

USAID Fiscal Year 2022 Localization Report to Congress

The U.S. Agency for International Development (USAID) submits this report pursuant to Sec. 7019(e) of the Consolidated Appropriations Act, 2023 (P.L. 117-328), which incorporates by reference reporting under the heading Locally Led Development in the House Report:

“The Committee directs the USAID Administrator, not later than 120 days after enactment of this Act, to submit to the Committees on Appropriations a report on funding under this heading for programs implemented directly by local and national nongovernmental entities. The report should include a description on how USAID is working to increase funding to capable local and national nongovernmental entities as well as how USAID tracks funding to local entities, how USAID is progressing toward its stated locally-led development targets, and how the Agency plans to reach targets in subsequent fiscal years.”

In addition, requirements of the Joint Explanatory Statement include:

“Such report shall also describe how USAID: (1) defines a “locally-established partner” and an “underutilized partner”, including any plans to modify such definitions, or the definition of a “local entity”; and (2) assesses the capacity of local entities to effectively implement and manage funds. Such report shall also include details on funding implemented by local entities in fiscal years 2021 and 2022, including development and humanitarian assistance programs.”

Introduction

In 2021, USAID redoubled its commitment to advancing locally led development. Local leadership over development and humanitarian goals and programming is important for equity, effectiveness, and sustainability. Through a set of internal reforms, actions, and behavior changes to orient the Agency’s work around local actors’ priorities and local systems, USAID strives to advance locally led development and humanitarian assistance, in which local actors set their own agendas, develop solutions, and mobilize the capacity, leadership, and resources to make those solutions a reality. USAID is building on past efforts to promote a model of locally led, inclusive development, where the Agency’s work emphasizes local actors’ priorities, needs, goals, and ideas.

In November 2021, Administrator Power announced two ambitious Agency-wide targets to track and motivate progress toward this vision: (1) USAID will strive to channel at least a quarter of its program funds directly to local partners by the end of FY 2025, and (2) by 2030, fifty percent of Agency programming will place local communities in the lead to set priorities, co-design projects, drive implementation, and evaluate the impact of its programs.

In this report to Congress, which draws from the recently released report *Moving toward a Model of Locally Led Development: Fiscal Year 2022 Localization Progress Report* (<https://www.usaid.gov/localization/fy-2022-localization-progress-report>), we describe the efforts underway to shift funding and decision-making power to local actors and outline our progress over the last Fiscal Year. We also describe how we define various categories of local partners and outline how we assess the capacity of local partners to work directly with USAID.

Efforts to increase funding to local partners and shift decision making power

Since Administrator Power's announcement of USAID's renewed commitment to locally led development in November 2021, the Agency has created and revised several key policies and strategies, developed new tools, and taken steps to strengthen and grow its workforce, all milestones that will help underpin and facilitate progress toward the Agency's localization goals.

A new Acquisition and Assistance (A&A) Strategy (available at: <https://www.usaid.gov/policy/acquisition-and-assistance-strategy>) outlines the shifts needed in USAID's business practices to better enable sustainable, inclusive, and locally led development. The A&A Strategy's emphasis on enabling, equipping, and empowering the A&A workforce is critical to advancing the Agency's localization efforts. Expanding work with local partners requires a heightened investment of staff time. Awards to local partners are often smaller, and USAID staff may end up managing a larger number of awards. Moreover, many local partners are new to working with USAID and benefit from staff guidance throughout the process. To bolster the A&A workforce, between FY 2021 and FY 2023, the Agency created 69 new A&A positions. USAID is making progress recruiting and onboarding to fill these new positions as well as existing vacancies. In FY 2022, USAID hired 35 new A&A staff. Another 32 A&A positions have been filled so far in FY 2023. To provide surge support, the Agency is also hiring short-term A&A staff to fill critical positions. In addition, USAID is taking steps to create more leadership opportunities for local staff, who are central to advancing locally led development through their in-country knowledge, language capabilities, and professional skills, as well as the continuity they provide at the Missions. USAID is committed to increasing the number of warranted local staff from 19 in FY 2022 to at least 38 by the end of FY 2023. In addition to hiring additional staff, the A&A Strategy also sets the Agency up to make better use of existing staff resources by streamlining A&A processes like reducing the number of post-award approvals and reducing the time staff spend on certain administrative burdens.

