHT

Innovative financing has tremendous potential for the sector, but it is a neutral tool that must be locally owned from inception.

In addition to the call for greater donor financing flexibility, there is a call for donors to employ more innovative financing mechanisms that, in the global development context, might include any financing mechanism intended to incentivize new solutions and collaboration in addressing the world's challenges.

Two such financing mechanisms are results-based contracts (results-based financing (RBF)) and development impact bonds (DIB). These mechanisms bring greater flexibility, efficiency, financial capital, and actors to the table. Unless they are designed with intentionality, however, these mechanisms will not inherently lead to more locally-driven development. For RBF to be locally-driven, for example, the contracted-for results should be co-created with the local implementing partner. And, to avoid cash flow barriers that can result from waiting to be reimbursed upon delivering results, donors could deploy a blended approach to financing that will provide some core funding, in addition to the results-based incentive structure of the contract.

POLICY RECOMMENDATION

Ensure that innovative financing models are locally-led and provide more flexibility for NNGOs.

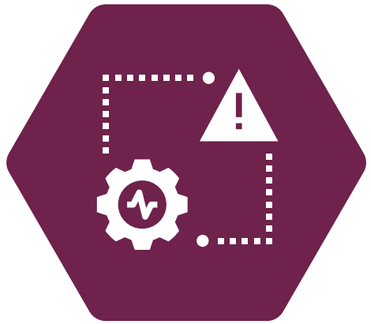
- **Funders:** Engage local actors in the design and development of any locally-led financing mechanism and ensure they are prepared to receive investments through tools like impact bonds. Expand creation of hybrid financing models with results-based incentive structures coupled with core support to local organizations.
- **INGOs:** Work with local partners to prepare them to receive innovative financing and facilitate their engagement in the design of any results-based contracting terms that they are responsible for delivering.

MOVING FROM TALK TO ACTION

DEVELOPMENT IMPACT BOND REBUILDS REFUGEE LIVELIHOODS

In November 2021, the IKEA Foundation, Novo Nordisk Foundation, Norad, the U.S. Development Finance Corporation, Ferd, KOIS, and the Near East Foundation (NEF) launched a Development Impact Bond (DIB) for refugees in Jordan and Lebanon. Administered by NEF, the DIB finances the creation of a micro-enterprise program to rebuild refugees' livelihoods and support their host communities in the two countries. To be effective, job creation programs in such humanitarian environments require long-term funding commitments and the ability to tailor programming to the local context. These are precisely the features that make the DIB an attractive investment instrument. According to NEF, "[the] DIB offers a solution through multi-year, outcome-driven funding that shares performance risk between investors and donors."

Risk and Compliance



INSIGHT

Funders should recalculate risk in the acknowledgment that when programming is not locally-led, it risks being unsustainable and ineffective.

