USAID
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ADVANCING EQUITABLE PARTNERSHIPS: SUBAWARDS

"How-To" Guide on ensuring Locally Led Development is incorporated into Subawards

USAID has established a target to place local actors in the lead of planning, designing, implementing, or evaluating at least 50 percent of programming by 2030. In line with this target and the locally led development (LLD) spectrum, this guide aims to support USAID staff in shaping subawards or grants under contract (GUCs)[1] to be increasingly locally led. This guide is geared toward Design Teams and Agreement or Contracting Officer's Representatives (AORs/CORs) managing New Partnerships Initiative (NPI)[2] mentoring awards or other USAID agreements/contracts with subawards or GUCs.

NPI includes three standard partnering approaches: direct awards to nontraditional partners, mentor awards, and leverage awards. Mentor awards are prioritized in this guide. Under a mentor award, the prime recipient (whether an international or local partner) must provide at least 50 percent of the award value to local entities or locally established partners in the form of subawards (including grants, cooperative agreements, or GUCs). This guide shares NPI recommendations and in no way replaces Official Agency Guidance on subawards.

The Relationship between USAID, Primes, and Subrecipients

It is important for USAID to make clear early on—in Notices of Funding Opportunity (NOFOs), kick-off meetings, subaward management deliverables, and other communications—that local or nontraditional empowerment is a specific goal of an award and that the Agency wishes to engage directly with subrecipients to elevate local voices in programming. USAID needs to remain in touch with any and all stakeholders in our monitoring of intended development and humanitarian outcomes; the Agency should regularly speak with, consult with, and hear from organizations and entities that influence those outcomes, including subrecipients. NPI encourages direct and regular communication between USAID and subrecipients, as they are key stakeholders in the overall achievement of programmatic outcomes. Subrecipients often have direct ties with the communities impacted by our programs and often engage with and have intimate knowledge of the communities in which USAID makes investments.

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1 A subaward is an award given by a prime recipient (assistance) to another entity to carry out part of the award. A GUC is a USAID-specific mechanism whereby a contractor (acquisition) issues a grant to an nongovernmental organization (NGO) or government entity to assist the contractor as part of overall contract activities.
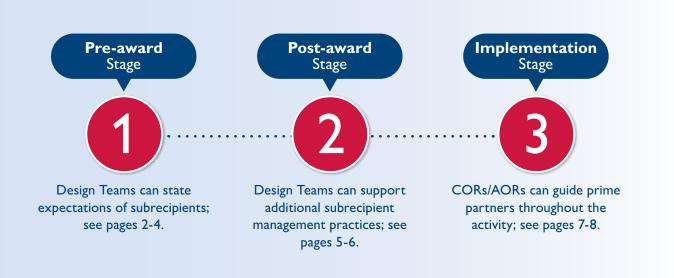
2 NPI—part of the Development, Democracy, and Innovation (DDI) Bureau's Local, Faith, and Transformative Partnerships Hub—supports USAID Missions and Washington, DC-based Operating Units (M/OUs) to strengthen collaboration with new, nontraditional, and local partners through targeted funding opportunities and technical assistance that elevates local leadership, diverse capacities, and accountability.

That said, by making an award, USAID engages in a legal relationship with the prime award recipient *only*; this legal relationship does not flow down to subcontractors or subrecipients. USAID may not direct subrecipients in any way—*nor may the Agency appear to do so*. Due to the power dynamics associated with USAID's role as a donor, even expressing an opinion on how something is done or asking why it was done a certain way may be perceived as giving a subrecipient "direction." Thus, it is critical that Agency award communications are only with the prime and that the prime is included or aware of any USAID communications directly with subrecipients.

Championing Locally Led Efforts

USAID staff can highlight LLD approaches throughout the process.

Pre-award Stage	Post-award Stage	Implementation Stage
1	**2**	**3**
Design Teams can state expectations of subrecipients; see pages 2-4.	Design Teams can support additional subrecipient management practices; see pages 5-6.	CORs/AORs can guide prime partners throughout the activity; see pages 7-8.

