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Committed to Change: **USAID Localization Progress Report** *FY 2023*

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EXECUTIVE SUMMARY

There is widespread consensus that development and humanitarian assistance must enable local actors to set their own agendas, develop solutions, and bring their capacities, leadership, and resources to bear to make those solutions a reality. Experience has shown that local leadership is critical for greater equity, effectiveness, and sustainability. To continue to move toward a model of locally led and inclusive development, USAID has embraced localization, a set of actions that shift how the Agency works to put local actors in the lead and strengthen local systems.

Over the last two years, USAID has been working toward two Agency-wide localization targets set out by Administrator Power in 2021. First, by Fiscal Year (FY) 2025, USAID will direct a quarter of its funding directly to local partners. Second, by 2030, at least half of USAID programs will create space for local actors to exercise leadership over priority setting, program design, implementation, and defining and measuring results. This report is the second status update on USAID's progress toward those targets. It also details a range of recent efforts that will help underpin future progress.

In FY 2023, USAID obligated \$1.5 billion to local partners and another \$68 million to regional partners. USAID also provided \$156 million through government-to-government (G2G) assistance agreements. The percentage of funding going directly to local partners in FY 2023 declined slightly from last year, from 10.2 to 9.6, though other trends in the data point to signs of progress. Both the number of new awards to local partners and the number of local partners with whom USAID works have increased annually over the last three years and reached new highs in FY 2023. By sector, health stands out, with more than 20 percent of health funding going to local partners in FY 2023. Africa remains the region with the highest proportion of direct local funding (22 percent).

In addition to shifting funding, USAID is also focused on shifting power to local actors and communities. Over the last year—informed by consultations with a broad range of external and internal stakeholders—USAID developed and piloted a new Locally Led Programs indicator that tracks the extent to which USAID programs employ a set of “good practices” that advance locally led development over the life of a project. These practices include approaches such as co-creation; participatory monitoring, evaluation, and learning processes; and accountability and feedback mechanisms. In FY 2023, USAID piloted this metric across approximately half of the

Agency's portfolio. Overall, approximately half of the programs assessed in the pilot utilized at least two good practices. These strong results present an opportunity to raise USAID's ambition around how the Agency elevates and measures local leadership in its programs. Lessons from the pilot will also inform adjustments to the indicator before USAID applies the metric Agency-wide in 2024.

Targets alone do not drive progress. Over the last year, USAID has undertaken a wide range of efforts to advance locally led development and humanitarian response. The Agency has developed new tools and resources to support staff to work in more locally led ways. It has reduced barriers to entry for local partners through increased outreach, expanded use of local languages, more flexible and tailorable pre-award assessments for local partners, and more. USAID is also focused on being a better partner by expanding the use of mechanisms with lower compliance burdens, taking steps to support partners' full cost recovery, and encouraging staff to reduce reporting burdens.

Localization also requires systems and culture change across the whole Agency. While progress on a reform effort of this magnitude will take place incrementally, the momentum and signs of progress are there, even as USAID faces more work ahead to create more equitable, inclusive partnerships that produce more sustainable impact.

INTRODUCTION

USAID has redoubled its commitment to shift funding and decision-making power to the people, organizations, and institutions that are driving change in their own countries and communities. Through localization, which refers to the actions USAID is undertaking to put local actors in the lead and strengthen local systems, USAID strives to advance locally led and inclusive development and humanitarian response.

USAID's localization efforts reflect the Agency's core values of integrity, transparency, inclusion, empowerment, and accountability to communities served, as well as the principle of "nothing without us,"¹ which conveys the idea that decisions should only be taken with the full participation of those whose lives they will affect. USAID's localization goals are part of the Agency's overall equity efforts and are closely linked to the Agency's focus on gender equality and inclusive development that emphasizes the value of integrating diverse voices into the Agency's work, including those that have been historically marginalized.