USAID is strengthening how it works with local actors, including by issuing new guidance for staff to streamline A&A processes, expanding the use of co-creation approaches, and developing new training on advancing locally led and sustainable development through activity

design. The new A&A Strategy emphasizes making USAID more accessible to local actors by reducing barriers to entry, including: using more proactive and diverse communication channels to share funding and partnership opportunities with a broader range of local partners; using more flexible, adaptable, and simple award mechanisms to provide direct funding to local organizations; expanding existing and introducing new cost recovery options to support local partners' in recovering their full costs of implementing USAID awards; and exploring opportunities to engage local partners in languages other than English. Many of these reforms are already underway.

In addition, WorkWithUSAID.org, an online platform launched in late 2021, seeks to demystify the process of partnering with USAID through easy-to-navigate tools that provide clear and accessible information about opportunities with USAID, with key documents translated into multiple languages. The website also provides new networking opportunities by featuring a detailed Partner Directory, as well as a sub-opportunities page, where organizations seeking subrecipients and subcontractors and organizations interested in serving as subrecipients can connect.

A fully updated Risk Appetite Statement (available at: <https://www.usaid.gov/sites/default/agency-policy/596mad.pdf>) clarifies that USAID seeks taking smart and disciplined risks in working with local partners, because of the opportunities for more equitable and sustainable development outcomes when local organizations are in the lead. USAID understands that partners who are new to USAID may come with different types of risks, both to the Agency and the partner itself, than the Agency encounters with its longer standing partners. The Risk Appetite Statement encourages thoughtful risk taking in expanding the Agency's partner base and working closely with new and local partners to jointly identify risks and develop plans to mitigate and manage them.

USAID's new Local Capacity Strengthening Policy (available at: <https://www.usaid.gov/policy/local-capacity-strengthening>) establishes Agency-wide principles to build on the skills and expertise that already exist in local organizations and communities, committing USAID to responding to local priorities for capacity strengthening. This policy positions the Agency to focus more on the capacity strengthening goals of programs—and places more emphasis on accountability for their achievement.

USAID is integrating localization into its guidance, training, and resources to ensure staff have the information and skills necessary to operationalize locally led development throughout all stages of the Agency's acquisition and assistance processes and the Program Cycle. These include: guidance on Integrating Local Knowledge in Development Practice (available at:

<https://usaidlearninglab.org/resources/report-integrating-local-knowledge-development-practice>) and managing Government to Government (G2G) activities; internal training on engaging the local private sector and using systemic design for sustainable and locally led development; and resources on collective action and co-creation (available at: <https://usaidlearninglab.org/collective-action-usaid-programming> and <https://www.usaid.gov/npi/capacity-building-indicator-resources/co-creation-interactive-guide>). USAID also developed the Localization Playbook, a living compendium of resources available to staff via USAID's intranet page. The Playbook provides staff with opportunities to gain new skills and explore new techniques during the design and implementation of locally led programming. It is continuously updated based on feedback and availability of new resources.

