

MFAN: Modernizing Foreign Assistance Network

MFAN Applauds OMB's Release of Reforms to Simplify Federal Grantmaking Rules and Strengthen Locally Led Development

April 4, 2024 (WASHINGTON) – The Modernizing Foreign Assistance Network (MFAN) heralded the release today by the Office of Management and Budget (OMB) of revised federal grantmaking rules that contain several reforms supported by MFAN to streamline administrative procedures and reduce barriers to working with federal agencies, including the U.S. Agency for International Development (USAID).

The revisions of the Uniform Grants Guidance embrace several measures to enhance the effectiveness of foreign assistance by enabling more local partners -- including nascent organizations and those focused on underserved populations -- to obtain funding and serve as implementing partners with USAID. The revised rules include improving indirect cost recovery, reducing excessive reporting requirements that do not contribute to risk management, and translating award and funding documents into relevant local languages where English is not commonly used.

The issue of indirect cost recovery is a particularly important one for expanding USAID's partnership with local civil society organizations. Indirect cost recovery provides funding that organizations can use to strengthen their institution, including staff hiring and training and proposal development. Local organizations and others working with the U.S. Government for the first time do not have a federal Negotiated Indirect Cost Rate (NICRA) as established implementers do, and so they must absorb most of those costs themselves – an expense that can be prohibitive for local partners and prevent them from working with USAID. The new OMB guidance mandates that all recipients of U.S. Government funding receive a minimum indirect cost recovery rate of up to 15%, a 50% increase over the current 10% rate.

"These rules changes are an important step forward in reducing the complexity of USAID's procurement system and dismantling some of the hurdles for new and innovative local partners to work with the agency," said Tod Preston, MFAN's Executive Director. "We're delighted OMB has heeded the recommendations of stakeholders like MFAN and adopted these reforms; they'll be helpful in expanding USAID's locally led development initiatives."

Details of the new guidelines are found [here](#).

About MFAN

MFAN is a bipartisan reform coalition composed of international development and foreign policy practitioners, policy advocates, and experts from the U.S. and Global South. We promote more effective and accountable U.S. foreign assistance that advances American interests, delivering greater results for people in need and U.S. taxpayers. Centered around two guiding principles of accountability and locally led development, we advocate for programs that focus on long-term outcomes and impact, including new and innovative approaches and models for development.

To learn more about MFAN, visit our website.

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