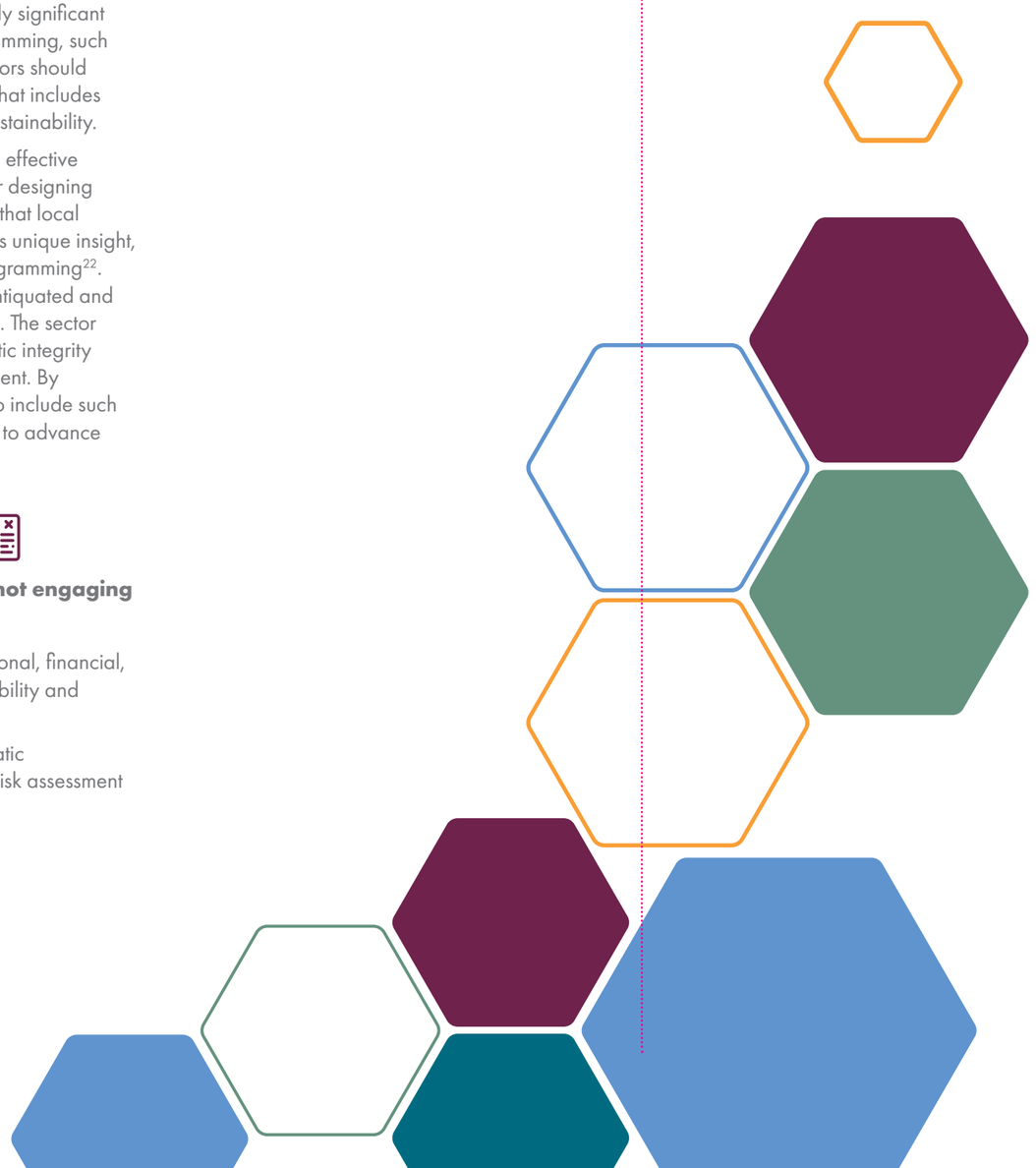
Funders typically calculate risk with an emphasis on their and their partners' roles as fiduciaries. This narrow view does not consider equally significant risks to the efficacy and sustainability of donor-funded programming, such as the lack of stakeholder buy-in to sustain project gains. Donors should undertake a more expansive and holistic examination of risk that includes stakeholder accountability and programmatic efficacy and sustainability.

Over 75 years of experience shows that development is more effective when it is led by local stakeholders who exercise agency over designing and implementing programs[21]. The sector broadly recognizes that local organizations are embedded in their communities and possess unique insight, experience, and expertise — factors all vital to successful programming[22]. Despite this, the way the sector conceptualizes risk remains antiquated and largely focused on upward financial accountability to funders. The sector needs to adjust for the very real reputational and programmatic integrity risks associated with not engaging in locally driven development. By reconceptualizing risk assessments and mitigation strategies to include such downward accountability, the sector will be better positioned to advance locally-led development.

POLICY RECOMMENDATION

Broaden the definition of risk to include the risk of not engaging with local partners.

- **Funders:** Reimagine risk to encompass not only reputational, financial, and fiduciary risks, but also risks to stakeholder accountability and program sustainability.
- **INGOs:** Recalculate risk appetites to include programmatic accountability and sustainability. Engage local actors in risk assessment exercises. Co-create mitigation strategies.



INSIGHT

To mitigate risk effectively, the sector must invest in mutual accountability mechanisms.

Accountability is ultimately about exercising power and privilege responsibly. Achieving accountability in the development context requires management of the various risks that may be associated with donor-funded programs. By substantively engaging local stakeholders in all phases of the program cycle, funders and INGOs can share power, equitably distribute decision-making authority, and deploy mutual accountability mechanisms. Such mechanisms are vital to ensuring that accountability — upward to funders and INGOs and downward to stakeholders and local communities alike — is part of the risk mitigation and management equation.