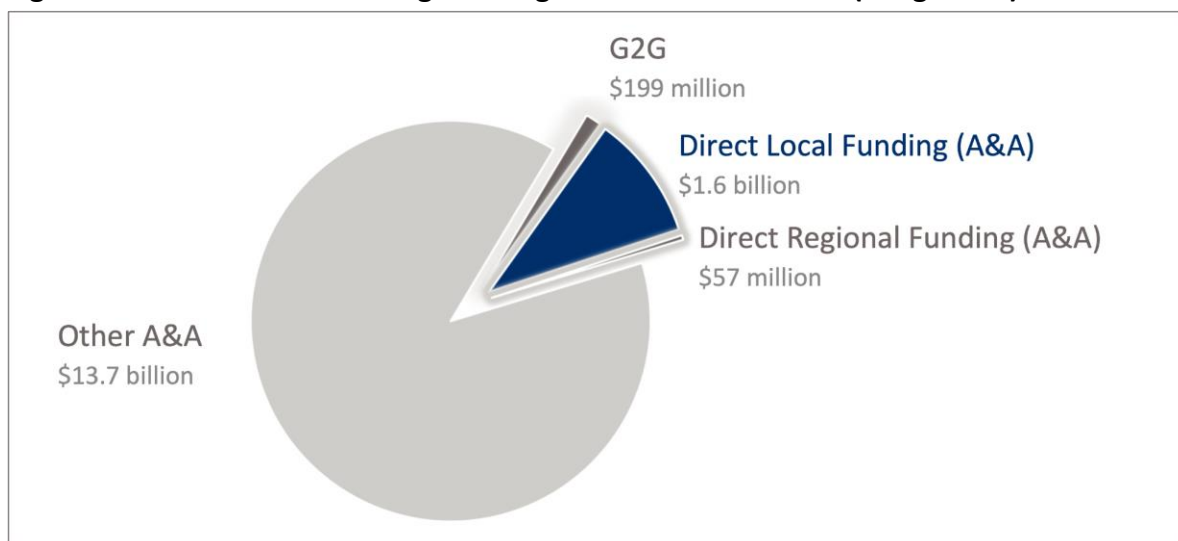
All these steps will help accelerate USAID's efforts to be more responsive to the priorities and capacities of local actors and provide more funding to local partners.

USAID's Progress Increasing Funding to Local Entities

Definitions

USAID tracks three types of direct funding that support the localization agenda: (1) direct obligations to local partners, known as "Direct Local Funding"; (2) direct obligations to regional partners, known as "Direct Regional Funding"; and (3) direct obligations to partner governments, known as G2G assistance (see Box 1). Of these three, Direct Local Funding, or obligations to local partners, is the largest channel of direct funding in support of USAID's localization goals (see Figure 1).

Figure 1: FY 2022 Direct Funding to Categories of Local Partners (obligations)



USAID recognizes that the concept of what it means to be “local” is complex and contextually nuanced. In selecting the methodology for measuring funding going to local actors, and developing the indicators that track the measurement, the Agency aims to identify as good a proxy as possible for what it means to be “local,” while minimizing the reporting burden on staff and local partners by using existing systems to the maximum extent possible to capture funding data. USAID defines these terms as such:

Direct Local Funding: For the purposes of this indicator, USAID defines a “local partner” as an individual, corporation, nonprofit organization, or another body of persons that:

1. is a USAID prime contractor or recipient;
2. is legally organized under the laws of, and has as its principal place of business or operations in, a country classified as developing; and
3. is providing assistance in the same country as its principal place of business.

To minimize reporting burden on staff and partners, USAID is using data for this indicator from its Global Acquisition and Assistance System (GLAAS) and the Federal System for Award Management (SAM).

The Direct Local Funding indicator can be expressed in terms of:

1. obligations made in a given fiscal year (also referred to in this report as “funding”), or
2. a percentage for a given fiscal year. When expressed as a percentage, the denominator is the total development and humanitarian A&A funds obligated in GLAAS in that given fiscal year. The denominator excludes G2G (reported separately), interagency agreements, personal services contracts (PSCs), and agreements with Public International Organizations (PIOs). With the exception of PSCs, these implementing mechanisms are either not recorded in GLAAS (or not fully recorded in GLAAS), and/or are inherently non-local.

For purposes of the Direct Local Funding indicator, obligated Acquisition and Assistance (A&A) funds are obligations to new contracts, grants and cooperative agreements, as well as modifications to add funding to existing contracts, grants and cooperative agreements.

For additional information on this indicator, see Key Performance Indicators: Direct A&A Funding for Localization (available at: <https://www.usaid.gov/sites/default/files/2023-04/Key-Performance-Indicators-Direct-AA-Funding-Localization.pdf>).

Direct Regional Funding: For this indicator, USAID defines a “regional partner” as an individual, corporation, nonprofit organization, or another body of persons that:

1. is a USAID prime contractor or recipient;
2. is legally organized under the laws of, and has as its principal place of business or operations in, a country that is classified as a developing country; and
3. is providing assistance in a different country located in the same region that is also classified as a developing country.

