Benchmarking INGO Progress Towards Equitable, Resilient, and Accountable Operations

Humentum's 2023 ERA Index Results

April 2024

Making change happen for social good.

The Equitable, Resilient, Accountable (ERA) Index

The Equitable, Resilient, Accountable (ERA) Index is a benchmarking tool designed to measure institutional progress on actions taken to shift power dynamics and increase institutional autonomy.

The Index asks leaders to self-assess their commitments and actions towards achieving ERA operating models in the areas of institutional architecture, people and culture, funding and financial systems, and risk and compliance. Twelve of the questions are based on these key areas of change we have identified as essential to sector-wide transformation. An additional four questions ask about the change process itself.

In November 2023, 41 international NGO (INGO) leaders completed the survey. This was a similar response rate from the 2022 ERA Index. **Broadly the results do not show a substantial shift in practice. INGOs are still in the messy middle of change. Transformation will take time. And yet, the comments in the survey indicate that there is a greater awareness of what needs to get done and understanding of the complexity of the task at hand.**

Among ERA Index participants, there is no longer a question of whether INGOs need to change to survive and thrive in today's changing development ecosystem. It is just a matter of how and when.

Having a baseline to track change in mindsets, policies, and practices is an essential part of understanding change. With two years under our belt, we have developed a picture of how INGOs are acting and reacting to the movement for equitable and locally led development.
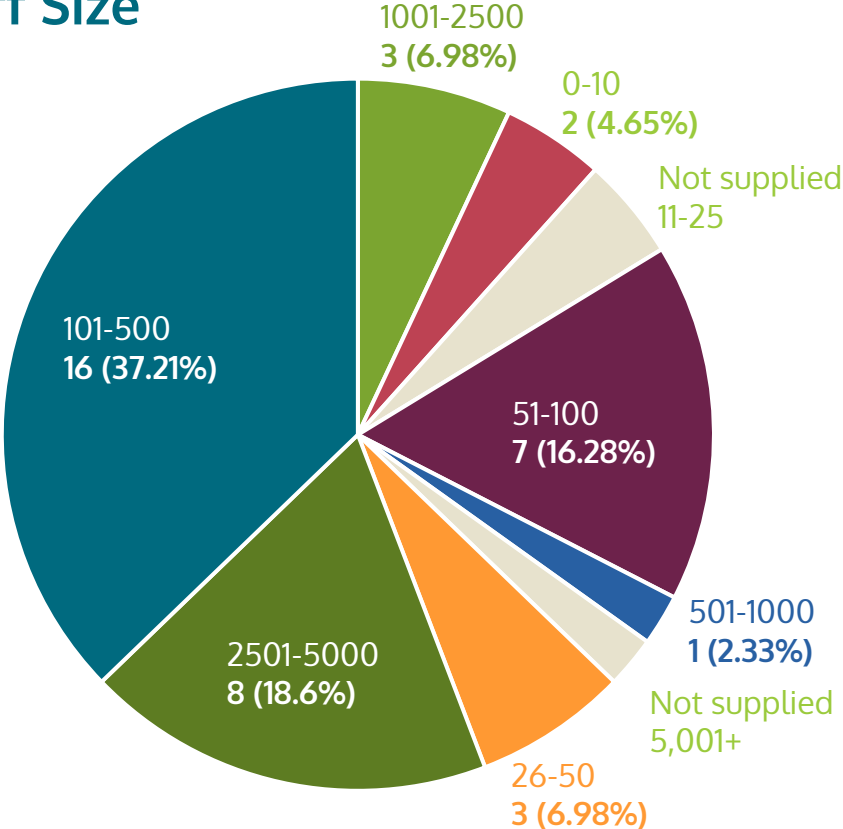
Our hope is that this report helps individuals gain ideas and inspiration, organizations measure progress against their peers and make the case for institutional transformation, and the broader ecosystem track systemic change.
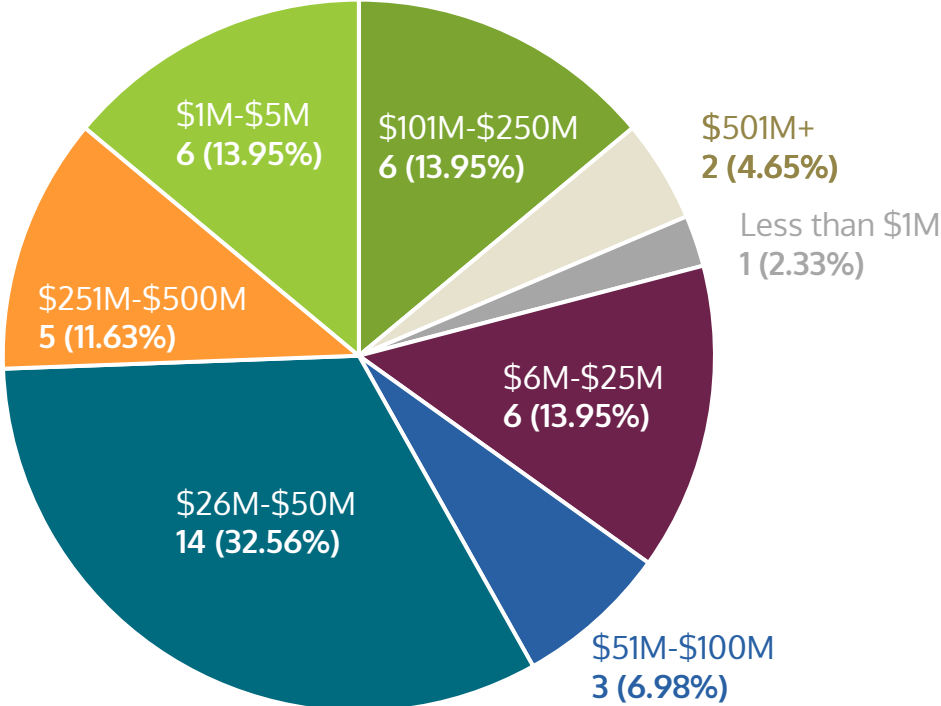
2023 Index Demographics

