

Advisory Committee on Voluntary Foreign Aid (ACVFA) Report

Maximizing USAID's Effectiveness: Recommendations for Improving Locally Led and Inclusive Development

TO: Administrator Samantha Power

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RE: Recommendations for improving the implementation of locally led development and inclusive development

The Inclusive Development Sub-Committee of the Advisory Committee on Voluntary Foreign Aid (ACVFA) is pleased to present this paper on how USAID can maximize its effectiveness by improving the implementation of locally led development (LLD) and inclusive development (ID). LLD and ID are two critical agendas of USAID that are intended to increase the efficacy of development and humanitarian assistance by reaching and empowering individuals and communities most in need. The engagement of diverse local actors and institutions under LLD is more than a lofty goal – it is a critical ingredient to designing and implementing projects that are effective, efficient, and sustainable. Ensuring that LLD is inclusive and reaches those that are marginalized is also key and lies at the heart of USAID's assistance goals. To fully realize its objectives, USAID must reach vulnerable populations.

We applaud USAID's focus on LLD and ID; while they are not new concepts, they have remained hot topics for decades because of the unique challenges that they present. Direct funding and meaningful engagement of local institutions has long presented obstacles due to the complexity of federal regulations and USAID award requirements, the advantage of international institutions in applying for and accessing funds, lack of sufficient USAID staff to support local partners, and risk aversion within the Agency. Reaching marginalized groups is an even larger challenge since they are often the most under-resourced, have limited experience with international donors, and can be difficult to access. Access can be made more challenging in countries with laws that target or further marginalize them.

We present **three key recommendations** to USAID to individually advance LLD and ID and better unite them for a transformational effect. These recommendations are to: 1) make LLD and ID the default in USAID programming and require ID impact statements for select projects; 2) continue to push for Congressional support to bolster USAID staff levels and authorities to better advance LLD and ID; and 3) continue to prioritize the engagement of local institutions and mitigate existing barriers to funding. Implementing these recommendations will require changes within Agency processes and culture, as well as for how international implementing partners (IPs) conduct business. These changes have the ability to heighten USAID's development and humanitarian assistance by maximizing results and reducing costs. Today's myriad and complex development issues make this more urgent than ever.

Defining and Understanding the Importance of LLD and ID

To better establish the context for recommendations proposed within this paper, it is important to first define LLD, local actors, and ID. USAID defines LLD as “the process in which local actors – encompassing individuals, communities, networks, organizations, private entities, and governments – set their own agendas, develop solutions, and bring the capacity, leadership, and resources to make those solutions a reality.”¹ There is debate within the development community over the definition of “local actor,” which has an impact on who USAID funds as well as how USAID measures its progress on LLD and ID. According to USAID, “a local entity means an individual, a corporation, a nonprofit organization, or another body of persons that: 1) is legally organized under the laws of; 2) has as its principal place of business or operations in; 3) is majority owned by individuals who are citizens or lawful permanent residents of; and 4) is managed by a governing body the majority of who are citizens or lawful permanent residents of a country receiving assistance from funds appropriated under title III of this Act.”² The Network for Empowered Aid Response (NEAR) – a network of over 250 Global South development, humanitarian, and peacebuilding organizations – defines non-state local actors as: “national, local, or community-based organizations that are present before, during, and after a crisis; accountable to local laws and communities where they work; led by local nationals, and not internationally affiliated in terms of branding, governance, or financing (that results from that affiliation).”³ NEAR’s explicit reference of non-affiliation with international entities provides an important distinction from USAID’s definition of local actors.

In 2021, USAID highlighted its vision for LLD and set forth two ambitious goals:

- 1) By FY 2025, USAID will allocate 25% of its funding directly to local institutions; and
- 2) By FY 2030, 50% of USAID programs will reflect local leadership in activity design, implementation, and/or measurement of results.

USAID’s launch of LLD and announcement of its goals in 2021 offers its boldest vision to date by **emphasizing a shift in power to local actors**. While both of USAID’s targets are important, its second goal provides a broader opportunity to increase local engagement and ownership, regardless of whether the institutions are subrecipients, grantees, or stakeholders on a project. This second goal has the potential to be a game-changer in how USAID involves local actors under both acquisition and assistance at the design and implementation stages.

ID is also an important USAID agenda and is integrally linked to LLD. USAID defines ID as “an equitable development approach built on the understanding that every individual and community, of all diverse identities and experiences, is instrumental in the transformation of their own societies. Their engagement throughout the entire development process leads to better outcomes.”⁴ It is well known that poverty, illiteracy, unemployment, and adverse health outcomes disproportionately affect those that are most marginalized. A rise of laws that target or negatively impact marginalized groups (such as anti-LGBTQ+ laws) increase the vulnerability of some of these groups.

¹<https://www.usaid.gov/locally-led-partnerships#:~:text=Locally%20led%20development%20is%20the,make%20those%20solutions%20a%20reality.>

² https://www.usaid.gov/sites/default/files/2023-10/303_102323.pdf

³ <https://www.near.ngo/s/NEAR-Defintions-Paper.pdf>

⁴ USAID: <https://www.usaid.gov/inclusivedevelopment>

USAID defines marginalized groups as including, but not limited to: “women, youth, children in adversity with their families, older persons, persons with disabilities, LGBTQI+ people, displaced persons, migrants, Indigenous Peoples and communities, non-dominant religious, racial, and ethnic groups, people of castes traditionally considered lower, people of lower socioeconomic status, and people with unmet mental health needs.” We recognize that there is some debate with the use of the term “marginalized groups” and there are nuances between marginalized people and populations in vulnerable situations. For simplicity, however, we will utilize USAID’s definition of marginalized populations within this paper to refer to the groups defined above.