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Pre-award Stage

Design Teams can explicitly state expectations with regards to the roles and responsibilities of subrecipients and certain award components using the following NOFO text.

Expectations with regards to subrecipients	Under "Scope and/or evaluation criteria"
Their **role in relationships is that of an equal** as much as possible.	Offerors/Applicants must detail the process and structure for subrecipient relationship management. Or Offerors/Applicants must demonstrate feasible measures to incorporate and engage subrecipients as partners in the design and implementation of activities. And (for assistance) USAID has a preference for—but does not require—nonexclusive partnerships.
They are **deliberately invited to participate in meetings** and other aspects of implementation.	While USAID does not have or aspire to legal relationships with subrecipients, M/OU (insert name) would like them present when USAID is interacting with the prime, as appropriate or feasible.

Expectations with regards to subrecipients	Under "Scope and/or evaluation criteria"
They **set their own priorities** for the work to be achieved.	Offerors/Applicants must ensure potential subrecipients are able to propose their own program descriptions (or scopes of work), budgets, and work plans—whether through co-creation, co-design, open solicitations, or other means—to the greatest extent feasible. If subrecipients are not able to lead the development of their programs, the prime should detail any limitations to this in reporting. This must be measured through indicators, such as "number of co-created or partner-generated budgets and scopes," and will be monitored by USAID and the Monitoring, Evaluation and Learning (MEL) Platform.
They **participate in co-creation**.	Any subrecipient identified at this stage must be invited to participate in any co-creation.
They are allowed to **operate in their native language**.	Offerors/Applicants may include translation and interpretation costs in their budgets and allow subrecipients to operate in their native language.
They **obtain fair indirect cost rates**.	Offerors/Applicants must negotiate indirect rates or utilize the de minimis rate with subrecipients, in line with 2 CFR 200.332(a)(4) and the Required as Applicable Standard Provisions for U.S. NGOs (RAA1 or RAA4) or non-U.S. NGOs (RAA4 or RAA5). Where subrecipients do not yet meet the criteria but express a desire to do so, the prime should support them in developing required systems.
They **serve as Offeror/ Applicant references**.	USAID may contact references other than those provided in the application, including past subrecipients (ADS 303.3.9, 2 CFR 200.206 and FAR 12.206 and 15.304).
Expectations with regards to awards	Under "Reporting requirements (or reports and deliverables)"
Awards require a **Subaward/Grants Manual**.	The Subaward/Grants Manual, submitted within 30 to 60 days of award, will outline how subrecipients will comply with USAID policies and advance LLD throughout the management of their subawards. When capacity strengthening is part of the subaward, the manual should detail how the program adheres to USAID's Local Capacity Strengthening Policy.
Awards require **regular reporting on subawards** in performance reports.	A section on subawards in regular performance reporting will cover subrecipient performance, relationship quality, and level of empowerment and decision-making authority, in addition to the methodology for assessing performance and collecting subrecipient feedback.

Tip: If subrecipients are not yet identified, invite potential subrecipients to participate in the co-creation process, providing them an opportunity to meet potential primes to pull together an implementing partner grouping. (This may work best following a partner landscape or similar assessment that allows the Agency to learn about the diverse entities that work in a given sector.) See this internal USAID matchmaking toolkit from the Middle East Bureau.

Tip: Encourage the prime partner to name as many subrecipients (and their roles) as possible in the proposal or application, including information on their governance structures and involvement in decision-making.

Tip: If due diligence[3] reveals a risk of poor prime-sub relationship quality, consider using "specific award conditions," (ADS 303.3.9.2) such as the following examples.

- Withhold authority to proceed with a subgranting phase until receipt of evidence of acceptable performance within a given period. Evidence could include co-creation of subawards, setting up a feedback mechanism with subrecipients, setting up reporting or deliverables specific to performance, relationship quality, and level of empowerment and decision-making authority of subrecipients.