Staff Size

- 1001-2500 **3 (6.98%)**
- 0-10 **2 (4.65%)**
- Not supplied 11-25
- 101-500 **16 (37.21%)**
- 51-100 **7 (16.28%)**
- 501-1000 **1 (2.33%)**
- Not supplied 5,001+
- 2501-5000 **8 (18.6%)**
- 26-50 **3 (6.98%)**

Budget Size

- $1M-$5M **6 (13.95%)**
- $101M-$250M **6 (13.95%)**
- $501M+ **2 (4.65%)**
- Less than $1M **1 (2.33%)**
- $251M-$500M **5 (11.63%)**
- $6M-$25M **6 (13.95%)**
- $26M-$50M **14 (32.56%)**
- $51M-$100M **3 (6.98%)**

We asked INGOs how they thought their organizations were doing on a four-point scale.

1 - No change

There are no plans to assess or update structures, policies, or practices.

2 - Thinking and talking

You are spending the time and money to reconsider how things are done.

3 - Implementing systemic change

You are taking steps to make systemic changes to ensure your structures, policies, and practices are equitable, resilient, and accountable.

4 - Fully implemented and sustaining

Your structures, policies, and/or practices are equitable, resilient, and accountable and you are sustaining their relevancy through iterative learning and adaptation.

This is what we heard.

Institutional Architecture

The system and the structure of the work

2023 Trends:

1. **Partnership Evolution Takes Center Stage**: The primary energy within organizations is directed towards transforming partnerships and global recruitment strategies. Changes to operational models and structures remain in the thinking and talking stages.

2. **Partnership Progression Raises Questions:** Organizational change is largely revolving around partnership systems and processes (e.g., creating new toolkits and frameworks, rather than operationalization through new practices.

3. **Global Talent and Board Diversity Drive:** A noticeable trend emerges as organizations prioritize enhancing global recruitment efforts and diversifying leadership and board compositions, reflecting a commitment to fostering inclusivity and diverse perspectives.

What we'll be asking in 2024:

- Are INGOs implementing a comprehensive framework and roadmap for achieving greater equity, or are they making incremental changes? How do organizations prioritize initiatives in this regard?

- What are the impacts, both intended and unintended, of INGOs modifying their operating models and structures?

- How are INGOs engaging and educating their boards on topics related to LLD?

Redesign business, operating, and partnership models to address power differentials.

This might look like:

- Working towards equitable partnership approaches.

- Acquiring funding sources that support evolving business models.

- Strategic changes to organizational structure.