Additionally, we recognize that gender equality and women’s empowerment are hugely important areas in ID and women represent the largest marginalized population. In acknowledgement of this, USAID has separate staffing and resources for gender equality and women’s empowerment which, to its credit, have allowed the Agency to make great strides in this area. This approach is consistent with the elevation of gender equality by the White House, as reflected through the creation of the Gender Policy Council. For the purposes of this paper, however, we address gender equality and women’s empowerment through the broader umbrella of ID and we will not address them separately. Doing so is beyond the scope of this paper. In a similar vein, this paper does not attempt to articulate all of the many challenges that each marginalized population faces in individual environments, nor the detailed solutions necessary to overcome them. We recognize the extensive and important nature of this task and specialized expertise that is necessary to address each specific context and group. Due to the time, expertise, and page limitations of this report, we focus on some of the shared challenges that a number of marginalized groups face.

The case for LLD and ID are clear; for development assistance to be truly impactful, marginalized populations must be reached and their equality in society must be advanced. These groups are anything but “fringe” or insubstantial; women and girls make up 49.7% of the world’s population⁵, there are 1.2 billion youth between the ages of 15 and 24 years⁶, 1.3 billion people living with disabilities⁷, 476 million indigenous people⁸, and 114 million displaced persons.⁹ To successfully tackle the myriad of challenges that affect marginalized groups, local actors and communities from these groups must be actively engaged in project design and involved as full partners and owners of implementation. In short, ID relies on LLD to achieve its aims and LLD will never be fully realized if it fails to encompass the full breadth of civil society, including marginalized populations. The successful fulfillment of these agendas is integrally intertwined and critical for improving the effectiveness, efficiency, and sustainability of USAID’s assistance.

⁵ The World Bank: <https://data.worldbank.org/indicator/SP.POP.TOTL.FE.ZS>

⁶ United Nations: <https://www.un.org/en/global-issues/youth>

⁷ World Health Organization: <https://www.who.int/news-room/fact-sheets/detail/disability-and-health>

⁸ United Nations: <https://www.un.org/en/fight-racism/vulnerable-groups/indigenous-peoples>

⁹ United Nations: <https://news.un.org/en/story/2023/10/1142827>

Challenges in Implementing LLD and ID

Despite USAID's best efforts, many challenges remain to fully implement LLD and ID. Realizing either agenda is difficult in its own right; implementing both can be even more daunting. Many of USAID's own policies that promote ID reference LLD. However, in practice, these agendas are largely disconnected in public discourse, project design, and implementation. Below, we articulate the challenges in implementing LLD and ID and that shape our recommendations.

High Compliance Standards and a Culture of Risk Aversion

Some within USAID view providing more resources and power to local institutions as laden with risk. USAID operates within a larger ecosystem in which they report to the U.S. Congress and there is little tolerance for unaccounted funds. Thus, many USAID staff understandably feel responsible if local institutions face issues when navigating the complexity of federal regulations and USAID award requirements. As a result, USAID staff may be hesitant about issuing direct awards to local institutions and/or be overly focused on compliance when administering them.

It is well understood that federal requirements guide the broader framework for USAID compliance. The federal government's rigorous standards for receiving direct funds have created a high bar that disqualifies and/or deters many local institutions from applying for funds. USAID recently revised its Risk Appetite Statement to increase tolerance for programmatic risk. Despite this, risk aversion within the Agency remains a considerable obstacle. While appetite for fiduciary risk will remain understandably low, USAID should do more to distinguish between activities that constitute a material risk in non-financial areas vs. those that do not present a major threat. It is widely observed that the totality of USAID's reporting requirements has increased over time, creating a burden on recipients. While USAID has made progress in reducing them under its "burden-busting" initiative, more work is needed to streamline reporting requirements, avoid inclusion of non-mandatory requirements, conduct better analysis of material risks, and promote culture change around risk. Additionally, even where USAID has reduced requirements, there is variability among USAID Missions and Contracting Officers in how they interpret and apply standards. It is important for the Agency to drive compliance within its own ranks with new, streamlined procedures. Rewards require risk-taking; international development, like all investments, entails risk that can only be managed and not eliminated.

Overstretched USAID Staff and Resources to Support LLD and ID

Awards to local institutions often require more time and support to administer, particularly when there is a priority to design the award in a collaborative way that responds to local development priorities, capacities, and resources. Listening and engaging directly with local communities and stakeholders, jointly designing interventions, and co-creating awards are important processes to enable meaningful local leadership. These processes take time and many Missions are hesitant to further stretch thin staffing resources. Additional responsibilities that overextended staff include assessing local partner capabilities, translating documents into local languages, in-country travel, and most importantly, providing heavy support to local partners throughout the life of the award to navigate complex federal and USAID requirements.

Loss of Power for International Implementing Partners and Difficulty in Implementing LLD

International IPs, too, see and face obstacles to realizing LLD. Some may fear a diminished role and loss of power and resources with an increased funding to and emphasis on local institutions. Others may be disingenuous in their LLD approach, featuring it in project designs but, in practice, reducing local partner roles and budgets throughout implementation when it becomes financially or technically burdensome or inconvenient. Many international IPs are sincere in their interest to adopt LLD but struggle to balance these objectives alongside other ambitious project targets, timelines, and goals required by USAID. Because USAID holds international prime recipients accountable for compliance and results, there is great pressure on them to exert strong oversight. This can strain relationships and make them less collaborative and more top-down in relation to local partners.