There is considerable agreement among those who work in development, as well as some academic literature that suggests that the incorporation of local priorities, local knowledge, and local accountability and feedback structures is a key contributor to more effective and successful programs.² Studies of individual projects that look specifically at issues around ownership often bear this out.³ A shift to more locally led and inclusive development is also aligned with the desires of those in the countries where USAID works. *Time to Listen: Hearing People on the Receiving End of International Aid* is a study of nearly 6,000 people that found that most of those affected by foreign assistance programs would prefer a system that integrates

¹ Originally coined as "nothing about us without us" by disability rights activists in the 1990s, over time disability rights advocates shifted to "nothing without us," in recognition that all issues are of relevance to persons with disabilities. This principle is consistent with USAID's commitment to locally led and inclusive development, which is more effectively realized when USAID engages in development interventions *with* rather than *for* those the Agency's work seeks to serve.

² Andrews, Matt, Lant Pritchett, Salimah Samji, and Michael Woolcock. 2015. "Building Capability by Delivering Results: Putting Problem-Driven Iterative Adaptation (PDIA) Principles Into Practice." *A Governance Practitioner's Notebook: Alternative Ideas and Approaches*, 123-133. Paris: Organisation for Economic Co-operation and Development (OECD); Campbell, Susanna. 2018. *Global Governance and Local Peace: Accountability and Performance in International Peacebuilding*. Cambridge University Press; Honig, Dan. 2018. *Navigation by Judgment: Why and When Top-Down Management of Foreign Aid Doesn't Work*. Oxford University Press; USAID. 2022. *Integrating Local Knowledge in Development Programming*.

³ *The Power of Ownership*, a 2016 project by Save the Children and Oxfam, highlights several case studies that identify locally led practices as key contributors to the projects' results.

their assets, capacities, and local knowledge with the resources and experiences of donors and implementers in collaborative pursuit of positive change.⁴

To track USAID’s progress toward its localization goals, the Agency has established two targets:

Direct Local Funding	Local Leadership
USAID will provide at least 25 percent of its program funds directly to local partners by the end of FY 2025.	By 2030, 50 percent of Agency programs will place local communities in the lead to set priorities, co-design projects, drive implementation, and define and measure results.

This report documents USAID’s progress toward these goals in FY 2023. The first section details USAID’s progress channeling funding directly to local, regional, and government partners. The second section examines the results of the pilot exercise to track USAID’s use of 14 practices that elevate local leadership. The third section outlines a range of accomplishments from the last year and ongoing efforts that advance USAID’s localization efforts.

FUNDING LOCAL AND REGIONAL ACTORS DIRECTLY

While there are many ways to elevate local leadership in USAID programming, one approach is to partner directly with the local organizations, firms, and governments that are positioned to drive change in their communities, countries, and regions. USAID is pursuing an Agency-wide target of channeling 25 percent of funding to local partners by the end of FY 2025.⁵