By perpetuating a model of risk and accountability that is oriented largely around donors' interests, the sector undermines locally-led development and stakeholder safeguarding. More pointedly, continuing to use this model institutionalizes distrust. This distrust, in turn, leads to punitive and heavy-handed compliance regimes that bar NNGOs' successful access to and management of donor funds. New and non-traditional funding partners, who are otherwise able to fulfill technical deliverables, are all too often stymied by demanding capacity assessments, due diligence exercises, and a complex tapestry of financial management controls. It does not have to be this way. Innovative funders and INGOs alike are embarking on programmatic co-creation with local actors. They are identifying all risks — horizontal and vertical, fiduciary and programmatic — to any programming. They are mapping out where risk might exist, identifying how all parties share that risk, and holding one another accountable in joint risk management plans.

POLICY RECOMMENDATION

Develop mutual and transparent accountability mechanisms that are proactively co-created with local partners.

- **Funders:** Create channels for consultation and shared decision-making with local partners in all phases of a program cycle and foster trust-based risk management strategies. Harmonize due diligence requirements across funders to eliminate the burden on local partners of reproducing the same proof of capacity on multiple occasions, across multiple donors.
- **INGOs:** Collaborate with new and local partners to jointly develop program parameters, objectives, and deliverables. Collectively develop a shared risk management plan that holds all parties accountable and more evenly distributes risk among program partners.

INSIGHT

Onerous compliance regimes associated with risk-transfer inhibit locally-led development.

Too many funders, private and public alike, make onerous compliance demands on their implementing partners that do not translate into more effective or well-managed programs and prevent local organizations from delivering innovative solutions. NNGOs, who often lack the compliance and financial management infrastructure of larger INGOs, unfortunately bear the brunt of the burden generated by these demands. Funders should approach partnerships for development with trust and support. Otherwise, they are destined to fail at worst and grow overly burdensome at least. Either way, they are unsustainable.

In August 2022, USAID revamped its Risk Appetite Statement (RAS)[23], evolving from a risk averse, punitive approach to one that is risk neutral and partnership focused[24]. Instead of transferring all risk to implementing partners, USAID now conceptualizes risk through a more partnership-focused lens, wherein common risks are shared among all the parties to an agreement. Yet, the RAS is only a statement of intent; it does not have an accompanying strategy for how it will be operationalized. The onus is now on USAID to implement the policy changes necessary to reduce compliance burdens, engage local entities, and share risk. USAID has committed to releasing its revamped Acquisition and Assistance Strategy sometime in early 2023, which should, in part, outline some of those policies.

POLICY RECOMMENDATION

Ease compliance burdens for local partners by developing institutional approaches to risk sharing that more evenly distribute risk among and between partners.

- **Funders:** Move from risk transfer to implementing partners — who have historically been largely INGOs — to a risk-sharing model of partnership where risk is more equitably and evenly distributed. Identify where certain compliance flexibilities could be extended and taken to scale with new and local partners working with lower funding thresholds.
- **INGOs:** Support NNGO partners in risk assessment and management strategy development. Engage all local partners in the co-creation of joint risk management plans. Do not compound program and financial management complexities by extending more compliance requirements to local partners on top of those dictated by donors.