Cultural Affinity and Bias That Favors International Implementers

An obstacle to increasing awards to local institutions is also a cultural one; USAID has a long history with providing awards to international IPs who are perceived to be easier to work with, more efficient and effective, and less risky. The unspoken implication is that international IPs are the best stewards of U.S. taxpayer funds because they are culturally similar. The comfort in working with culturally similar organizations is, ultimately, a bias that must be acknowledged and overcome. It is not only a false notion that must be dispelled, but one that is detrimental to the goals of LLD and ID.

Insufficient Measurement of USAID's Progress on LLD and ID

USAID's reporting on direct funding to local actors, detailed in its FY22 [Localization Progress Report](#), is welcome. However, some question USAID's methodology for measuring progress on funding local actors. An independently developed methodology and analysis of LLD funding by Publish What You Fund and Oxfam question the measurement of USAID's progress because of how they define local actors and how they calculate total funding to them.¹⁰ Referring to the FY22 Localization Progress Report, Oxfam noted that it "appears to include some internationally affiliated organizations under the 'Local Funding' category," highlighting disagreements around the definition of a "local organization." Finally, there is no public data on funding to local actors as subrecipients or subgrantees. This data can be useful to demonstrate USAID's commitments to LLD.

Regarding measurement of ID performance, USAID has not yet connected ID to LLD progress tracking: USAID's progress report lacks information about how LLD funding has reached marginalized groups. Generally, public data on USAID's outreach to marginalized groups is scant, and therefore its work on ID is not visible to the public. Some of this is outside of USAID's control due to lack of clear identification of these groups, such as people with disabilities, who are often undercounted and inaccessible. A lack of meaningful reporting requirements within USAID also hampers monitoring progress in outreach to these groups. For example, there is no required reporting by any programs on sexual orientation or gender identity expression among participants. Even in mandatory gender data

¹⁰ Oxfam, 2023. Funding the Localization Agenda: Measuring progress of the U.S.' development and humanitarian assistance to local organizations: <https://www.oxfamamerica.org/explore/research-publications/funding-the-localization-agenda/> & Publish What You Fund, 2023. Metrics Matter: How USAID counts "local" will have a big impact on funding for local partners: https://www.publishwhatyoufund.org/app/uploads/dlm_uploads/2023/02/Metrics-Matter-Full-Research-Paper.pdf

reporting, USAID utilizes only binary male/female categories, leaving no way to capture data related to non-binary identities or other genders.

Lack of Diversity of Partnerships and Dependency on Pre-Existing Relationships

When identifying local partners to work with, both international IPs and USAID tend to favor the most sophisticated and well-known local institutions. Those that are funded are often national groups that have the greatest amount of resources, credibility, connections with ruling parties, and relationships with international donors. For these reasons, they are perceived to present the least amount of risk. The lack of diverse partnerships and emphasis on funding well-known groups means that: 1) USAID funding is not necessarily reaching marginalized groups when funding local organizations; and 2) USAID may inadvertently exacerbate local power imbalances if the agendas of majority or well-connected organizations conflict with or undercut the power of vulnerable groups.

Lack of Resources, Particularly for Marginalized Groups, Creates an Unfair Playing Field

Many local institutions struggle to obtain sufficient resources to sustain and grow their services and none more so than those that represent marginalized populations. For example, research shows that women-led and women's rights organizations are often underfunded and excluded from decision-making in humanitarian contexts.¹¹ Youth organizations face similar issues; they are often woefully underfunded and sometimes are even unregistered, making their ability to access large development funding difficult or impossible. This lack of resources reduces their ability to retain qualified staff, procure needed systems, and develop sophisticated operations. Ultimately, this creates a downward cycle and challenges their ability to attract funding, retain staff, and comply with donor requirements. When they are able to access USAID funding, their ability to cover their overhead costs under USAID awards is often insufficient and leaves these organizations further behind.

Lack of Expertise in Working with Marginalized Groups and Accessibility in Reaching Them

There are a multitude of challenges in reaching marginalized communities and unique complexities associated with each population. IPs and USAID must have a detailed understanding of them in a particular country to work effectively with them and do no harm. In countries where there are restrictive laws that target or negatively impact marginalized communities (i.e., such as anti-LGBTQI+ laws that criminalize these groups and create widespread discrimination), these individuals become even harder to reach. Engaging them in ways that do not further stigmatize or endanger them is critical. Many international IPs possess insufficient skills to do this and may be unaware of their limitations. Worse, IPs that do not fully understand the issues of a particular marginalized group or the environment in which they operate can aggravate local power dynamics in a way that inadvertently harms them. Shining Hope for Communities (SHOFCO), the largest grassroots organization in Kenya, illustrates the importance of local knowledge and trust. Due to both SHOFCO's localized expertise and the communities' deep trust of their work, SHOFCO became a leader in providing assistance to urban slum populations in Nairobi during the COVID-19 pandemic. Based on this trust and their expertise in providing primary health care in slum communities, SHOFCO's health clinics were the first authorized by the Kenyan Ministry of Health to administer the COVID vaccine in