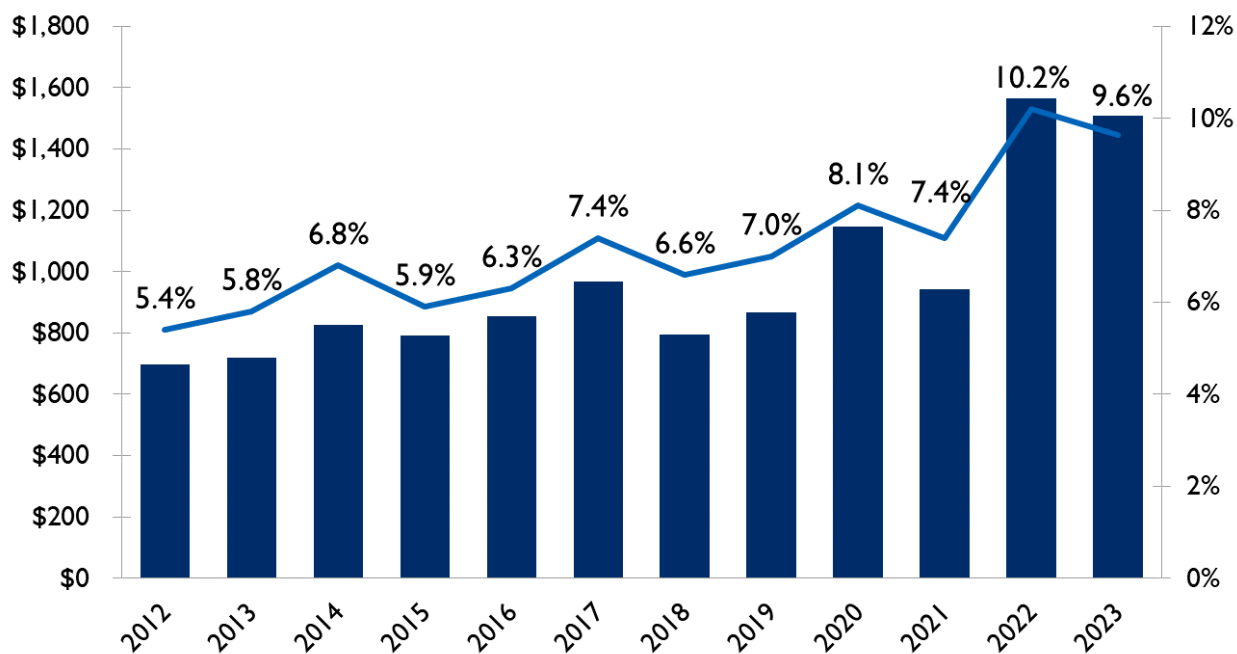
Looking at Direct Local Funding—funding to organizations that are incorporated and based in the country in which they implement a USAID program—there is a slight year-on-year decline of around \$50 million in FY 2023, which represents less than a percentage point of total funding

⁴ Anderson, Mary, Dayna Brown and Isabella Jean. 2012. *Time to Listen: Hearing People on the Receiving End of International Aid*. CDA Collaborative.

⁵ [Annex I](#) provides definitions of how direct local, regional, and government-to-government funding are measured. The full dataset on acquisition and assistance (A&A) obligations from which this summary draws is available at www.usaid.gov/localization/measurement.

(Figure 1). Still, FY 2023 marks the second highest level and percent of Direct Local Funding in over a decade, following a longer-term, generally increasing trend.⁶

Figure 1: Direct Local Funding over time (millions of dollars and percent)⁷



Even though Direct Local Funding fell slightly between FY 2022 and FY 2023, there are some trends underlying that data that point to progress. Importantly, the number of new awards made to local and regional partners has increased annually—by a total of 45 percent—since FY 2021. (Figure 3).

⁶ The time series for Direct Local Funding extends back to 2012 when USAID deployed its current acquisition and assistance management and tracking system.

⁷ This report's historical data (2019 and earlier) are slightly different from those reported in the FY 2022 Progress Report. Data clearing and verification processes implemented over the last year led to improved data quality.

Figure 3: New awards to local and regional partners (millions of dollars and number of awards)

USAID also continues to expand its local partner base. In FY 2023, the number of unique local and regional partners reached new highs (Figure 4), a 24 percent increase since FY 2021.