- Require additional project monitoring, such as site visits to monitor the quality of subrecipient programming and relationships. This additional monitoring could also be added to the scope of the M/OU's MEL Platform.

Transition Awards

This award type aligns well with NPI's mentoring award approach. With transition awards, USAID has a direct interest in the "graduation" of the subrecipient, including setting aside funding for a new award; therefore, the M/OU should play a more active role in the management and outcomes of the initial award—and budget AOR/COR time accordingly. It is important for USAID staff to pay attention early on to ensure the prime's and subrecipient's workplans balance the subrecipient's program delivery, organizational development, and capacity-strengthening objectives. Workplans need to cover these facets and be monitored by both subrecipient and prime, with USAID regularly checking on progress with both parties. The Stopping as Success program offers insights into building successful transitions with international and local partners. The following are additional recommendations.

▼	▼	▼
Develop a memorandum of understanding between the prime and subrecipient to set expectations for the transition or a section in the subaward that covers the prime's capacity-strengthening commitments and associated budget, roles of both partners, jointly determined means to evaluate success, etc.	When outlining the criteria for a successful transition, USAID should specifically state that the prime partner is responsible for preparing the subrecipient to accurately account for full and fair indirect cost recovery, utilizing the most appropriate method. This may include granting the subawardee the de minimis rate, monitoring its application throughout the award, and certifying the subawardee is able to utilize the rate in compliance with U.S. Government regulations.	Include clear capacity-strengthening metrics/indicators (such as CBLD-9) that focus on improved performance and capacity outcomes rather than on outputs (such as number of people trained) in both the prime's and subrecipient's MEL plans.

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3 "Due diligence" may refer to publicly available information or information gathered via past performance evaluations, references, the Contractor Performance Assessment Reporting System (CPARS) or Agency Secure Image and Storage Tracking System (ASIST), or other means.

2 Post-award Stage

To supplement the AOR/COR Toolkit, NPI recommends Design Teams incorporate additional good subrecipient management practices.

Subaward approval

- Contracting/Agreement Officer (CO/AO) and COR/AOR review the Subaward/Grants Manual (see "Good Practices" on next page) to ensure it covers proper procedures, risk assessments, and prior approval of the subaward template(s).
- Through its delegation letter, the AO may grant the AOR the ability to provide prior technical approval of individual subawards as long as they conform to the AO-approved subaward template. This helps to streamline implementation by reducing the need for award modifications while ensuring USAID due diligence.
- CO/AO clearly states in the award document the expected turnaround time for USAID approval of subawards/grants.

Engagement with subrecipients

- Include notice in the award to the prime that USAID requires engagement with subrecipients and that the prime can describe this in the Accountability and Feedback Plan.
- Maximize opportunities for subrecipients and primes to meet with USAID, including through regular meetings, Agency events, and stakeholder engagement or outreach.
- Ensure subrecipients are invited to the appropriate components of the kickoff or orientation meeting (this may mean the prime's or subpartner's budget needs to cover the cost of travel).
- Ask about and encourage (but do not direct) subrecipient involvement in the prime's work plan other foundational document development. Subrecipients should propose what they can contribute—to build their capacity and strengthen their understanding of the project.

Monitoring and reporting

- Request disaggregation of data and reporting according to the entity that delivered the work (the prime's narrative and data reporting should clearly state which partner achieved what).
- Use the MEL Platform to monitor subaward and relationship quality. This can be as simple as adding open-ended questions to the data collection form, such as "Is the subaward helping your organization?" or "What other support would help?" Use the findings to support a discussion with the prime.

Close-out narrative

- When writing the Assistance Performance Review (assistance) or CPARS (acquisition), ensure the "Management Systems" section captures the COR's/AOR's views on how well the prime managed the subrecipients in line with LLD expectations so this is easier to track in future reviews.

Tip: Work with the prime to ensure they understand the need to avoid crafting the scope and budget for their subrecipients' work. Local partners should determine what they can accomplish and how they will do so, and develop their associated budgets. Primes should outline in their workplans and program descriptions how they will support subrecipients' efforts to lead as much as possible.