¹¹ Feminist Humanitarian Network, 2021. Women's Humanitarian Voices: Covid-19 through a feminist lens. Available online: <https://www.feministhumanitariannetwork.org/covid-report> and AWID, 2021. Where Is The Money for Feminist Organizing? Available online: <https://www.awid.org/news-and-analysis/new-brief-where-money-feminist-organizing>
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Nairobi's urban slums, enabling them to deliver the vaccine to over 30,000 disadvantaged individuals.¹²

Recommendations for Improving the Implementation of LLD and ID

The ACVFA Inclusive Development Sub-Committee offers the following recommendations for USAID's consideration. In addition to strengthening the implementation of LLD and ID individually, the recommendations aim to amplify their collective impact by supporting USAID to better unite these two agendas. To do so, we offer three primary recommendations:

- 1) Make LLD and ID the default in USAID programming;
- 2) Bolster USAID staff levels and authorities to better support LLD and ID; and
- 3) Prioritize engagement of local institutions and mitigate existing barriers to funding.

Below, we detail the various sub-recommendations contained within each category. A number of these recommendations were also echoed in USAID's "[Localization: Designing for Change](#)" workshop that it organized in June 2023. Here, approximately 300 individuals from international and local institutions brainstormed ways to improve the implementation of LLD.

I. Make LLD and ID the Default in USAID Programming

To more fully realize USAID's goals for LLD and ID, we strongly recommend that the Agency make them the default on project designs and establish clear and bold requirements within solicited proposal applications. Below, we provide concrete recommendations to support widespread institutionalization of LLD and ID and help make it the standard within the Agency.

Instruct Missions and Bureaus to Prioritize LLD and ID

We advise USAID to identify a substantial number of Missions and Bureaus and instruct their Agreement and Contract Officers and technical staff to prioritize working with local and diverse partners, making it the default. Any exceptions would require USAID staff to articulate a justification. USAID should then oblige Missions to reflect LLD and ID priorities in new project designs and outline them in statements of work, program descriptions, evaluation criteria, and key personnel requirements. USAID should then build these requirements into award agreements, workplans, and other deliverables to strengthen their importance across project design and implementation.

Adopt a Requirement to Write an ID Impact Statement Prior to Project Approval

Impact statements can be an effective way for USAID to elevate particular priorities and create better intentionality behind their design and implementation. For example, in recognition of the importance of environment and gender, USAID is currently required to provide impact statements for both that

¹² https://www.tifaresearch.com/wp-content/uploads/2020/10/TIFAPoll_-_Covid-in-Nairobis-Low-Income-Areas_Personal-Economic-Status-Income-Employment-and-Access-to-Government-Assistance.pdf

articulate potential risks and implications of project activities and how to mitigate them. Gender analysis is mandatory for all strategies, policies, and activities and the findings of these analyses must be incorporated into key processes and documents.¹³ In addition, the Agency’s Risk Appetite Statement elevates attention to a Do No Harm approach, stating: “USAID must intentionally seek to understand, avoid, or mitigate the possible negative impact of its work.”¹⁴ It recommends, though it does not mandate, Inclusive Development analyses. To better enforce ID and create intentional reflection on the potential negative impacts of USAID interventions on marginalized groups, we recommend that USAID adopt a requirement which would oblige USAID staff to create an ID impact statement before projects of a certain award size are approved. An ID impact statement may not be practical for smaller awards, and we encourage USAID to determine what the appropriate project size threshold should be. We understand that USAID is working on a Social Impact Analysis in the revised ADS. Our recommended requirement would build upon the Social Impact Analysis and examine broader ID implications and how to mitigate unintended project effects on marginalized communities.

Establish Minimum Requirements for International IPs to Engage Local Partners

USAID should consider incorporating explicit requirements into solicitations for international IPs to set forth minimum expectations on how much award funding should be provided to local partners as pass-through funding. This would help reinforce expectations for international IPs to engage local partners in meaningful ways and provide substantial resources to them. We recognize, however, that current requirements for applicants to meet small business targets can create tension with this goal. We also encourage USAID to specify that international IPs should engage and work with local institutions that are led by and/or represent targeted marginalized groups, in line with relevant project goals, to ensure that activities are grounded in local context.

Make Co-Creation the Default for Project Design and Proposal Development

Co-creation is vital at both the project design stage with USAID as well as with applicants and their consortium partners that are bidding with them on these opportunities. We recommend that USAID routinely co-create new project designs with a wide variety of local institutions and stakeholders and compensate them for their time. This will help USAID to formulate more appropriate parameters for projects and mitigate the risk of exacerbating local power dynamics that may harm marginalized populations. It is important to consider potential conflicts of interest, however, that may arise with the participation of some groups that are privy to the design of a bid, giving them an unfair competitive advantage in the procurement process.

Once USAID issues a solicitation, it should strongly encourage (or require) applicants to work jointly with local institutions to co-develop proposals and co-create solutions. If oral presentations are a part of the selection process, USAID should require that major local partners participate in them.

Provide Sufficient Resources for IPs to Achieve LLD and ID Goals

In creating these additional requirements for LLD and ID, USAID should also be intentional about allocating proper resources to support award recipients in implementing and measuring them.

¹³ <https://www.usaid.gov/about-us/agency-policy/series-200/205>

¹⁴ <https://www.usaid.gov/sites/default/files/2022-12/596mad.pdf>

Conducting LLD and ID well takes sufficient staff time and resources; under-budgeting for these critical areas will undercut goals, lead to IP frustration and, ultimately, weaken results.