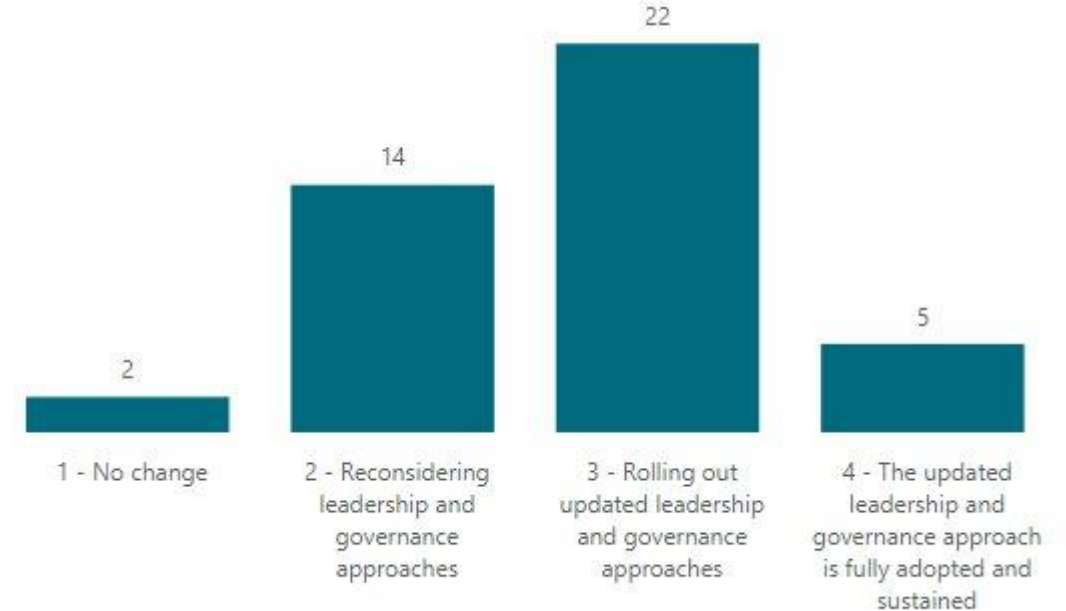| 2	8	26	7
1 - No change	2 - Examining how existing models successfully address power dynamics	3 - Redesigning business, operating, and/or partnership models to address power differentials	4 - Redesigned business, operating, and/or partnership models have been adopted to address power differentials
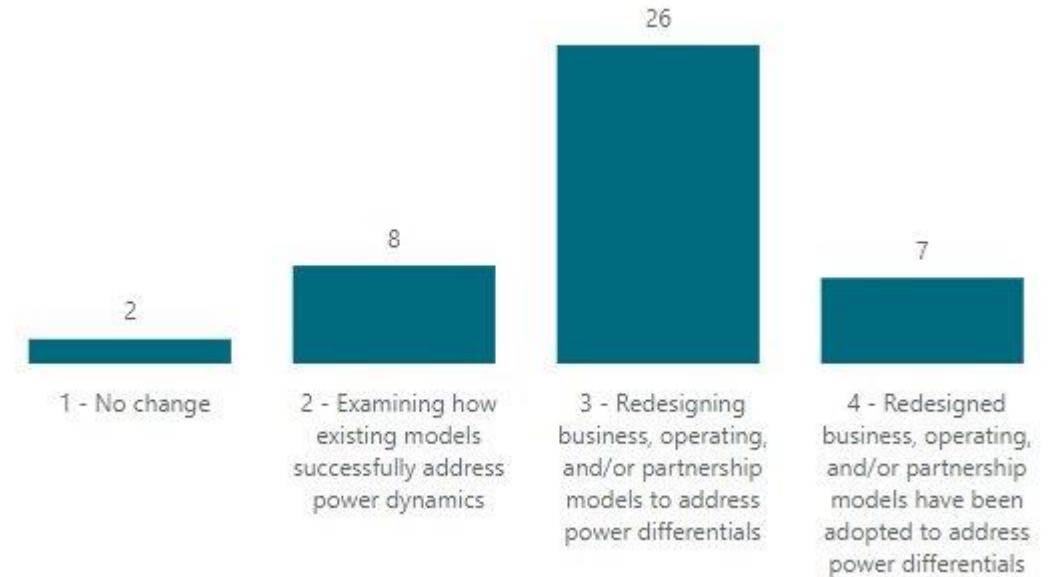
"We have committed to a 'reimagining' of our Global Programs and a comprehensive decentralization of authorities and decisions to lower levels of the organization and out into our country and regional programs....So, we have the framework and are beginning to carry out our journey to equity and inclusion at all levels of our organization."

Strengthen and diversify leadership and governance to be agile and change-ready.

This might look like:

- Deliberate recruitment and succession planning to ensure the right leadership is in place.

- Have the understanding and motivation to respond to the changing ecosystem.

- Making sure boards, leadership, and management have the skills and mindsets to lead organization transformation.

| 1 - No change	2 - Reconsidering leadership and governance approaches	3 - Rolling out updated leadership and governance approaches	4 - The updated leadership and governance approach is fully adopted and sustained
2	14	22	5

"We have recruited for service line vacancies more globally in the past two years, recognizing our opportunity to diversify talent and thought partnership. We've been sharing updates with our board regularly throughout these strategic changes to ensure their comfort and understanding in the 'why' for these changes."

Move decision-making and budgetary authority over program design and execution to those closest to the work.

This might look like:

- Making sure the people closest to the work are actively involved in decision-making.

- Adjusting budgetary authority and accountability where appropriate.
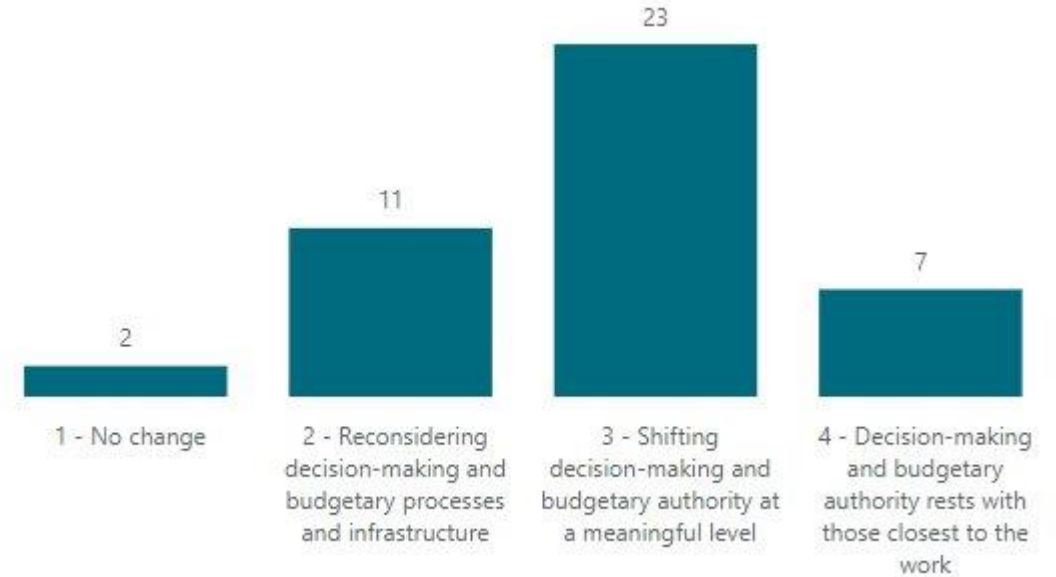
"We have begun to shift project funding directly to regional hubs when we can, but it is so far on a case-by-case basis. We are in conversation and discussion about how to transform our financial model to allow for the full autonomy of each office."