MOVING FROM TALK TO ACTION

INGOS AND THEIR LOCAL PARTNER SHARE RISK TO KEEP STAFF SAFE

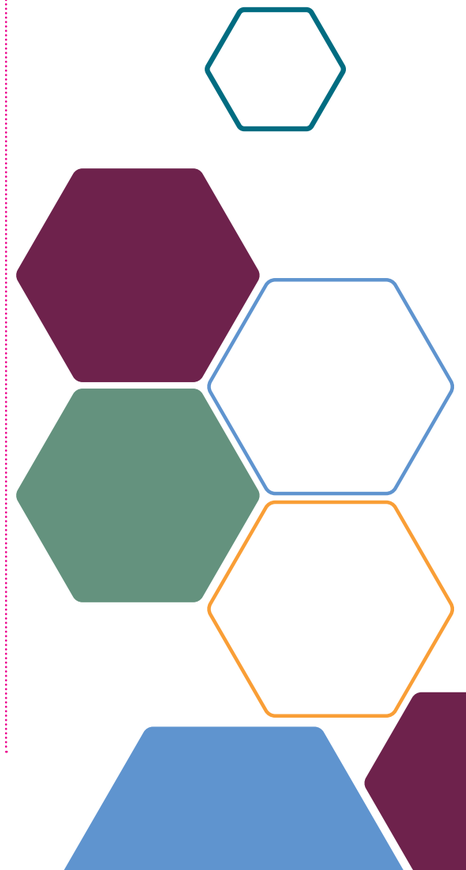
Christian Blind Mission (CBM) and Sight Savers International (SSI) have a long history of working with local partners in Nigeria to address the development and humanitarian needs of the country's disability sector. To address their duty of care to local partners, CBM and SSI would typically "transfer risks to partners once [they] made sure their standards are sufficient."[i] But when local partner HANDS approached the consortia requesting funding for a security officer, they recognized that HANDS staff were bearing the brunt of the security risks and decided to co-fund the security personnel and provide technical support to HANDS in developing safety-oriented safeguards. Understanding the negative impact of risk-transfer on the consortia, CBM now provides ongoing demand-driven assistance to its local partners in their security risk management. Furthermore, CBM mandates security and safeguarding risk assessment during program design, requires that all project budgets earmark funds for identified risks, and advocates with funders to ensure security and safeguarding needs are adequately resourced in program budgets. According to CBM, these efforts have fostered greater trust and mutual accountability among all partners. Significantly, CBM says they "see a growing partnership equality through this new approach."

Conclusion

Over the past year, we have continued to explore the complicated, nuanced, and messy process of shifting power to local organizations. This will be an iterative process that involves constant listening and learning. However, our conversations demonstrated that there is an increasing appetite for change in the sector from those who hold the most power — namely INGOs and funders.

Bolstered by leaders and organizations from from low- and middle-income countries (LMICs), these organizations must undertake the responsibility of decentralizing and democratizing their organizational policies and practices. This report has outlined key insights from Humentum's webinar series and has provided some suggestions for practical actions that INGOs and funders can undertake in the coming year. We recognize that the process of power shifting also requires individuals and organizations to undergo an internal process of questioning, deconstructing, and decolonizing their practices.

As part of Humentum's focus on the power of operations, this report is one of several collective works we will share. As part of that work, we're also sharing questions to ask yourselves, your colleagues, and ultimately your entire organizations to begin (or continue) the process of shifting power. This is by no means an exhaustive list of questions, but they will hopefully serve as useful conversation starters as we all journey towards a more equitable, resilient, and accountable global development sector.



Poll results, Nov. 2, 2022

In the final webinar of the series, 100 participants representing over 60 organizations gathered to discuss 12 insights from the series and develop policy recommendations. Participants were asked how they would describe the sector as it currently exists, and how they envision the sector's future. They were also asked how much they agreed on a scale from 1-5 (across all insights, respondents had an average rating of 4 out of 5).

In terms of true locally driven development, how would you describe the sector as it exists today?

In terms of true locally driven development, how would you describe the sector as you'd like to see it in five years?

QUESTIONS FOR INGOS AND FUNDERS TO GET STARTED

OVERARCHING QUESTIONS

- Has my organization taken any steps to implement these or similar policy and practice recommendations?
- Where within my organization might there be resistance to certain changes? How can we encourage stakeholders to join the movement for locally-led development?
- To what extent is my organization working to truly shift power to local actors? Why are we undertaking these actions — because it is the right thing to do? Because it is more effective? Because it is trending across the sector?

INSTITUTIONAL ARCHITECTURE

- How centralized is my organization's institutional architecture? What are some alternative models we can consider?
- Is my organization expecting local partners to adapt to comply with funder compliance regimes? How can we act as an intermediary between NNGOs and funders to ensure that NNGOs can retain operational autonomy?
- How often do we encourage local partners to submit unsolicited ideas for programming and projects? Are we open to supporting local partners to fulfill their missions, not just projects?