Balance Technical Deliverables, Goals, and Timelines to Better Accommodate LLD and ID

As noted, creating consensus through extensive dialogue, consultation, and co-creation is time and resource intensive. Successful implementation of LLD and ID is difficult on its own, but particularly so when USAID sets forth an ambitious number of deliverables, targets, or a timeline for execution. To better promote LLD and ID, it is important for USAID to be realistic about the achievement of technical deliverables, as well as their timing. Doing so will help IPs better focus on quality, not just quantity. Many deliverables cover processes rather than impact and can divert attention away from results. USAID should review required project deliverables to streamline them, ensuring that requirements are meaningful and focused on impact. In addition to deliverables, USAID should be intentional and focused when determining which marginalized populations to support under projects. It should prioritize those that are most heavily impacted as opposed to requiring an IP to reach an unrealistic number of populations which can lead to poor engagement and dilute focus, outreach, and results.

Improve Measurement and Reporting on LLD and ID Progress

Measuring LLD and ID is complex but critical. To better monitor LLD progress, we encourage USAID to more clearly define local actors to ensure that those that are affiliates or branches of international institutions are not counted in USAID's direct funding targets. Additionally, we invite USAID to add an ID lens to its LLD progress reports and provide data on the marginalized groups that it funds. USAID should also consider developing better metrics for measuring ID specific to certain target populations to assess progress vis-à-vis expected activities and mitigate the potential stigmatization of these groups. Tools that USAID could develop to better measure progress may be akin to the [Women's Empowerment in Agriculture Index](#) (WEAI), the first comprehensive and standardized measure to directly measure women's empowerment and inclusion in the agricultural sector.

In 2023, USAID released its [Locally Led Programs Indicator](#) and guidance to assess its goal of elevating local leadership and voices as part of its second LLD goal. As rollout continues, USAID should seek feedback from Missions and IPs and consider any needed refinements to this guidance. Clearer metrics on how international IPs are reporting on data and their engagement of subrecipients is important. We also recommend that USAID track and report on pass-through funding to local institutions; it continues to be substantial and helps to hold USAID and international IPs accountable to engaging local institutions. As part of this, USAID should seek to understand the engagement of local subrecipients with international IPs and if they are engaging them in meaningful ways.

Improve USAID Communications on the Linkages Between LLD and ID

Few in the development industry are discussing the important linkages between LLD and ID. USAID should do more to draw out the complementary agendas of LLD and ID and their important intersections. USAID should make more explicit references to ID when discussing LLD (in webinars, on its website, and in communications) and articulate how they are connected and what IPs can do to better support both agendas. USAID should consider a concerted campaign to re-brand LLD to better incorporate ID. We recommend that USAID undertake similar efforts when communicating with

Mission staff and maximize opportunities to link LLD and ID so there is consistency in dialogue and comprehension among USAID staff and IPs.

II. Bolster USAID Staffing and Authorities to Implement LLD and ID

LLD and ID are resource intensive and bolstering staffing levels within USAID is essential to implementing this work successfully. In addition, training these staff so that they are familiar with best practices and ensuring that they have the bandwidth to meaningfully engage local institutions and analyze and share lessons learned are critical. Equipping them with sufficient resources, access to the field, and USAID decision-makers is also key. These staff must have sufficient career pathways and positive reinforcements so that they remain engaged and Agency culture and incentives begin to shift over time. Below, we detail the specific recommendations that we urge the Agency to adopt to address identified challenges.

Bolster USAID Staffing Resources to Better Support LLD and ID

Staffing constraints within USAID are widespread and we know the Agency is already keen to address this issue, primarily by continuing to aggressively press Congress to appropriate additional resources to USAID's operating budgets. Additional staff within USAID overall is needed to support the demands of engaging more local and diverse partners. There is also a clear need for more dedicated LLD and ID staff. One example of a shortfall is illustrated in gender; USAID's Gender Equality and Women's Empowerment Policy that it released in 2023 made important Agency mandates for the level-of-effort (LOE) to support its implementation. Despite this requirement, however, USAID acknowledges that its Gender Advisors are overextended and their LOE to provide effective support is insufficient. Some Missions still do not have Gender Advisors. Although many Missions have focal points for youth or other marginalized groups, there need to be more resources to implement LLD and ID successfully. The level of seniority and expertise of these staff is also important. These staff should be senior and have sufficient expertise and gravitas to guide USAID staff as well as IPs on the evolving field of ID.

Ensure that LLD and ID Staff Have Dedicated Resources, Access, and Authority

Key USAID LLD and ID Advisors must have sufficient levels of resources, access, and authority to socialize Agency priorities, successfully make linkages, and advocate for needed pivots. We encourage USAID to ensure that these key senior advisors have: 1) access to the field to hear feedback and engage with local partners and Missions directly; 2) the ability to sit in on any Agency meetings that they deem appropriate to understand and make connections in a highly cross-cutting area; 3) real access to USAID's Administrator to update on progress, discuss trends and challenges, and advocate for changes or support to achieve goals; and 4) dedicated resources at their disposal to implement programming. USAID has successfully implemented these recommendations with its Senior Gender Advisor; we advocate that it take similar steps to do so with key LLD and ID Advisors.