Like Direct Local Funding, USAID is generating this indicator using data from GLAAS and SAM.

Direct Regional Funding can be expressed in terms of (1) obligations made in a given fiscal year, or (2) a percentage for a given fiscal year. For percentage calculations, the denominator is also the same as that for Direct Local Funding. For additional information on this indicator, see Key Performance Indicators: Direct A&A Funding for Localization (available at: <https://www.usaid.gov/sites/default/files/2023-04/Key-Performance-Indicators-Direct-AA-Funding-Localization.pdf>).

Government to Government (G2G) Assistance: This term refers to direct obligations to partner governments in a given fiscal year to implement activities through the use of their systems or institutions. For purposes of measuring progress toward localization, this term only captures G2G assistance in which USAID finances specified results based on cost (with either a Cost Reimbursement or Fixed Amount Reimbursement payment mechanism). It excludes G2G assistance in which USAID provides partner governments with generalized resource transfers—in the form of cash, commodities, or sovereign bond guarantees—that are based on meeting defined benchmarks (e.g. policy reforms) rather than cost. USAID generates this indicator using data from the Agency’s financial management system, Phoenix.

Separately, USAID notes that the terms “Locally Established Partner” (LEP) and “Underutilized Partner” are categories of partners tied specifically to the New Partnerships Initiative (NPI) and are defined in USAID’s Automated Directives System Glossary of Terms (available at: <https://www.usaid.gov/about-us/agency-policy/glossary-ads-terms>).

An Underutilized Partner is “an organization that has received less than \$25 million in direct or indirect awards (i.e. subawards) from USAID over the past five years.” USAID’s Office of Acquisition and Assistance maintains a dashboard of funding to new and underutilized partners under NPI awards. NPI focuses on enabling the Agency to expand its collaboration with new, underutilized, and local partners. As of FY 2022, USAID reports to Congress on an annual basis regarding funding via NPI awards according to these three categories of partners. All NPI awards must use one of three partnering approaches: 1) direct awards to nontraditional partners (local entities, locally established partners, or new and underutilized partners); 2)

mentoring awards where 50 percent or more of the award value goes to local or locally established partners; and 3) leverage awards where the prime must bring a 1:2 match of funding from other public or private sector resources.

NPI has retained a category for “locally established partners” that is distinct from “local entities” to recognize the continued development benefits in shifting decision-making and award management to local country contexts, even if the partner retains an affiliation to a broader U.S. or international organization. The definition for a LEP emphasizes locally led operations, accountability to local governance, and ties to the community. Per ADS 303, LEPs are defined as:

A U.S. or international organization that works through locally-led operations and programming models. LEPs:

- Have maintained continuous operations in-country for at least five years and materially demonstrate a long-term presence in a country through adherence or alignment to the following:
 - Local staff should comprise at least 50 percent of office personnel,
 - Maintenance of a dedicated local office,
 - Registration with the appropriate local authorities,
 - A local bank account, and
 - A portfolio of locally-implemented programs.
- Have demonstrated links to the local community, including:
 - If the organization has a governing body or board of directors, then it must include a majority of local citizens;
 - A letter of support from a local organization to attest to its work; and
 - Other criteria that an organization proposes to demonstrate its local roots.