PEOPLE AND CULTURE

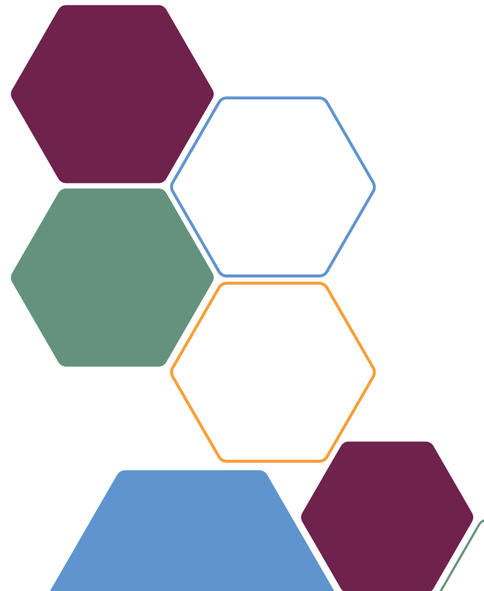
- Has my organization undertaken an internal audit of our own culture, biases, and ways of working with local partners?
- How does my organization seek to strengthen the capacity of partner organizations? Is the approach to capacity strengthening informed and led by local partners? Is capacity strengthening fully funded?
- How does my organization grapple with complex issues of compensation equity across different geographies?

FUNDING AND FINANCING

- Is my organization committed to providing unrestricted funding or core support for partner organizations?
- To what extent is my organization engaged in advocacy with funders regarding the need for full cost recovery, unrestricted funding, and flexibility in financing?
- Is my organization considering innovative or alternative mechanisms for financing development and humanitarian assistance?

RISK AND COMPLIANCE

- How does my organization define and consider risk? Does the definition of risk reflect the risks involved with excluding local partners?
- Does my organization transfer risk to local partners, or does it work to share risk?
- To what extent does my organization prioritize accountability to funders or those in power? To what extent does my organization prioritize accountability to local partners and affected populations? Do our local partners have the opportunity to hold my organization accountable?



Resources

Webinar Recordings at humentum.com

- **Locally-Led — Operationalizing USAID's New Vision** (February 1, 2022)
- **Operationalizing Locally-Led Development: Debunking the Myths** (March 24, 2022)
- **Operationalizing Locally-Led Development: Building Partnerships of "Consequence"** (May 4, 2022)
- **Operationalizing Locally-Led Development — Reimagining Risk and Accountability** (July 6, 2022)
- **Operationalizing Locally-Led Development: Innovative Financing** (September 7, 2022)
- **Operationalizing Locally-Led Development: Where Do We Go Next** (November 2, 2022)

Additional Reading

Community philanthropy is essential for lasting and transformative change — Humentum

SocialEx: Pape Gaye on locally-led development and working together in partnership — Humentum

Rebalancing Risk and Accountability — Humentum

Locally-Led: Operationalizing USAID's New Vision — Humentum

Findings and recommendations | OECD Development Co-operation Peer Reviews: United States 2022 | OECD iLibrary (oecd-ilibrary.org)

The New Humanitarian | Affected people are mostly missing from the localisation debate. Let's change that.

The NGO starvation cycle is global. Here are three recommendations for funders. — Alliance magazine

How funders are trapping local NGOs in a 'starvation cycle' | Devex

The New Humanitarian | Ten efforts to decolonise aid

Opinion: Yes, global orgs have a future in USAID's localization agenda | Devex

Skoll | How Traditional Philanthropy's Obsession With Scale Too Often Excludes African Innovators

Getting out of the way of local leadership | Bond

Becoming locally led as an anti-racist practice: a guide | Bond

The New Humanitarian | How the humanitarian sector can learn from its past

Viewpoints on Localization — Three INGOs and USAID : PSI

A White Paper | Decolonization, Localization, and Diversity, Equity, Inclusion and Accessibility in Global Health and Development: A Call to Action (mak.ac.ug)

Giving Big: The Impact of Large, Unrestricted Gifts on Nonprofits — The Center for Effective Philanthropy (cep.org)

An African civil society perspective on localizing international funding — Alliance magazine

How philanthropy can help catalyze the localization movement | Devex

Passing the Buck: The Economics of Localizing International Assistance — The Share Trust

USAID Localization by the Numbers | Center for Global Development | Ideas to Action (cgdev.org)

Opinion: INGOs are making real power-shifting changes. Now what? | Devex

INGO friends, it's time to reimagine our role. What better time to do it than at the start of a new year? | Bond

New Findings Show How Funders Need to Break the NGO Starvation Cycle — Humentum

Opinion: Locally led development — what it means to me | Devex

One INGO's Journey to Work Themselves Out of a Job — Humentum

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