Create Sufficient Career Pathways and Incentives for USAID Staff Focused on LLD and ID

Agency commitments to have more Foreign Service Officers in LLD and ID roles and identify career pathways for these staff (where opportunities are currently limited) is important to recruit qualified

staff and retain them. Incentives for these staff in terms of career pathways and promotions are critical. USAID should consider how to better reward staff that promote LLD and ID and manage projects or portfolios that contain these goals. One new and important requirement that USAID has recently implemented is to require evaluation reports that specifically address officers' work in promoting and implementing LLD and ID principles in their work.

Ensure Strong Communication within the Agency to Connect LLD and ID

Strong communication and coordination within USAID are needed to connect the dots in such a highly multi-faceted area. We know that the multitude of staff working on LLD and ID (both directly and in a cross-cutting manner) makes this challenging. Coordination between various agency coordinators in LLD, ID (including gender, youth, LGBTQI+, disability, etc.) is critical.

III. Prioritize Engagement of Local Institutions and Reduce Barriers to Funding

Prioritizing engagement of local institutions is fundamental to achieving LLD and ID goals. USAID must be able to engage more local entities (and more diverse ones) as well as improve the partnership experience of local partners that are prime awardees or subrecipients. To do this, USAID must address critical barriers that inhibit or hamper their access to funding and can strain relationships. These pain points can dampen the patience and interest of local institutions to receive funding and become a USAID partner. The following recommendations articulate actions that USAID can take to improve its engagement with local institutions and boost funding to them. We also note that well-intended strategies, like transition awards, can sometimes back-fire and should be exercised with caution.

Create a LLD and ID Incubator to Scale up New Ideas

To truly move the needle on LLD and ID, there is a great need to launch more bold experiments and test new ways of doing things. USAID's [Centroamerica Local](#) initiative, launched in 2021 to address the root causes of irregular migration from El Salvador, Guatemala and Honduras, has not only expanded direct assistance to local marginalized groups, but has also yielded significant lessons that USAID is applying elsewhere. A recent report by the GAO praises the 18 projects under this initiative for its consultation and co-creation with local stakeholders.¹⁵ Local Works, the New Partnerships Initiative, and the Acquisition and Assistance (A&A) Lab also serve as innovation centers. A dedicated LLD and ID incubator, however, could allow USAID to further push programmatic risk, reduce compliance thresholds for local organizations, and learn new lessons that could, ideally, be scaled up and applied more broadly across the Agency to create systemic change over time. This incubator would serve as a controlled environment where new ideas and approaches (including those that focus on risk and regulation) could be tested and evaluated outside of current rules. We advise USAID to implement such an incubator in partnership with local organizations, who are invaluable in identifying humanitarian and development challenges as well as opportunities in their communities. It offers USAID a unique opportunity to improve and innovate its internal processes, policy frameworks, and

¹⁵ <https://www.gao.gov/assets/d24106232.pdf>

partnership principles. USAID should explore whether new legislative authorities are needed to implement this recommendation.

Expand Direct Funding to Local Institutions

Although LLD and ID encompass more than just funding to local institutions, USAID's target to allocate at least 25% of its resources directly to local partners must be a continued priority. Local organizations that serve the most vulnerable populations are typically the least likely to have access to funding and face limitations in staffing and systems as a result. Ultimately, this makes it more difficult for them to meet the high level of standards expected of direct recipients of USAID funding. USAID can increase direct funding to local organizations in the following ways:

- 1) Expand the Amount of Funding Restricted to Local Institutions – USAID should consider expanding the number of awards and/or funding allocations restricted to local institutions, create target goals around restricted funds, and track and report on progress against them internally as well as publicly. Agreement and Contract Officers already have the authority to restrict eligibility to local organizations (ADS 303.3.6.5), but we believe that USAID should exercise this option more frequently. Funds restricted to local entities can be particularly attractive under Assistance mechanisms. Congress has recognized that the Local Works program has been important but historically underfunded, and thus doubled its earmark to \$100 million. Still, more solicitations that are exclusive to local institutions will encourage them to apply (particularly those that represent marginalized groups) and increase their access to funding.
- 2) Reduce Proposal Burdens for Local Institutions – Preparation of full proposals can be incredibly resource-intensive. Even when restricting eligibility to local institutions, those that are most competitive likely have more staff, sophistication in developing proposals, and greater track records with donors. To better utilize the scarce resources of local organizations and enable those that represent marginalized groups to better compete, we advocate that USAID utilize short concept notes in lieu of full proposals. Multi-stage awards and tiered application processes can reduce the investment risks of initial applicants and create efficiencies for USAID, too. When utilizing them, however, USAID should be mindful to not create excessive procurement timelines or create unnecessary steps which may increase costs or expectations for applicants that are unlikely to be successful. For multi-stage awards to ease burdens for local applicants, however, USAID Missions and Contract or Agreement Officers must be consistent in their practices.
- 3) Create Better Guidance for USAID Staff Administering the NUPAS - USAID's recent revisions of the Non-U.S. Pre-Award Survey (NUPAS) is laudable and helps to reduce some non-fiduciary evaluation criteria as well as simplify other areas. While we understand that the NUPAS is not an evaluation tool, but a pre-award survey tool used to help Agreement and Contract Officers identify potential risks to the award and establish mitigation measures, it is often unintentionally used to "assess" local organizations pre-award. In some cases that we are aware of, this has led USAID to decline the issuance of an award to local organizations on the basis of the NUPAS outcome and seemingly minor findings. It indicates that, despite extensive guidance to USAID staff, better socialization and training on the intent and use of the NUPAS is still needed. This training should also help better guide USAID staff on how to evaluate highly subjective aspects like "institutional absorptive capacity," "technical capacity," and the quality of policies and procedures in the areas of HR, subaward management, procurement and asset management.