Subaward/Grants Manual: Good Practices for Integrating LLD

The following are some elements COs/AOs and CORs/AORs should look for when reviewing a prime's proposed manual.

Define roles and responsibilities within the prime's organization, including:
- arrangements with the home office regarding day-to-day communication with subrecipients, contractual communication, approvals, financial points of contact;
- pre-award due diligence and risk analysis, including the tools to be used;
- capacity assessment, including the tools to be used and how they will a) be participatory; b) build on existing information so as not to contribute to assessment fatigue; and c) take an asset-based approach, in line with USAID's Local Capacity Strengthening Policy; and
- mechanisms to ensure regular, reliable funding flows to local partners as well as compliance with regulations and the local partners' program budgets.

Detail mutual accountability and feedback mechanisms, including beneficiary feedback and how information is collected and incorporated by the partners along with whether there is overlap or connection between feedback mechanisms. Mutuality of feedback and action is critical: the prime needs to gather and use subrecipient feedback, possibly using various mechanisms and approaches, and provide constructive guidance to the sub.

Encourage purposeful dissemination and inclusivity of NOFOs, such as through:
- stakeholder engagement prior to release (through industry days, partner summits, presolicitation conferences— all of which could be informed by a partner landscape);
- broad postings (local papers, community radio, networks and coordination structures, prime's website, WorkwithUSAID.org, social media);
- requests for information (RFIs);
- translation of NOFOs and application documents into additional, relevant languages;
- multistage NOFOs (concept note, co-creation, proposal);
- allowance of oral presentations of proposals and concept notes in local languages; and
- outline of subrecipient capacity-strengthening resources and approaches.

Include co-creation information on the subrecipient's statement of work and budget and on the prime's capacity-building budget. Where possible, capacity-strengthening investments should be self-directed by the subrecipient (such as enabling it to include capacity-strengthening funding in its award to spend on self-determined priorities).

Develop a Progressive Performance Improvement Plan that explains the process for improving subaward performance and addressing compliance issues. The plan should outline areas for improvement, expected prime actions, and required subawardee reactions. For instance, if a subawardee is late in submitting financial reports, the prime may initially call or send an email; if it happens again, the prime may send a letter and meet with the subrecipient's executive director; for repeat occurrences, two weeks before a reporting period, the prime may send its finance officer to work with the subawardee staff on the reports and to try to better understand any underlying issues. If, however, the lateness is systemic, then the prime may consider descoping or terminating the subaward.
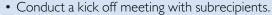
Outline capacity-strengthening approach, such as whether the subaward/grant will be accompanied by a memorandum of understanding that outlines each party's commitment to capacity strengthening or whether it will include funding for the subrecipient to hire a capacity-building service provider. The prime should be able to clearly indicate how capacity-strengthening will take place and whether it will be part of the subaward or of a separate formal agreement.

Explain fair indirect cost rates and the prime's approach to their coverage. Note: When a subrecipient uses a NICRA or the 10-percent de minimis rate on other federal awards, these must be honored by the prime. However, when subrecipients do not already make use of either of those rates, the manual should describe how the prime will ensure fair indirect cost rate recovery as well as strengthen subrecipients' capacity in that area in compliance with U.S. Government regulations.

Specify budget flexibility—by types or amounts—the prime allows for subrecipients and any conditions that would apply. Each organization may have different practices or policies on budget flexibility for subrecipients, and these may vary depending upon the types of subawards/grants they are providing.

3 Implementation Stage

To continue to support LLD following an award, USAID staff can frequently highlight and encourage prime partners to follow these good practices.