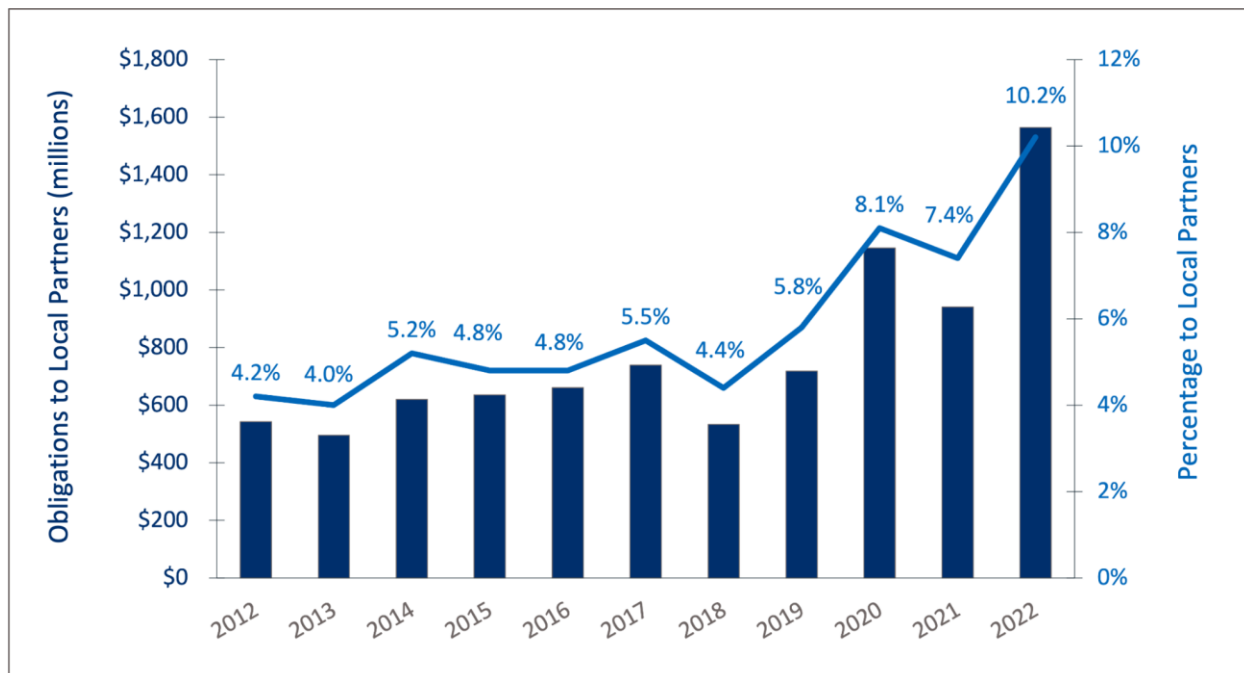
LEPs are not categorically included or excluded from how USAID tracks its localization goals around Direct Local Funding. Instead, organizations are included in the Direct Local Funding pool based on the above definition of local. To be fully transparent, alongside the FY 2022 Localization Progress Report, USAID has also posted its complete dataset that codes awards as local, regional, not local in order to enable independent analysis of the Agency’s Direct Local Funding data.

Results

In FY 2022, USAID recorded the highest level and percent of Direct Local Funding in more than a decade, following what has been a generally increasing trend over the previous four years (Figure 2). In FY 2022, Direct Local Funding reached nearly \$1.6 billion, or 10.2 percent of A&A

obligations included in the indicator. The largest jump occurred from FY 2021 to FY 2022, when Direct Local Funding increased by \$623 million, a 66 percent year-over-year increase in dollar value and a 38 percent increase in the funding going to local partners, as defined by the indicator.

Figure 2: Direct Local Funding Over Time, Obligations and Percent¹



USAID also funded a larger number of local partners in FY 2022, working with 1,706 unique local partners, compared to 1,532 in FY 2020 and 1,473 in FY 2021.

By sector, health is the clear leader, with nearly 20 percent of attributable health obligations going directly to local partners. This reflects, in large part, the push by the President’s Emergency Plan for AIDS Relief (PEPFAR) over the last five years to channel the majority of its funding directly through local partners and partner governments.

¹ The data for FY 2012 through FY 2019 are not strictly comparable to the data for FY 2020 and beyond. In 2022, the U.S. Government shifted from using the Data Universal Number System (DUNS) to identify unique entities doing business with the federal government to the Unique Entity Identifier (UEI) system established in SAM.gov. USAID migrated legacy DUNS numbers to UEIs. However, due to the DUNS-to-UEI transition, older awards have a higher probability of the partner not being currently searchable in SAM.gov. To address this issue, there is an alternative formula for identifying local partners that is based on GLAAS data alone in the case that the partner is not registered in SAM (see Section D in [Key Performance Indicators: Direct A&A Funding for Localization](#)).