USAID staff should not evaluate local institutions using the same standards as those applied to U.S. implementers. USAID should also consider accepting and reviewing due diligence from other major international donors. This would not prevent USAID from making its own determinations about partner capabilities but would help reduce duplicative efforts.

Re-frame Risk Discussions and Adopt More Creative Risk Reduction Strategies

Risk in working with local institutions will always exist, as they do with international IPs. Many individuals view federal compliance requirements (which establishes USAID's own thresholds) to be among the most stringent within the donor community. While accountability for the use of U.S. taxpayer funds is important, a highly politicized Congress means that any perceived non-compliance can be weaponized to derail development agendas, contributing to hypersensitivity around risk. Ultimately, this can lead to avoidance of risk as well as leave LLD and ID vulnerable to the political pendulum shifts that lead to inconsistent support. To combat this and acknowledge the constraints of the broader ecosystem in which USAID operates, we recommend that the Agency fully implements the provisions of its new Risk Appetite Statement that re-center discussions on risk (as well as evaluation of responsibility) to focus on accountability of funds and achievements of results. Better delineation of material risks (and a focus on them) will help IPs and Agency staff to concentrate on the things that matter most to USAID and Congress. Simultaneously, we encourage USAID to adopt creative measures to better manage risks. These include the following recommendations:

- 1) Provide More Simplified Awards to Local Institutions, Where Appropriate – Fixed Amount Awards (FAAs) allow for more streamlined requirements for local institutions and emphasize the achievement of technical goals. In some cases, these awards may better suit first-time USAID direct awardees and enable greater success. We recognize that FAAs may not be suitable for all local partners, however, and/or their scopes of work under their respective USAID awards.
- 2) Support Separate Capacity Strengthening Awards and Exercise Caution on Transition Awards – More awards or subawards that explicitly and entirely focus on capacity strengthening (managerial, financial or technical) could help local institutions bolster their capabilities and better prepare them to work with USAID and expand their work with other donors. For first-time prime recipients or subrecipients, learning USAID rules and regulations and strengthening capabilities *on top* of implementing a project and achieving technical goals can be enormously taxing. Separate demand-driven capacity strengthening awards may be a better choice than simply adding capacity building requirements on top of subawards that are primarily technical in nature. This tension currently exists on projects where USAID is including transition award requirements, stretching the ability of local organizations to achieve technical goals on top of operational ones. Boosting managerial and financial capacities are a hallmark of transition award requirements, with the goal of readying institutions to become a prime USAID recipient. In some cases, transition awards can be problematic. In addition to potentially straining local organizations beyond capacity, USAID or IPs may assume, without prior discussion with local institutions, that some local partners want to be a prime recipient of USAID funding. While many local organizations are interested in directly tapping USAID or international funding, some are not. USAID has recently adopted a well-received Local Capacity Strengthening policy that addresses some of these concerns and should fully implement its policy guidance.

- 3) Expand the Use of International Institutions to Support Local Primes in Compliance and Managing USAID Awards as Primes – Although USAID already utilizes international IPs to provide support to local direct award recipients in navigating award administration, we encourage USAID to expand this practice to ease burdens on local institutions that are prime recipients of funding (particularly first-time primes) and better mitigate risks. International development organizations continue to be valuable in supporting local institutions and USAID should more effectively harness their knowledge and expertise.

Diversify Partnerships and Do No Harm

USAID should further diversify its partnership base, particularly with local institutions that represent marginalized communities. There should be careful attention to ensure that USAID’s goal to provide 25% of direct funding to local institutions is not reached at the expense of marginalized communities. Because national organizations are often better resourced, able to meet USAID’s compliance requirements, and have longer donor track-records, funding them can be a tempting way to meet the Agency’s direct funding goal. However, these organizations do not always represent the interests of marginalized groups which can lead to an inadvertent exacerbation of existing inequitable power dynamics. USAID must be careful to “do no harm,” which the Agency defines as “consciously looking for and seeking to avoid or mitigate negative impacts on conflict dynamics—for example, unintentionally worsening divisions among identity groups or reinforcing structural or systemic marginalization.”¹⁶ A do no harm approach is even more critical in environments where laws can target and/or increase discrimination against marginalized groups.

In line with diversifying partnerships and doing no harm, we encourage USAID to expand its focus on rural areas where many marginalized individuals and populations are most affected. We also encourage USAID to have more focused and intentional discussions with host country governments (who are often primary counterparts of USAID) about the need to fund more marginalized groups. While national host country governments are likely to be very supportive of funding local institutions, they may not always be as eager to fund marginalized groups if they do not agree with their agendas and/or there are political sensitivities surrounding them. Larger local organizations should be encouraged to work with and bring in smaller organizations (particularly those that reach marginalized groups), helping to diversify partnerships. In addition, USAID should consider ways to fund more local network organizations that can access more non-traditional groups and reach those that are most vulnerable.

