



October 26, 2021

VIA ELECTRONIC DELIVERY

Dia Taylor
Acting Chief Operating Officer
Centers for Disease Control and Prevention
1600 Clifton Road
Atlanta, Georgia 30333
cdcexecsec@cdc.gov

Dear Ms. Taylor:

I write based on my understanding that you are the senior official at the Centers for Disease Control and Prevention (CDC) responsible for overall policies and practices related to federal grants, cooperative agreements, and contracts awarded by the agency. The purpose of my letter is to engage with the CDC regarding its current policy on the recovery of indirect costs by organizations that are based outside the United States.

Humentum is the leading global nonprofit working with humanitarian and development organizations to improve how they operate and to make the community more equitable, accountable, and resilient. Together with our over 270 member organizations, we create and advocate for data-driven policies and standards that address sector-wide challenges. Humentum has been an active and constructive participant in US Government executive branch policymaking for over 30 years. We have commented on proposed regulations affecting the management of USG awards, including the *Uniform Administrative Requirements, Cost Principles and Audit Requirements* which are the basis for the Department of Health and Human Services (DHHS) implementation at 45 CFR 75.

Many of our members and affiliated organizations receive direct program funding from the CDC or they are subrecipients of CDC funding passed through by primary recipients. While the CDC provides full cost recovery to its US-based implementing partners, it does not afford the same to its non-US partners. Such a practice is inapposite to the US Government's stated policy of locally-led development, which prioritizes partnering with locally-based organizations to administer US Government international development and humanitarian assistance funds.

As I am sure you are aware, the CDC's non-US partners may not recover an amount of more than eight (8) percent of their direct cost bases, even though their actual calculated indirect costs exceed that figure. When large, well-funded organizations encounter an indirect cost limitation of this type – where a statutory limit is imposed, or they seek foundation grants where arbitrary limits are introduced – they can often afford to accept a limited award and fund the shortfall from their unrestricted funds. The problem for partners based in foreign countries is that many of them do

not have significant, non-federal resources that would allow them to address such a funding shortfall. As a result, potential local partners to the CDC must forego the opportunity to seek CDC funding. This serves as an arbitrary and unnecessary bar to true locally-led development. Moreover, when local organizations do accept such restricted awards, it increases the possibility of inadvertent inconsistent charging practices which would be violations of the federal cost principle in Subpart E of 45 CFR 75.

Collectively, the provisions of 45 CFR 75 represent an important and enlightened approach to the issue of indirect cost recovery that is not reflected in CDC's current approach. DHHS's regulation at 45 CFR 75.101(c) permits DHHS awarding agencies to apply Subpart E of the regulation (e.g., the cost principles section) to awards to foreign organizations unless such application would be inconsistent with international obligations of the USG or the statutes and regulations of the foreign country. The adoption of 45 CFR 75 in CDC's General Terms and Conditions for Non-Research Grants and Cooperative Agreements reflects a decision to include those cost recovery policies. Further, taken together, 45 CFR 75.414 and 45 CFR 75.352(a)(4) demonstrate that recipients and subrecipients are provided with options about how they choose to recover indirect costs, either through negotiation with federal agencies or pass-through entities or by election to employ the so-called "de minimis" indirect cost rate. Although 45 CFR 75.414(c)(3) creates a means of transparently managing exceptions to the broader policy of acceptance of rates reflecting actual costs, we are unable to determine CDC's rationale for the indirect cost limitation placed on non-US based partners in any posting on the CDC and OMB websites.

Accordingly, we respectfully request that CDC conduct an open review of the current limitation. We ask that the CDC consider allowing non-US organizations to negotiate rates with federal agencies and pass-through entities in the same manner that US-based organizations are permitted to do or elect use of the *de minimis* rate. We are willing to support such a review by providing examples where program performance and results have been hampered by the current 8 percent cap, or in any other way we can be useful.

We look forward to your response and the opportunity to engage with you on this important matter.

Sincerely,

A handwritten signature in black ink, appearing to read 'Christine Sow', with a large circular flourish at the beginning.

Dr. Christine Sow
President & CEO

CS/cms & bl
CC: Humentum Membership