


Navigating the USG Funding Pause for Foreign Assistance Programs

Guidance Document

January 29, 2025





On January 28, 2025, the US Agency for International Development issued a notice to all implementing partners regarding the implementation of the funding pause for foreign assistance programs, as mandated by President Trump's Executive Order [Reevaluating and Realigning United States Foreign Aid](#), OMB Memorandum M-25-13 ("Temporary Pause of Agency Grant, Loan, and Other Financial Assistance Programs"), direction from the Department of State, and the previously issued [Notice on Implementation of Executive Order on Reevaluating and Realigning United States Foreign Aid](#).

Key points of the notice include:

Immediate Actions:

- Contracting and Agreement Officers must not modify, extend, or exercise options/renewals for existing awards beyond authorized actions.
- Stop-work orders, amendments, or suspensions will be issued for existing awards.
- No new awards or requests for proposals/applications/funding opportunities can be issued until activities are reviewed and approved as consistent with the President's policy.

Implementation:

- Implementing partners must immediately pause USAID program-funded activities and refrain from further commitments or expenditures.
- Partners must confirm receipt and acknowledge requirements with their cognizant Contracting Officer/Agreement Officer (CO/AO).
- The pause applies to all awards at every tier unless covered by a current waiver.
- *Note: Waivers are not automatic to programs, your AO or CO will inform you if a waiver applies and you can un-pause work. Otherwise, you must comply with SWO or Suspension.*
 - Currently, waivers have been issued for:
 - emergency food assistance and administrative expenses, including salaries, necessary to administer such assistance;
 - on a temporary basis, salaries and related administrative expenses, including travel, for all categories of personal services contractors; **Note: this does not apply to the salaries and administrative expenses of implementing partners.**
 - legitimate expenses incurred prior to January 24, 2025, under existing awards or legitimate expenses associated with stop-work orders, suspensions, or pause-related amendments; and
 - exceptions to the pause approved by the Director of Foreign Assistance.

- Secretary of State Marco Rubio additionally [issued a memo](#) on January 28, 2025, to exempt “core lifesaving medicine, medical services, food, shelter, and subsistence assistance, as well as supplies and reasonable administrative costs as necessary to deliver such assistance.” This does not apply to programs that involve “abortions, family planning conferences, administrative costs ... gender or DEI (diversity, equity, and inclusion) ideology programs, transgender surgeries, or other non-life saving assistance”

Next Steps

- Formal notifications and instructions from COs/AOs are expected imminently.
- A government-wide review of all foreign assistance will be completed within 85 days of January 24, 2025.
- After reviews, COs/AOs will communicate decisions to resume, modify, or terminate awards.

Impact on Current and Prospective Partners

- Current partners may receive stop-work orders, suspensions, or requests for bilateral amendments.
- Equitable adjustments will be negotiated for schedule and cost implications.
- Prospective partners should expect all solicitations and pre-award discussions to stop immediately.

While these Executive Orders and subsequent implementation guidance will undoubtedly impact most organizations in the sector, the exact impact it will have depends on whether organizations receive funding through assistance (grants and cooperative agreements) or acquisition (contracts). Furthermore, these actions have unique impacts on primary recipients/contractors and sub-recipients/contractors.

Overview of Contracts vs. Grants and Cooperative Agreements

Federal contracts contain specific provisions for suspensions and terminations to protect both the government and contractors. The most common Federal Acquisition Regulation clause included in most government contracts is [FAR 52.242-15 Stop-Work Order \(AUG 1989\)](#), which may include the Alternate I text for cost reimbursement contracts. The stop work order clause requires contractors to stop work and minimize costs related to the direction to stop work.

Regarding grants and cooperative agreements, not all agencies include clauses for suspension of work. USAID, for example, implements suspensions under [2 CFR 700.14 \(Award Suspension and Termination\)](#) for U.S. recipients and under [Mandatory Standard Provision](#)

M.10 for non-U.S. recipients in cost-type awards. Notably, fixed-amount awards (FAAs) to non-US recipients do not fall under the above provisions.

When receiving a Suspension of Work notice from USAID, remember the following points:

A notice of suspension does not automatically mean that the grant or cooperative agreement will be terminated.

- *Practical implication:* Some grants and cooperative agreements may continue following the 90-day pause, whereas others (particularly those deemed to be unaligned with US foreign policy) may be terminated. Each organization should assess their programming against existing guidance regarding US foreign policy to determine the likelihood of alignment.

A notice of suspension **does mean that all activity must cease**, including direct program implementation, travel related to the award, and reporting.