Most Direct Local Funding is obligated by Missions. In FY 2022, Missions and other overseas Operating Units (OUs) channeled 18 percent of their A&A obligations, as defined by the indicator, to local actors, compared to 13 percent in FY 2021. By region, Missions and other overseas OUs in Africa provided the most direct funding to local partners, both in dollar and percentage terms. Direct Local Funding in Africa reached nearly 24 percent in FY 2022, compared to 16 percent in FY 2021, driven largely by local partnerships under PEPFAR.

In addition to tracking funding to partners working in their own countries, USAID also tracks funding to partners working within their broader region, recognizing that the work of local change agents often bridges national boundaries. For example, issues such as biodiversity or pandemic preparedness have inherently regional components. USAID also recognizes that some organizations that work in countries with difficult operating environments may choose to incorporate in a different country for security purposes. In FY 2022, USAID channeled \$57 million to regional partners (0.4 percent of A&A funding tracked under the indicator, a similar percentage to FY 2021).

USAID also tracks G2G assistance. National, subnational, and local governments are critical partners in the Agency's goals to advance locally led development. Governments play a central role in setting policy, allocating domestic resources, and coordinating activities, particularly in sectors focused on public service delivery or public goods such as public health, education, and climate. Government systems are also a key pathway to delivering outcomes at scale.

To help strengthen government capacity to deliver development and humanitarian outcomes, USAID partners directly with governments that meet defined criteria, as determined jointly by USAID and the Department of State. USAID also undertakes additional risk assessments on the implementing entities (e.g., ministries) as required by legislation.

In FY 2022, USAID provided \$199 million in G2G assistance, as defined above, to 17 countries. This level of funding is similar to that provided in FY 2021 (\$211 million). Over the last three years, the overwhelming majority of G2G assistance has supported health objectives, with health accounting for 77 percent of G2G assistance in FY 2022.

Assessing Local Entities Capacity to Manage Assistance Programs

USAID follows its assistance policies outlined in ADS 303 pertaining to pre-award risk assessments. All recipient organizations, regardless if U.S. or non-U.S., undergo a pre-award risk assessment as required by federal assistance regulations. For non-U.S. entities new to receiving funding, USAID conducts a detailed survey in accordance with the guidelines in the Non-U.S. Pre-award Survey (NUPAS). This survey, conducted by a team of USAID subject matter experts, includes a comprehensive review of the organization's legal, financial, human resources,

procurement and other policies, procedures, and capacities. The NUPAS benefits USAID by identifying potential areas of risk in issuing an award to a local entity, while also highlighting capacity building needs. The Agreement Officer (AO) reviews the results of the survey to determine if specific conditions need to be incorporated into the award to address and mitigate areas of risk. The AO may also determine not to issue an award. In the event an award is issued with specific conditions, Agency staff supports the recipient in meeting the conditions. This may include additional oversight, targeted training, and other forms of capacity building to ensure the recipient can be successful in implementing the program.

USAID's Commitment to Local Leadership

In addition to the Direct Local Funding target, USAID has also committed to shifting power dynamics with a goal that by 2030, half of the Agency's programs will be locally led, creating space for local actors to exercise leadership over priority setting, activity design, implementation, and defining and measuring results. This target complements the Direct Local Funding target and the two are of equal importance to USAID's localization efforts.

USAID has developed a new indicator to track local leadership of programs, across the many different types of relationships USAID has with local actors, whether they are prime awardees, sub-awardees, participants in a USAID-funded program, or part of a community affected by USAID programming.

The design of the indicator was informed by a series of engagements with a wide range of stakeholders, including USAID staff, local and U.S.-based partners, and community-based organizations in several of the countries where USAID works. Through these engagements, USAID sought to understand what actions and practices meaningfully and visibly create space for local actors to exercise leadership in USAID's procurement processes and program cycle, which of these are feasible to implement, and which are most easily trackable.