Increase Collaboration with Other Donors and the Private Sector

We advise USAID to expand its collaboration with bilateral and multilateral donors, philanthropies, and the private sector to advance its LLD and ID agendas. In December 2022, USAID led a successful effort with other donors to adopt the forward-leaning Donor Statement on LLD and has since signed MOUs with several foundations to expand cooperation in this arena. With a growing number of global crises and competition for scarce funding at the federal level, USAID could maximize its resources by collaborating on the ground with others. Co-funding and/or leveraging of resources can help to stretch limited USAID funds and create efficiencies. Furthermore, it may support mutual learning through

¹⁶ Responsible Development: A Note on Conflict Sensitivity from USAID’s Center for Conflict and Violence Prevention (CVP), December 2020. Available online: https://pdf.usaid.gov/pdf_docs/PA00XCZ1.pdf
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sharing of best practices, help band donors and the private sector together around common LLD and ID goals, eliminate redundancies and administrative burdens on local partners, and allow USAID to further expand its network of local partners.

Support Local Organizations in Better Cost Recovery

We recommend that USAID provide additional guidance to help local institutions better increase cost recovery (including direct cost allocation) to help them understand their options, trade-offs, and the administrative requirements and burdens associated with each of them. Better cost recovery will allow local organizations to invest more in their staffing and overall growth. In addition, we recommend that USAID advocate for increasing the current federal de minimis rate of 10% to enable local institutions to more adequately cover their expenses. We are aware that an approval to increase the current de minimis rate may be imminent. Finally, we recommend that USAID should consider providing more support to institutions that are likely candidates of future prime awards that may benefit from a NICRA. Obtaining a NICRA may not be desirable or practical for all local institutions but for those that are interested, there are few resources to support them.

Increase Visibility of Procurement Opportunities and Extend Submission Deadlines

To increase direct funding access for local institutions (particularly ones that represent marginalized groups) and better promote ID, USAID should improve the visibility of upcoming funding opportunities as well as extend submission deadlines. With more robust resources and experience in applying for USAID funds, international applicants have a distinct advantage when competing for USAID awards. Lack of visibility of procurement opportunities and short application deadlines (typically 30 days) further favor international applicants. Providing more information about upcoming bids, particularly in the country of implementation (not simply within a USAID forecast) and allowing applicants more time to submit bids will give local institutions more time to better prepare and be competitive. USAID has created an important point of access with its [WorkWithUSAID.gov](https://www.workwithusaid.gov) interactive website, a one-stop-shop for new partners that is now available in Spanish and French, and it should continue to enhance its capacity. Greater in-country visibility and active outreach in local languages, however, will still be needed beyond enhancement of this website. In addition to benefiting local partners, increasing visibility of procurement opportunities will also allow international institutions more time to collaboratively work with local consortium members and stakeholders, co-create, and generate buy-in. This reduces pressure on applicants to take shortcuts that can curtail LLD and ID which require more time, consultation, and planning to implement.

Leverage USAID's Convening Power to Fund, Aggregate and Share LLD and ID Resources

As USAID increases its focus and mandates in LLD and ID, it will be critical to capture and share lessons learned among USAID staff and IPs. International and local IPs and USAID are learning together and face unique and inter-related challenges. We advise USAID to utilize its tremendous convening power to understand and share these lessons as well as existing resources that may support improved implementation. Where gaps exist in resources and are identified by local institutions, we recommend that USAID fund their development, but do so through local partners as much as possible. This will help ensure that new resources reflect the input of those closest to these challenges. ID is an area that is rapidly evolving and may benefit from an aggregation and curation of resources or, in some cases,

development of new ones. This may help international IPs, in particular, better boost their skills in nuanced areas and avoid doing harm when working with specific target populations.

Involve Local Institutions in the Creation of USAID Development Policies

As USAID continues to develop or refine Agency development policies, consulting and engaging local institutions is an important part of realizing LLD and ID. Save the Children recently conducted a study on [Enhancing Local Voice in USAID Policy Development](#) where they interviewed a range of USAID staff on LLD and policy development. Their study and report reveal that USAID has no current standard for consulting local institutions when crafting development policies. While USAID is expanding the use of such consultations throughout its Country Development Cooperation Strategy process, implementation remains inconsistent. This stands in stark contrast with international counterparts who are invited to provide public comment. We endorse Save the Children's recommendations to develop an ADS Additional Help Document to supplement the newly revised ADS Chapter 200 to provide USAID staff with better guidance on how to consult local and national actors. This may mean translating policies into local languages, holding stakeholder sessions to socialize draft policies to inform thinking before their development, and clarify how to incorporate feedback.

Develop and Nurture LLD and ID Champions within Congress

USAID cannot be the sole champion of LLD and ID. If the agendas are to be sustained and address the scrutiny of the Agency's fiduciary responsibility, advocates are needed in Congress. Though the reasons for supporting these agendas may differ, both sides of the aisle have rallied behind the common goal of improving the outcomes of foreign assistance and reducing costs. Several bills to support localization are moving forward with bipartisan support, including the Locally Led Development and Humanitarian Response Act, sponsored by Senators and Representatives from both parties. If passed, it raises the de minimis overhead rate for assistance to 15%, allows USAID to accept applications or proposals in languages other than English, permits USAID to restrict competition to local organizations for acquisition, and provides other flexibilities.

We advise USAID to continue to cultivate champions within Congress and nurture them over time. It can do so by increasing Congressional awareness of LLD and ID, as well as extending invitations to members of Congress to see projects on the ground that feature these elements. Strong bipartisan support is essential to safeguard against fluctuating support which could occur during shifts in administrations. Building Congressional support is also key to creating opportunities to reduce legislative requirements that affect USAID bureaucracy and create challenges for local partners.

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