Engagement and communications

- Conduct a kick off meeting with subrecipients.
  » If the meeting is with a group of subs, each should have some one-on-one time with the prime to ask questions, review budget and scope, and clarify any relationship management questions.
  » USAID can offer to attend components of the opening meeting(s) to answer questions, provide background on the program, conduct training sessions, or as a meet-and-greet.
- Conduct regular meetings with subrecipients, occasionally including USAID, that ensure:
  » Subrecipients have input on the creation of agendas;
  » Time for subrecipients to present and engage with USAID staff;
  » Prime staff address/mitigate power dynamics;
  » Any subrecipient travel costs are covered by the prime or in the sub's budget; and
  » Funding and level-of-effort (LOE) expectations for all parties are clarified as needed.
- Involve subrecipients in any management or advisory committees and project governance bodies.

Co-creation

- Co-create post-award documents or have subrecipients lead on some portions (workplans, MEL plans, etc.).

Financial

- At a minimum, grant the de minimis rate to partners who meet the criteria in 2 CFR 200.403 (or who use de minimis under other federal awards). If feasible, offer training or coaching for partners to learn how to distinguish direct from indirect costs.
  » For more experienced partners, budget time and effort in the prime and sub awards to negotiate a fixed or predetermined rate for the subaward that covers their actual, fair portions of indirect costs.
- Work with subrecipients to support salary analysis to ensure their project staff salaries are in line with their policies and human resources framework as well as market rates for that country, using standard benchmarking resources such as government salary scales, Birches, or other context-appropriate sources. If salaries do not align, support the partner in efforts to adjust salaries and benefits.
- Provide multi-year awards and flexible funding, including a willingness to shift the prime's budget to ensure stability for subrecipients.
- Keep cash flow steady for monthly expenses such as salaries and find a way to smooth out payments for non-recurring costs (such as cost reimbursements, capacity-related milestone payments, payments for performance) so as to avoid liquidity difficulties.
- Include resources to support the long-term financial sustainability of the subrecipient; this could include offering business development services or fundraising training to apply for and manage funding from other donors and foundations.

Capacity strengthening

- Clarify the links between subaward funding and capacity-strengthening efforts (or be clear if there is no link).
    - » Commit to partners not only the amount of funding they will receive but also the capacity-strengthening support, including those resources they will control.
    - » If the sub is receiving or has received capacity-strengthening support from other sources, it may make sense to adjust or coordinate capacity-strengthening plans.
- Refer to the Progressive Performance Improvement Plan (see "Subaward/Grants Manual: Good Practices," page 6).

Empowerment and recognition

- Attribute subrecipients' work to them by name in social media (with their consent) and USAID reporting, presentations, and meetings.
- Include in the Accountability and Feedback Plan how subrecipients may provide feedback to the prime and how the prime is expected to close those feedback loops (including communicating with subrecipients about actions taken or not taken in response to feedback) and let USAID know about the feedback received, when appropriate.
- Invite subrecipients to lead pause-and-reflect sessions at least once a year.

Language

- Provide the option for subrecipients to apply for awards, submit reports, and attend meetings in their native language.
- Employ resources for interpretation and translation of documents into subrecipients' native languages.

Additional Resources

Success in the Strategic Use of Subawards: a December 2020 NPI report on a gathering of over 100 international and local implementing partners and USAID staff to discuss how best to empower new, underutilized and local subawardees to take on a greater, more sustainable role in activity implementation.

Stopping as Success: a collaborative learning project on how to make international NGO (INGO) transitions more responsible. The project includes a resource library with a wealth of information such as transition language for USAID NOFOs, guidance for donors working with INGOs and local partners, guidance for INGOs working with local partners, and responsible transitions between INGOs and local partners.

What Changes are Local Partners Asking for?: a CARE blog post outlining the responses to an anonymous survey asking local partners what the organization should be doing differently.

Breaking the Starvation Cycle: a Humentum call to action on stopping the inadequate coverage of administrative costs by funders and on investing in subrecipient resilience.

Understanding USAID Subcontractor and Subawardee Experiences: a blog post outlining the results of a recent survey among 416 subrecipients on their experiences as a USAID sub.

LLD Toolkit: check it out for more guidance, tools and examples!