The new **Locally Led Programs** indicator will measure the percentage of USAID-funded activities that create space for local partners and the local communities they serve to lead development efforts—including in priority setting, design, partnership formation, implementation, and defining and measuring results—in a given fiscal year.

The indicator focuses on **four categories of approaches** through which USAID enables greater local leadership in its activities. Under each of these four categories are several **good practices** that USAID and/or its implementing partners may use throughout priority setting, design, implementation, or monitoring and evaluation processes. The table below lists the good practices that will be tracked. As the Agency develops the new data collection process, USAID will provide more information on each and how it will be collected in the coming months.

USAID will report data on how many activities used each of these practices in a given fiscal year, beginning with FY 2023. For the purpose of tracking progress toward the Agency-wide local leadership target, USAID will also identify the percentage of USAID-funded activities that demonstrate the use of two or more of the listed good practices in at least two of the four categories. Because this is a new, complex indicator, the first year of data collection will be a learning year.

Table 3: Practices Included in the Locally Led Programs Indicator

Categories			
Working Directly with Local Partners	Creating Effective Local Partnerships	Recognizing, Leveraging, and Strengthening Local Capacity	Engaging Communities Directly
Description			
In tandem with the goal to increase <i>levels of funding</i> obligated directly to local partners, USAID will increase the <i>number of activities</i> in Mission portfolios that are implemented by local actors as prime awardees.	USAID will co-design, co-create, and encourage partner-designed activities in ways that elevate local decision making, support mutuality, and promote reciprocal trust and accountability.	USAID will invest in strengthening local capacity, and in leveraging and elevating existing capacity, local knowledge, and expertise in the places the Agency works.	USAID will expand the use of inclusive and participatory approaches throughout its programs, including direct engagement of USAID staff with local partners and communities.

Good Practices			
<p>The prime implementing partner is a local partner or partner government.</p>	<p>Award is co-designed with local partner(s).</p> <p>Local award is not prescriptive of activities but descriptive of desired outcomes, permitting partners the flexibility to propose innovative development solutions.</p> <p>Award budgets reflect efforts to ensure full cost recovery in direct awards to local partners (regardless of instrument).</p>	<p>Activity uses demand-driven capacity-strengthening approaches aligned with USAID’s Local Capacity Strengthening Policy.</p> <p>Activity provides capacity strengthening to local partners or prospective local partners to work directly with USAID.</p> <p>Activity monitoring, evaluation, and learning (MEL) plan incorporates at least one locally led monitoring indicator: standard capacity building indicators² and/or locally defined measure(s) of programmatic success.</p> <p>Local subawards</p>	<p>Activity is co-created with local communities using participatory systems analysis such as Whole System in a Room or another participatory method.</p> <p>Activity design is informed by a listening tour, which includes participation by USAID staff members.</p> <p>Activity MEL Plan includes an Accountability and Feedback Plan, which includes using local feedback to make program adaptations and closing the loop with those who provide feedback.</p> <p>Activity MEL Plan outlines participatory processes through</p>

² For example, the Standard Indicator CBLD-9 (available at: <https://www.usaid.gov/sites/default/files/2022-05/CBLD-9-Measurement-Resource.pdf>) measures whether USG-funded capacity-development efforts have led to improved performance in organizations receiving capacity-development support.

		<p>make up >50 percent of the budget under an assistance award with an international prime partner.</p> <p>Transition award process is included in an award to an international prime recipient.</p> <p>Local evaluation expertise is engaged on a core evaluation team to evaluate an activity.</p>	<p>which local communities directly contribute to program MEL.</p>
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USAID recognizes that while the selected good practices are seen as particularly useful approaches for elevating local leadership, the indicator does not represent an exhaustive list of ways to shift decision making power. USAID also recognizes that not all the listed practices are relevant for all programs, all award or agreement types, or all operating contexts. The range of practices included in the indicator provide a menu of options for Missions, implementing partners, local stakeholders, and local communities to reference and leverage as best suits their needs, opportunities, and constraints. As this is a modular indicator, the practices USAID tracks may be updated over the years as the Agency’s knowledge and practice of locally led development evolves.