People and Culture

Who does the work and how we work together

2023 Trends:

1. **Global Recruitment and Equitable Compensation:** Organizations are increasingly prioritizing global recruitment practices alongside efforts to ensure equitable compensation, reflecting a growing emphasis on diversity and fairness in talent acquisition and retention strategies.

2. **Integration of DEI into LLD:** Diversity, Equity, and Inclusion (DEI) initiatives are gradually intersecting with locally led development efforts.

3. **Business as Usual Culture:** Organizations are predominately approaching culture as business as usual. They have yet to fully grasp the extent and magnitude of the efforts required for sustainable change and transformation.

What we'll be asking in 2024:

- How is Diversity, Equity, and Inclusion (DEI) work aligned and integrated with LLD initiatives? What is the ownership structure for each, and how is this relationship evolving over time?

- As INGOs move away from Global North centered headquarters, how are their organizational cultures necessarily shifting?

Prioritize diversity and proximity in recruitment processes and practice.

This might look like:

- HQ is no longer location-based, it is role-based.

- Changing staffing structures and roles to reduce hierarchy, share power, and delegate authority.

"We have begun to implement HR policies that allow for more location neutrality for some roles. We have also broadened our organizational hierarchy to bring in more voices into decision-making."

Adopt equity-oriented compensation and benefits.

This might look like:

- Salary and benefits packages, including compensation salary scales and approaches, are fair, consistent, and transparent for a global workforce.
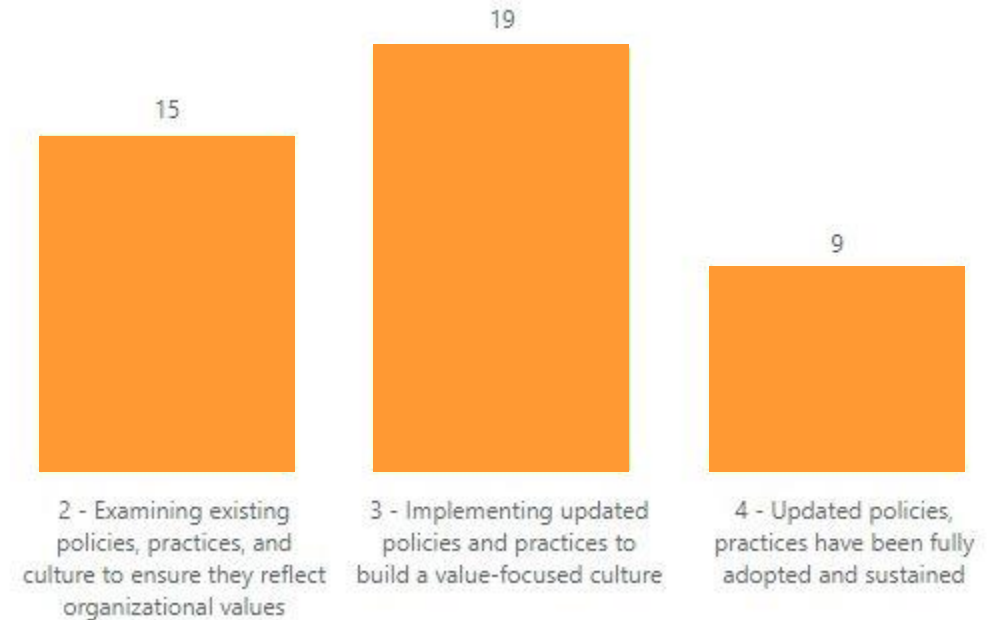

"We made everyone equal in terms of HQ salary no matter where they were based but this created issues as some people's salaries in a country were higher than the funds being given to local partners, but the output was not the same."

Develop policies and practices that build and sustain a value-focused culture.

This might look like:

- Staff understand, agree, and practice organizational values.

- Organization practices are aligned with values.

- There is continual, listening, reflection and assessment to ensure the culture works for everyone.

15

19

9

2 - Examining existing policies, practices, and culture to ensure they reflect organizational values

3 - Implementing updated policies and practices to build a value-focused culture

4 - Updated policies, practices have been fully adopted and sustained

"I would say this is the hardest nut to crack for us, as people who have benefitted from their positional power for a long time are struggling to retain it. Culture change takes a long time, and it is the hardest part of what we are doing now."

Funding and Financial Systems

How the work is funded

2023 Trends:

1. **Tactical Focus on Diversification:** Organizations are increasingly recognizing the importance of unrestricted funding and are strategically prioritizing diversification efforts in funding streams. However, there is still a reliance on government funders and organizations are still thinking and talking about how to expand to alternative sources of funding.

2. **Flexible Funding:** There's an acknowledgment within organizations that flexible funding is a key part of any localization strategy, yet they face challenges in effectively diversifying funding sources to support this approach. For those who have received unrestricted or flexible funding, there is a keen awareness that this type of funding is scarce.

3. **Flowing down flexibility (where possible):** When permitted by the donor, organizations are continuing to extend flexibilities and cost recovery policies to local partners. The autonomy of organizations is still largely restricted by funder requirements.

What we'll be asking in 2024:

- What are the communication challenges organizations face when explaining the realities of flexible and restricted funding to both funders and partners?

- Will funders respond to the demand for flexible funding, or will it remain a scarcity across the sector?

- How are organizations ensuring that flexibilities are flowed down to their local partners when permitted?