- Practical implication: Organizations should immediately stop all work once a suspension notice is received. Although unclear at this time, organizations may be able to recover reasonable costs incurred relating to the suspension of work. To prepare for this possibility, organizations should fully document and be prepared to justify any costs that cannot be minimized or fully terminated. As a note, there is no guarantee that suspension costs will be recoverable for grants and cooperative agreements.

Assistance awards are a mutual agreement between the recipient organization and the government. If the government changes the terms, the recipient organization has the right to negotiate.

- Practical implication: Some organizations may select to terminate a grant or cooperative agreement early, whereas contracts must be delivered.

Frequently Asked Questions and Guidance

How quickly can we expect the review to happen and be concluded?

According to the implementation notice, "Within 30 days, the Director of the Department of State's Policy Planning Staff (S/P) or its designate shall develop appropriate review standards to ensure that all foreign assistance is aligned with President Trump's foreign policy agenda. The review is to be completed within eighty-five days of January 24, 2025."

What will happen after the 90-day pause?

There are three likely scenarios after the 90-day period has lapsed:

- Practical implication: Your organization will receive notice that your award has been terminated. In this case, your organization will be able to recover termination costs, which may include suspension and demobilization costs. As a reminder, for grants and contracts, your organization has the right to request termination.
- Practical implication: our organization will be expected to remove or alter certain components of the program to ensure alignment with US foreign policy objectives. In this instance, your organization may be able to request recovery of suspension costs and you will agree with your AO/CO on a new program description, targets, etc.
- Practical implication: Your organization will be able to resume work on the program without any adjustments to the scope or components. Your organization will likely be able to negotiate any necessary deadline or milestone revisions.

What should primary recipients/contractors do upon receipt of a SWO or Suspension?

1. Stop all work and immediately notify any sub-recipients/contractors to stop their work as well.
2. Proactively respond to your agreement officer (AO) or contracting officer (CO) with the following:
 - a. Acknowledgement of receipt of the order/notice and confirmation that your organization will comply.
 - b. Outline all steps your organization is taking to stop (or minimize) activities and costs. Provide comprehensive documentation of this.
 - c. Provide an estimate of costs that cannot be minimized or stopped, along with a justification for why these costs cannot be minimized (for example: costs associated with leases, equipment, etc.) Organizations should track any suspension costs separately and be prepared to justify these costs using accounting records, payment records, timesheets, etc. There is no guarantee that suspension costs will be recoverable for grants and cooperative agreements, but thorough documentation is essential should there be a future opportunity to recover costs.
 - d. Instruct all sub-recipients/contractors to conduct the same analysis and provide documentation.
3. Acknowledge that most likely not receive a response but continue to document.

Some suspension notices instruct organizations to stop all costs, while others direct organizations to minimize costs. Which directive should my organization follow?

Different notices may be using different language. This largely depends on the agreement officer issuing the notice. It is recommended that organizations follow the language provided in their specific notice and proactively communicate to their agreement officer how the organization is interpreting the language in the notice, and what steps they are taking to comply.

What about costs my organization cannot discontinue? Who pays for these?

All disbursements of funds are paused as of the date your organization receives a notice of suspension. It is likely that organizations will be able to receive payments for work completed through the date of suspension, although this process has not been clarified. Some organizations may choose to continue incurring costs (such as salaries, leases, equipment, etc.) related to the award in the expectation that the suspension of work will be lifted.

However, this is not a guarantee, and there is no guarantee that suspension costs will be recoverable. Each organization is advised to seek legal counsel and conduct an analysis of their financial position before deciding to continue incurring costs.

- *Sub-recipients should review their agreements* with the prime recipient to determine whether a suspension term is included. Depending on the contents of your agreement, be prepared to negotiate suspension costs with your prime, but be aware that the prime themselves are unsure whether they will be able to recover suspension costs.

How should my organization proceed with managing labor costs?

While each organization must make its own determination regarding their workforce, consider the following steps in your analysis:

Review Local Employment Laws and Contracts:

- Assess severance provisions, notification requirements, and other legal obligations
- Consult with local labor lawyers for up-to-date advice
- Document efforts to ensure compliance with current regulations

Reassign Employees:

- If possible, move employees to unaffected activities or indirect cost functions
- Encourage the use of paid or unpaid leave options
- Aim to retain employee capacity while minimizing idle labor costs

Furlough or Lay Off Employees:

- Consider these options if reassignment is not feasible
- Evaluate cost savings against termination expenses (e.g., severance, notice periods). Implement only when financially beneficial.