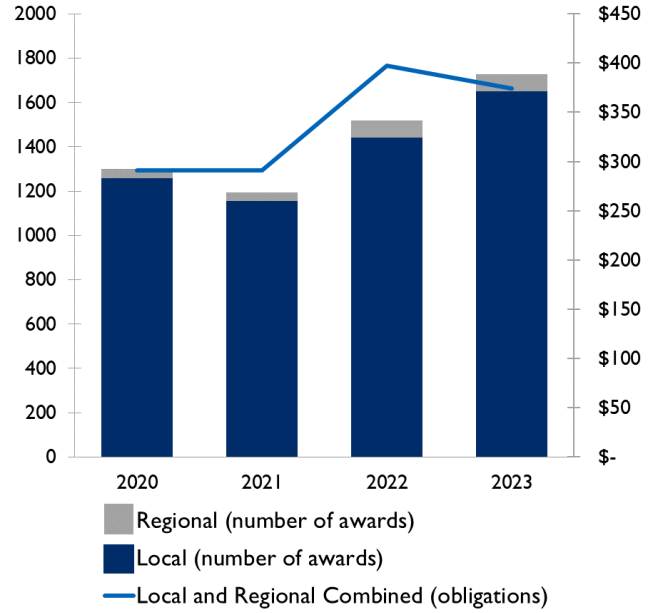
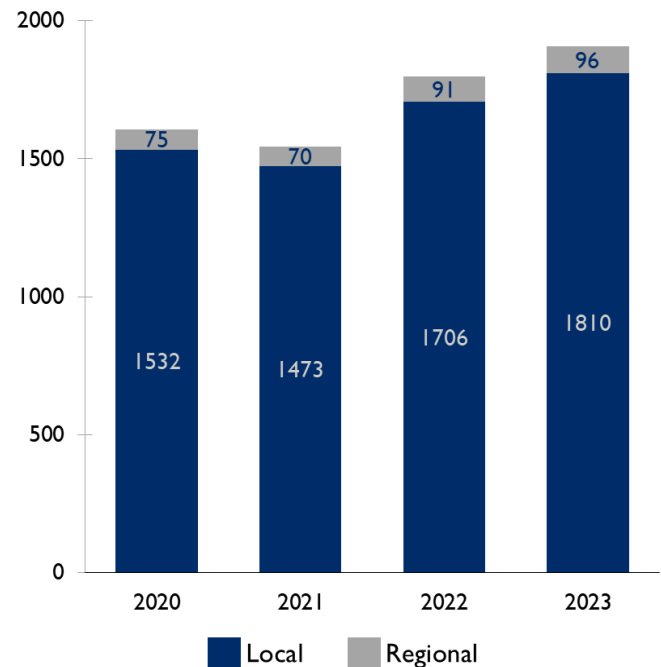


Figure 4: Number of local and regional partners⁸



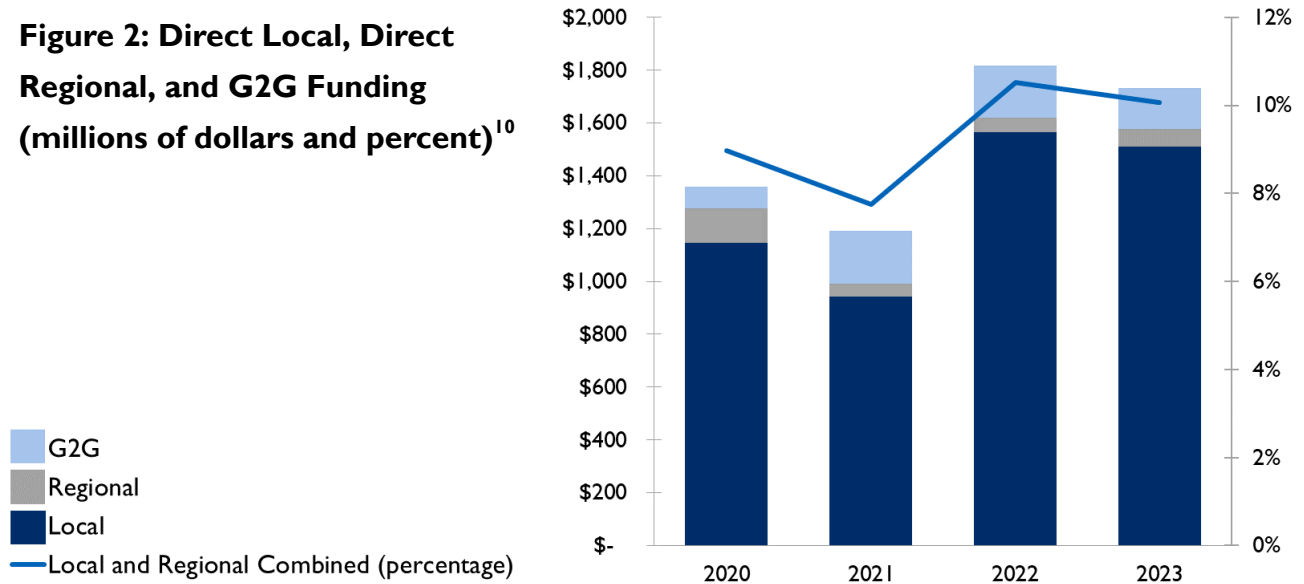
⁸ Excluding obligations made to local partners through Purchase Card Agreements and Purchase Orders, most of which fall under the micro-purchase threshold of \$10,000, the number of local and regional partners drops to 683 in FY 2023, but the upward trend remains, having increased from 641 in FY 2022, 603 in FY 2021, and 587 in FY 2020.