- How can organizations diversify their funding sources? What strategies can they employ to increase the proportion of unrestricted funding in their budgets?

Adopt strong policies and systems for financial management, cost recovery, and internal controls.

This might look like:

- Having the knowledge of what full cost recovery looks like for you.

- Having a cost recovery policy in place.

10 — 2 - Examining existing policies and systems to ensure financial sustainability and maximize cost recovery

27 — 3 - Implementing updated policies and systems to ensure strong financial sustainability and maximize cost recovery

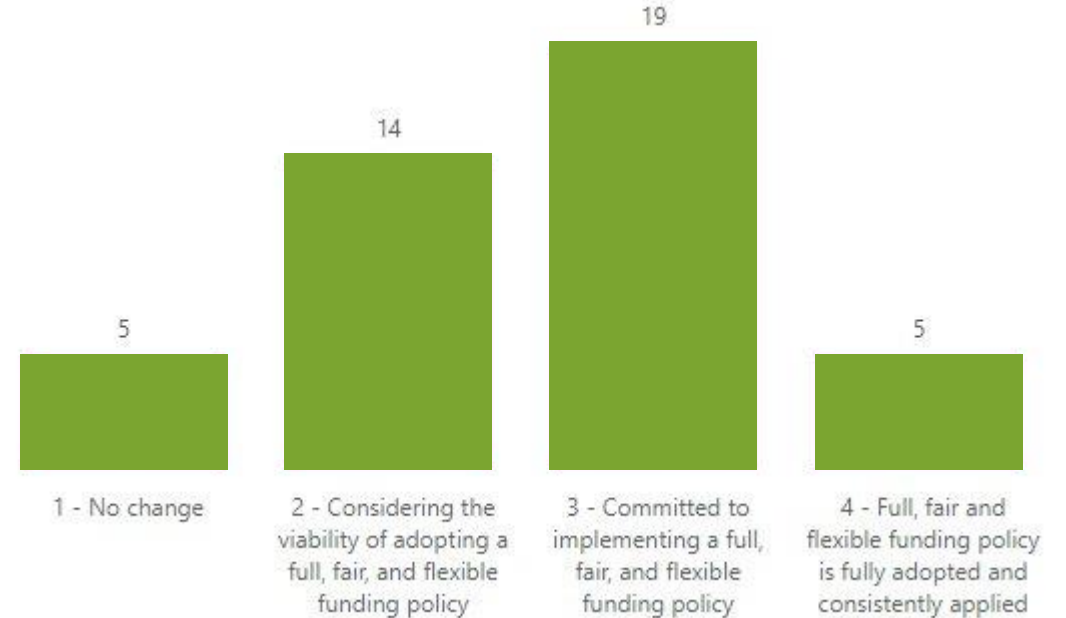6 — 4 - Updated policies and systems have been fully adopted and sustained
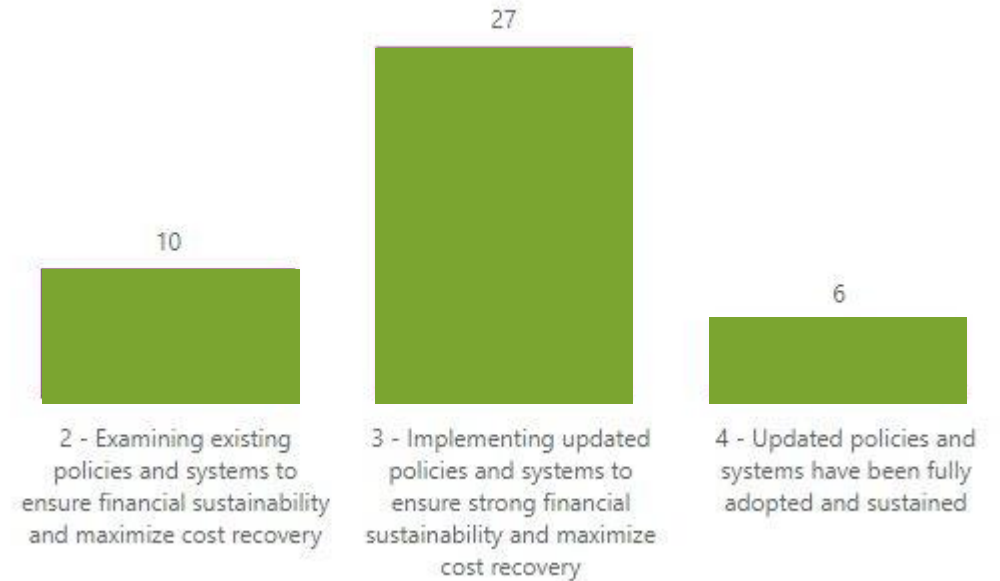
"We are beginning to establish the training, tools, policies, guidance, protocols, and job aids that will allow for the success of our plans of decentralization and power-shifting.   People must be trained, equipped, and empowered to make decisions and thrive in their new roles."

Commit to and require full, fair, and flexible funding, including administration costs.

This might look like:

- Requiring flexible funding from funders.

- Willing and able to provide flexible funding to partners.

- Flowing down full and fair coverage of project costs.

5	14	19	5
1 - No change	2 - Considering the viability of adopting a full, fair, and flexible funding policy	3 - Committed to implementing a full, fair, and flexible funding policy	4 - Full, fair and flexible funding policy is fully adopted and consistently applied

"It's hard to move from a largely restrictive funding environment to fully flexible — but we are working with each donor to move in this direction. Some funders are becoming more restrictive, so attempting to explain why that is difficult for NGOs as well and what full cost recovery really means."