Retaining Employees:

- If opting to keep employees for readiness and capacity, calculate associated costs
- Document analysis and rationale in writing
- Communicate decisions to the Contracting Officer (CO) or Agreement Officer (AO) promptly
- Seek their consent for the chosen approach

The notice of suspension my organization received instructs us to minimize costs. However, laying off staff locally requires paying severance and cashing out of accrued leave, which would cost more than maintaining them through the suspension period. How should we proceed?

You can and should justify these costs to your agreement officer. This is the importance of **fully documenting** any necessary suspension costs and cost-minimizing measures your organization is taking. For example, you may be able to provide evidence that it would be **more expensive** to terminate a position under local laws than to maintain salary payments for 90 days.

The Secretary of State has issued waivers for certain programs, how can my organization request a waiver?

Waivers to this EO have been determined by the Secretary of State and include:

- emergency food assistance and administrative expenses, including salaries, necessary to administer such assistance;
- on a temporary basis, salaries and related administrative expenses, including travel, for all categories of personal services contractors;
- legitimate expenses incurred prior to January 24, 2025, under existing awards or legitimate expenses associated with stop-work orders, suspensions, or pause-related amendments; and
- exceptions to the pause approved by the Director of Foreign Assistance.

If your organization's work falls within one of these waivers, you will be notified. Organizations cannot request individual waivers for their programming.

Resources:

- [Olga Wall posts guidance and updates on her LinkedIn account](#)
- [Some Additional Guidance on Trump EO Pausing Foreign Aid, but Many Questions Still Remain | Insights | Venable LLP](#)
- [Nichols Liu Webinar - Trump's Executive Order Freezing Foreign Assistance - Nichols Liu](#)
- [15 Impacts on CSOs of the Trump Executive Orders and the Stop-work Order on US Aid - Ennie Chipembere | LinkedIn](#)
- [Six key measures to take in times of uncertainty by Humentum | LinkedIn](#)

Letter Template for Response to a Stop Work Order or Suspension Notice

Please ensure you adapt this template to suit your own organizational context and situation.

[Your Organization's Letterhead]
[Date]
[Contracting/Agreement Officer's Name]
[USAID Mission]
[Address]

Subject: Response to Stop Work Order/Suspension Notice for [Contract/Cooperative Agreement/ Grant Number]

Dear [Contracting/Agreement Officer's Name],

We acknowledge receipt of the Stop Work Order (SWO)/Suspension Notice dated [SWO/Suspension Date] for the above-referenced contract/grant/cooperative agreement. We confirm our commitment to comply by promptly ceasing all work as directed and providing any required certification, including DEIA documentation. In accordance with **FAR Clause 52.242-15/Alt.1** *[remove if letter is in reference to a grant or cooperative agreement]*, we are taking immediate steps to minimize or suspend costs. Attached to this letter, we are submitting a Justification of Legitimate Continuity Costs outlining necessary expenses for continuity and those that cannot be reasonably minimized.

We would like to emphasize the following key points regarding continuity costs:

- We have identified costs that cannot be suspended or mitigated, which include [brief list].
- Maintaining readiness offers a cost-benefit advantage compared to potential higher termination or reactivation costs.
- These continuity costs are complementary to, not a replacement for, future Requests for Equitable Adjustment (REAs) for extensions or adjustments.

[Optional section on alignment with USAID objectives]

Use this section to demonstrate how the activity aligns with performance indicators and U.S. foreign policy priorities.

Share specific contributions to development objectives or CDCS goals like economic growth or regional stability that align with new policy.

We kindly request:

- Confirmation of payment for costs and invoices incurred before the effective date of the SWO.
- Consideration of interim reimbursements for continuity costs to safeguard financial stability, particularly for US small businesses, local businesses, and NGOs involved in this contract.

We reaffirm our commitment to collaboration and our readiness to adapt to any changes. For any follow-up questions or instructions, please contact [Name] at [Phone Number] or [Email Address].

Sincerely,

[Your Name]
[Your Title]
[Your Organization]

Justification of Legitimate Continuity Costs

In this justification, consider the following costs:

- *Personnel costs: Justify why employees continued to be paid during the shutdown. Explain why they could not be reassigned to unaffected activities or indirect cost functions. Address any use of vacation pay during the shutdown.*
- *Direct costs: Outline any direct costs related to the project that couldn't be avoided, such as essential materials or equipment rentals.*
- *Indirect costs: Explain any fixed expenses like rent or utilities that continued during the stoppage.*



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