An expanded view of local partnerships includes USAID’s funding to regional organizations or organizations working in a neighboring country (Direct Regional Funding) and G2G assistance (Figure 2). Direct Regional Funding supports USAID’s localization goals because of the cross-border nature of many development and humanitarian challenges and because some organizations choose to locate outside of the country in which they work for security or financial reasons. Direct Regional Funding comprises a small portion, just 0.4 percent of USAID’s acquisition and assistance (A&A) obligations (\$68 million in FY 2023).

G2G programming aligns with localization because governments, at all levels, are uniquely placed to improve the management of public goods and sustain service delivery at scale. In FY 2023, USAID provided \$156 million in G2G assistance to 12 countries.⁹

⁹ Another four countries have ongoing G2G agreements, even though no obligations occurred within FY 2023. [Annex III](#) contains the list of countries with G2G agreements and funding in FY 2023.

Figure 2: Direct Local, Direct Regional, and G2G Funding (millions of dollars and percent)¹⁰



Box I: “From Development by Donations to Development by Cooperation”: USAID/Malawi’s G2G Agreements Improve Health System Capacity

In Malawi, where district-level local government facilities play a critical role in delivering health services, most health districts face challenges in coordination, inclusive participation, and evidence-based management. In the past, these issues have resulted in suboptimal health indicators, particularly in maternal and child health, nutrition/family planning, and the management of HIV/AIDS and tuberculosis (TB). To address these challenges, in 2020-2021, the U.S. government entered into a three-year agreement with the Ministry of Finance and Economic Affairs (MoFEA), the Zomba District Council, and the Mangochi District Council through three separate G2G agreements to help improve health outcomes.

In the initial phase of this G2G collaboration, USAID worked closely with the District Councils of Mangochi and Zomba, as well as the MoFEA, to enhance their operational and managerial capacities in health services. This planning phase prioritized listening to and

¹⁰ The data in Figure 2 exclude \$845 million in a generalized resource transfer to Jordan, per the methodology established in Annex I. USAID also provided \$14 billion in direct budget support to the Government of Ukraine in FY 2023. However, since the assistance was provided via World Bank mechanisms and not direct G2G assistance, this funding is not included in this report.

addressing the needs of the local districts rather than implementing USAID-driven solutions. The collaboration led to strategies aimed at strengthening the broader health system with support to improving human resources, governance, programmatic, and public financial management systems, along with support to increase the number of health care workers in district health facilities. It also focused on enhancing access to and quality of service delivery in critical areas such as HIV, TB, maternal and child health, nutrition, and family planning. This comprehensive approach empowered local health care providers and district council staff while improving the national system's ability to meet standards of care.

In 2022-2023, USAID conducted an evaluation of its G2G work in Malawi, which demonstrated the approach's success and laid the foundation for a possible scale-up. This potential increased partnership would focus on improving operational capabilities of the two districts and support the national government's effective management of health care funds to the districts.

More details on the data, including analysis by sector and region, as well as an examination of the factors driving the changes between FY 2022 and FY 2023, are found in [Annex II](#). Overall, the data suggest that USAID's recent efforts to expand engagement with local partners are starting to appear in the Agency's A&A efforts. Given that program design takes time, the FY 2023 data reflect program design decisions made in FY 2021 and FY 2022. In addition, recent efforts to increase staff, reduce barriers to entry, and partner in more accessible ways are starting to gain momentum and will underpin future progress.