Enhance financial sustainability with diversified income and sufficient reserves.

This might look like:

- Being confident you are financially sustainable so you can do your work.

- Having a financing strategy that aligns with the organization's strategic plan.

- Prioritizing moving beyond project-to-project funding to more unrestricted funding.

2	20	14	7
1 - No change	2 - Exploring financing options with a focus on having a more diverse income base, with a goal of being less dependent on funders	3 - Implementing an updated financing strategy and fundraising plan	4 - Financing strategy and fundraising plan are being implemented fully and reserves are being actively built

"We have diversified our funding from one donor at 70% down to around 45% for next year, but still struggling with a strategy for identifying non-government funders and how to raise unrestricted funding."

Risk and Compliance

Accountability for the work being done

2023 Trends:

1. **External Barriers Remain:** External barriers remain to sharing risk and harmonizing due diligence, financial reporting, and audit requirements. Although organizations continue to advocate with funders on these issues, donors are reluctant to implement more flexibility, with some even tightening their compliance requirements.

2. **Progress Where There is Autonomy:** A focus on partnerships includes a risk dimension, with INGOs taking a more holistic view of risk across relationships. Organizations are actively examining and, in some cases, revising their risk and compliance policies and procedures to more explicitly include their local partners.
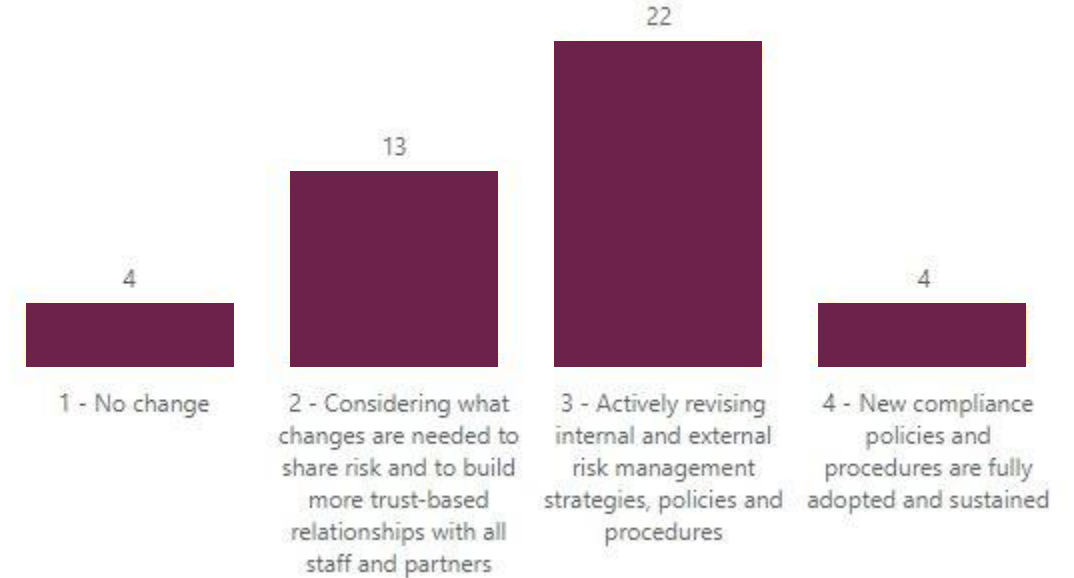
What we'll be asking in 2024:

- What opportunities and challenges are INGOs facing at the intersection of delegating authority and accountability?

- Will INGOs embrace a new definition of risk, compliance, and accountability, or will they continue with business as usual?

- How will funders grapple with the issue of risk, especially when they are beholden to legislative bodies and taxpayers?

Adopt a trust-based compliance approach that shifts the sector from risk transfer to risk sharing.

This might look like:

- Acknowledging existing organizational assumptions about risk.

- Advocating with funders for reducing the compliance burden.

- Adopting a more risk-sharing approach towards partners.

	4	13	22	4
	1 - No change	2 - Considering what changes are needed to share risk and to build more trust-based relationships with all staff and partners	3 - Actively revising internal and external risk management strategies, policies and procedures	4 - New compliance policies and procedures are fully adopted and sustained

"Risk is adequately shared with partners, expanded risk assessments have been developed. We do not see a path toward pushing risk back to donors."

Strengthen accountability structures and organizational capability to identify, manage, and share risk.

This might look like:

- Updating or revising accountability/risk management practices for more decentralized decision-making.

- Building potential risk costs into future proposals.

|	21	16	
3			3
1 - No change	2 - Reconsidering accountability practices to decentralize risk management	3 - Implementing updated accountability practices	4 - Updated accountability practices are fully adopted and sustained

"[We are creating a] shared risk management system that everyone feeds into (vs. being managed by the global support team)."

Harmonize due diligence, financial reporting, and audit requirements.

This might look like:

- Having clear organizational reporting and audit policies and being willing to negotiate funder requirements and conditions.