ENABLING LOCAL LEADERSHIP OF USAID PROGRAMS

Because local leadership and ownership are essential for more equitable, inclusive, and sustainable results, USAID's approach to localization emphasizes the importance of shifting not just financial resources but also decision-making power to local actors. There are opportunities to elevate local knowledge, leadership, and decision making across USAID's portfolio and in the many types of relationships the Agency might have with local actors—whether they are direct

recipients of USAID funding, subrecipients or subcontractors on a USAID award, or members of a community that participates in or is affected by USAID programs.

This year, USAID developed and piloted a new metric, the Locally Led Programs indicator, to track the Agency's efforts to elevate local leadership across all its programs¹¹—and its progress toward the Agency-wide target that half of USAID's programs put local actors in the lead. This indicator captures data on the use of a set of “good practices” that create space for local leadership across program design, partnership formation, implementation, and defining and measuring results. The wide range of good practices tracked by the indicator allows USAID to recognize and appreciate the many approaches that the Agency and its partners can use to advance locally led development in USAID's programming and promote more inclusive and equitable development programs. It also provides a menu of options, recognizing that no single practice will be relevant for all programs, all award or agreement types, or all operating contexts. At the same time, the good practices are not an exhaustive list of ways to elevate local leadership in USAID's work. Instead, the set includes practices that emerged from extensive internal and external consultations as highly valued approaches for elevating local voices.¹²

In FY 2023, USAID piloted data collection for the Locally Led Programs indicator and added it as a new Agency Priority Goal for diversity, equity, inclusion and accessibility for USAID programs. For the pilot exercise, the indicator included 14 good practices across four categories of ways to elevate local leadership in USAID programming (Figure 5).

¹¹ For the purposes of this report, a “program,” which USAID refers to internally as an activity, is an intervention or set of interventions designed to advance identified development or humanitarian results.

¹² The USAID Learning Lab blog, [“What does it mean for USAID programs to be locally led? We asked!”](#) describes the broad consultative process and qualitative analysis used to inform the development of this indicator.

Figure 5: The 14 good practices measured during USAID’s pilot of the Locally Led Programs indicator

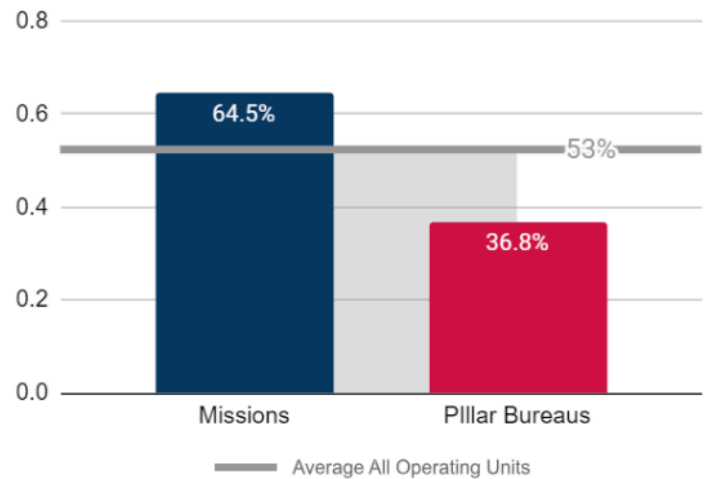
 <p>WORKING DIRECTLY WITH LOCAL PARTNERS</p>	<ul style="list-style-type: none"> ● Partnering directly with local or regional partners
 <p>CREATING EFFECTIVE LOCAL PARTNERSHIPS</p>	<ul style="list-style-type: none"> ● Co-creating awards with local or regional partners ● Making descriptive, not prescriptive awards to local and/or regional partners ● Helping local and regional partners achieve full cost recovery
 <p>RECOGNIZING, LEVERAGING, STRENGTHENING LOCAL CAPACITY</p>	<ul style="list-style-type: none"> ● Using demand driven capacity strengthening approaches ● Advancing local and regional entities’ readiness to work directly with USAID ● Measuring programmatic success using locally defined measures ● Including the transition award process in prime assistance awards ● Conducting evaluations with local experts ● Channeling subawards and subcontracts to local entities
 <p>ENGAGING COMMUNITIES DIRECTLY</p>	<ul style="list-style-type: none"> ● Conducting listening tours to inform activity design ● Co-creating with local stakeholders, including communities ● Institutionalizing feedback and accountability with stakeholders, including local communities ● Implementing participatory monitoring, evaluation and learning

USAID collected data from about half of its portfolio, including a third of Missions, across all regions.¹³ Three technical, or “pillar,” Bureaus also participated in the pilot: the Bureaus for Humanitarian Assistance (BHA) and Global Health each reported on half of their portfolios, and the Bureau for Conflict Prevention and Stabilization (CPS) reported on its entire portfolio. In total, the Agency assessed about 2,500 programs—including direct local awards, G2G assistance, programs led by international implementing partners, and programs implemented through Public International Organizations (PIOs).

Overall, 53 percent of reported programs met the indicator’s criteria for using at least two good practices across two categories. More Mission-based programs met the indicator’s criteria (65 percent) than did programs managed by Washington-based pillar Bureaus (37 percent).

Figure 6: Percentage of programs that met the criteria for the Locally Led Programs indicator pilot, implementing at least two good practices across two categories

The Locally Led Programs indicator pilot yielded some important learning, described in more detail in [Annex IV](#), that USAID will apply to next year’s data collection and beyond. The strong results demonstrate an opportunity to raise USAID’s ambition around the use of good practices for elevating local leadership. For example, a program could meet the indicator criteria just by implementing two good practices as part of monitoring and evaluation, rather than more comprehensively throughout the project lifecycle. This suggests the bar applied in the pilot is placed too low.



¹³ “Missions” in this context refers to both full Missions and other overseas Operating Units (e.g., Country Representative Offices).

In addition, feedback from participating staff also highlighted that organizing the good practices in relation to the various stages of a project lifecycle—program design, implementation, and monitoring, evaluation, and learning—may be a more intuitive approach than the four categories used in the pilot.

Embracing these lessons, USAID is exploring ways to recategorize the good practices around the project lifecycle and increase the threshold required to fulfill the criteria of being locally led. As an example, if these illustrative changes in methodology were applied to the data collected in the FY 2023 pilot, just over 25 percent of programs (vs. the 53 percent from the pilot) would have met the revised criteria.

In addition to reporting against USAID’s local leadership target, the Locally Led Programs indicator is particularly useful for understanding how frequently the individual good practices are employed across USAID’s programs (Table 1).

Table 1: Use of good practices across all pilot programs

Practice	Percent of programs
1. Partnering Directly with Local or Regional Partners	21
2. Co-creating with local or regional partners	These practices apply only to programs that partner directly with local or regional partners (Practice 1). See Table 2 for details.
3. Making descriptive, not prescriptive awards to local and/or regional partners	
4. Helping local and regional partners achieve full cost recovery	
5. Using demand-driven capacity-strengthening approaches	35

6. Advancing local and regional actors' readiness to work directly with USAID	20
7. Measuring programmatic success using locally defined measures	23
8. Making local subawards and subcontracts	28
9. Including the transition award process in prime assistance awards	4
10. Conducting evaluations with local experts	22
11. Conducting listening tours to inform program design	18
12. Co-creating with stakeholders, including local communities	28
13. Institutionalizing feedback and accountability with local communities	30
14. Implementing participatory monitoring, evaluation, and learning	26

Demand-driven capacity strengthening was the most frequently used practice among programs evaluated by the pilot, followed by accountability and feedback processes, co-creation with local communities, and indirectly funding local organizations through subawards or subcontracts.

Less frequently used practices included efforts to support local and regional actors' readiness to work directly with USAID, including transition awards, a type of award structured to prepare local subrecipients to manage a potential USAID award in the future. As with all the good practices, preparing local actors to work with USAID may not be appropriate for all contexts or

for all partners. But the very low proportion of programs using this good practice suggests scope to expand these efforts.