- Willing and able to flow down simplified compliance to partners (e.g., financial reporting).
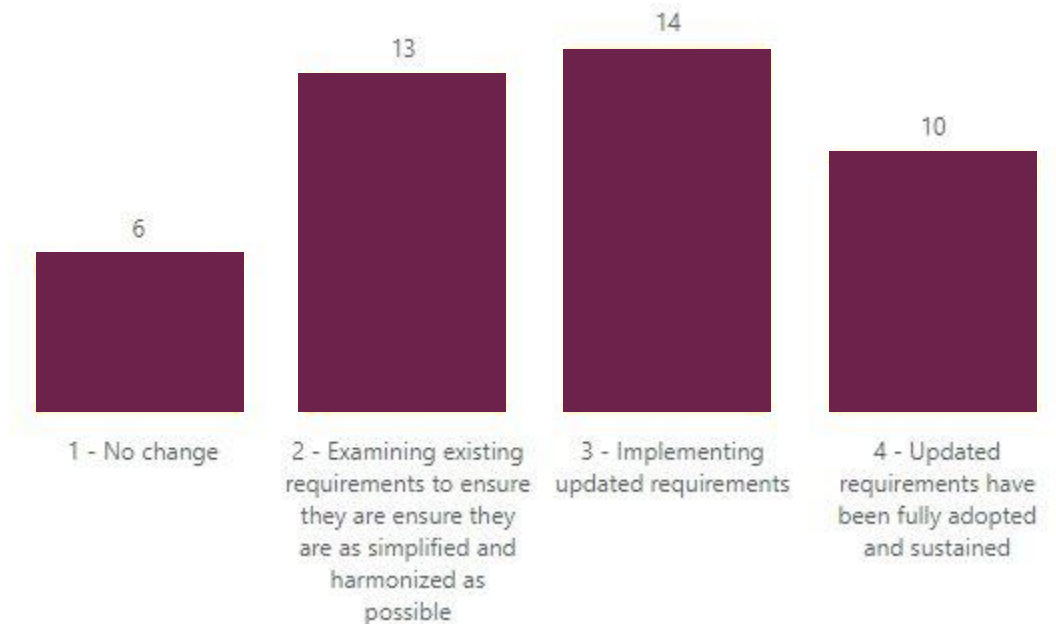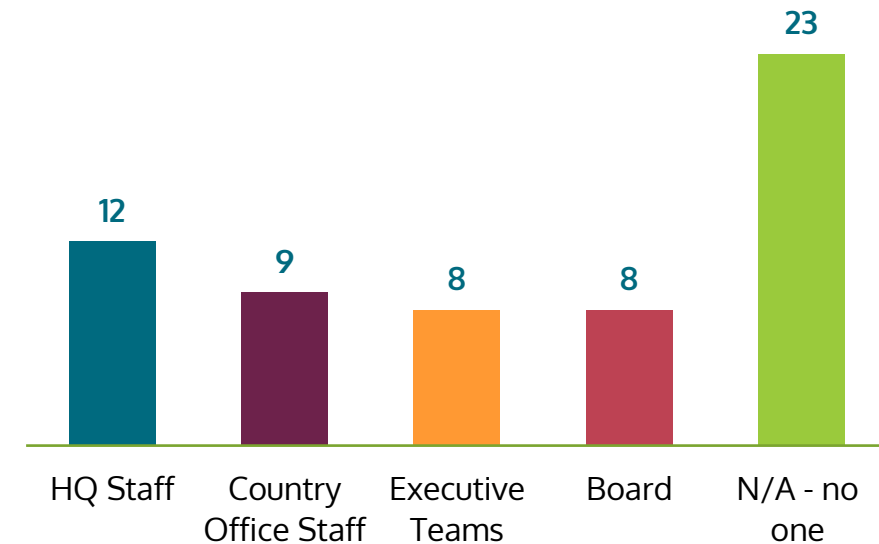

"We have had long-standing commitments to empowering communities and "local" partners, and so we have many practices in place that already reflect these commitments. We are in the process of writing these down, formalize them, and find ways to continuing to push the boundaries. "

Who is *driving* change toward equitable development at your organization?

- HQ Staff: 29
- Country Office Staff: 29
- Executive Teams: 42
- Board: 24
- N/A - no one: 0
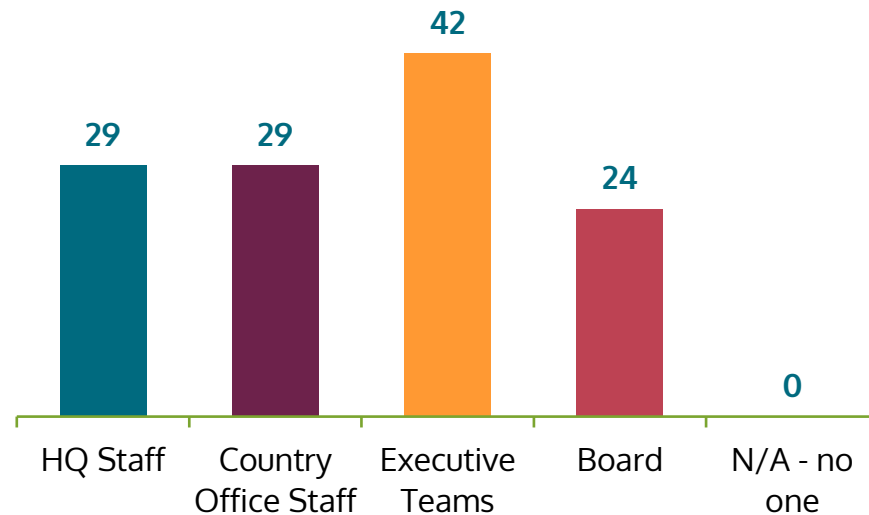
Who is *resisting* change toward equitable development at your organization?

- HQ Staff: 12
- Country Office Staff: 9
- Executive Teams: 8
- Board: 8
- N/A - no one: 23

"Some (just one or two) members of our Executive Team, who have yielded great power over the years, are passively resisting this movement, by raising compliance concerns, passively resisting change initiatives and questioning the process. It is one of my major management challenges and my board is not yet supportive of making major changes to executive leadership if they don't support our pathway forward."

What is your general timeframe for addressing operational change?

Timeframe	Count
N/A	1
10 Years	1
5 Years	5
3 Years	27
1 Year	9
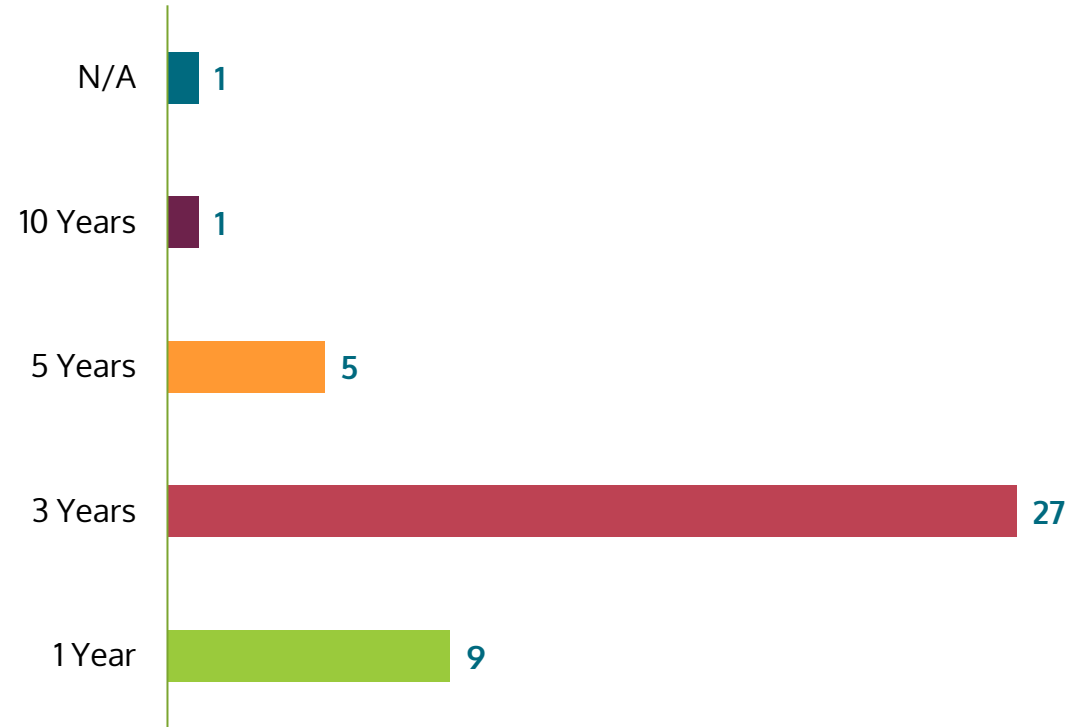
"We mentioned one year last year but realize now that 2-3 years is probably more realistic considering everything that is happening now."

Systems change through strategic operations.

Here are some tangible ideas of what equitable, resilient, and accountable change can look like.

INSTITUTIONAL ARCHITECTURE

- Work towards equitable partnership approaches.
- Acquire funding sources that support evolving business models.
- Implement strategic changes to organizational structure.
- Deliberately recruit and plan for leadership succession.
- Make sure leaders and boards have the understanding and motivation to respond to the changing ecosystem.
- Make sure boards, leadership, and management have the skills and mindsets to lead organization transformation.
- Actively involve the people closest to the work in decision-making.
- Adjust budgetary authority and accountability where appropriate.

PEOPLE AND CULTURE

- Adjust HQ to be role-based.
- Change staffing structures and roles to reduce hierarchy, share power, and delegate authority.
- Update salary and benefits packages, including compensation salary scales and approaches, to be fair, consistent, and transparent for a global workforce.
- Help staff understand, agree, and practice organizational values.
- Align organization practices with values.
- Continually listen, reflect, and assess to ensure a culture where everyone can thrive.

FUNDING AND FINANCIAL SYSTEMS

- Know what full cost recovery looks like for you.
- Put a cost recovery policy in place.
- Require flexible funding from funders.
- Be willing and able to provide flexible funding to partners.
- Flow down full and fair coverage of project costs.
- Improve financial sustainability.
- Align the financing strategy with the organization's strategic plan.
- Prioritize moving beyond project-to-project funding to more unrestricted funding.

RISK AND COMPLIANCE

- Acknowledge existing organizational assumptions about risk.
- Advocate with funders for reducing the compliance burden.
- Adopt a more risk-sharing approach towards partners.
- Update or revise accountability/risk management practices for more decentralized decision-making.
- Build potential risk costs into future proposals.
- Design clear organizational reporting and audit policies and be willing to negotiate funder requirements and conditions.
- Be willing and able to flow down simplified compliance to partners (e.g., financial reporting).

Let's move from talk to action.

[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.

Our years of experience working with hundreds of global development organizations translates into deep understanding and better results. We strengthen your organization through:

- Individual, group, and organization training

- Expert consulting delivered by professionals with years of global experience

- A robust membership community for peer-to-peer networking, resources, and problem-solving

- Dynamic advocacy to address the sector's most pressing operational issues