Twenty-one percent of the programs evaluated as part of the pilot are implemented directly by local, regional, or government partners. Of those programs (Table 2), around two-thirds utilized practices that create space for these local partners to exercise leadership over program design and implementation. Sixty percent of pilot programs implemented directly by local, regional, or government partners included documented efforts to incorporate full cost recovery. These results suggest that when USAID partners directly with local organizations, the Agency frequently takes steps to elevate the partner’s decision making and support their long-term sustainability. Nevertheless, there is room to improve.

Table 2: Percent of direct partnerships with local or regional partners that employed good practices associated with effective local partnerships

Practice	Percent of programs
Co-creating with local or regional partners	64
Making descriptive, not prescriptive awards to local and/or regional partners	67
Helping local and regional partners achieve full cost recovery	59

There are some limitations to the analysis from the pilot of the Locally Led Programs indicator. First, the results are not a true baseline as the pilot did not cover a representative sample of programs across USAID’s entire portfolio. Furthermore, because there are planned changes to the indicator (see [Annex IV](#)), the results from the pilot will not be directly comparable to future data collection.

More broadly, the results do not address the quality of how the specified good practices were implemented, nor the extent to which programs that used these approaches were perceived as locally led by local actors. While these factors are outside the scope of the indicator, they are critical for enabling true local leadership. To help support high quality engagement, USAID has issued new training, guidance, and other tools on several of the good practices. In addition, to better understand the localization landscape and how the Agency fosters locally led development, USAID is developing a study titled, "*Localization, Locally Led Development and USAID Programming: What Are We Learning?*" The study will provide an analysis of the practices, processes, and systems that are currently being applied across USAID programs. Results of this study will be available in the fourth quarter of 2024.

Despite these limitations, the Locally Led Programs indicator proved to be a useful tool for driving more discussion about processes that can elevate local leadership and creating a space for intentional thinking about opportunities to incorporate them in USAID programming. The indicator is also helping to foster internal and external conversations about what it means to build effective locally led programs.

ACTING ON THE COMMITMENT

One of the challenges of localization is the magnitude of changes that are needed across the different spheres of policy, practice, and culture, as well as regulatory and legislative changes. Over the last year, USAID has made progress on a number of lines of effort, several of which are detailed in this section. These efforts are building momentum to shift resources and decision-making power to local actors and will underpin future progress in these areas.

Strengthening the policy foundation

- **Local Capacity Strengthening (LCS) Policy implementation:** In the year since the launch of the LCS Policy, USAID has seen widespread support for the principles outlined in the Policy. The Agency has taken steps to help staff and partners put the principles into practice through the development of more than 20 tools, guides, and case studies on the [LCS Policy web page](#). USAID has also developed virtual micro-training and translated the LCS Policy and key resources into four languages (Arabic, French,

Kiswahili, and Spanish). Pillar Bureaus have developed sector-specific implementation plans to guide the integration of the policy across programming.

- **A&A Strategy:** In early 2023, USAID launched its new [Acquisition and Assistance \(A&A\) Strategy](#), outlining the shifts needed in USAID’s business practices to better enable sustainable, inclusive, and locally led development. These include investing in the A&A workforce and lowering barriers to engagement with USAID. Over the past year, USAID has made considerable progress toward the commitments outlined in the strategy’s [implementation plan](#); many of these efforts are detailed below.
- **Program Cycle operational policy:** USAID fully revised its Program Cycle operational policy ([Automated Directives System \[ADS\] 201](#)) to ensure attention to local leadership is embedded throughout USAID’s Program Cycle, including by elevating the voices and priorities of local actors in strategic planning, program design, implementation, and monitoring, evaluation, and learning.
- **Development policy guidance:** USAID revised its operational guidance for policy development ([ADS 200](#)) to include requirements that the Agency’s development and humanitarian policies emphasize local leadership and systems and are shaped by local knowledge, context, priorities, and needs.
- **Policy on Locally Led Humanitarian Assistance (forthcoming):** The unique demands of humanitarian operations present specific challenges and opportunities. Following extensive consultations with external stakeholders, including local actors and international implementing partners, BHA has developed a new policy and accompanying implementation plan. This plan charts a path forward for placing local communities at the center of USAID’s humanitarian work and supporting a humanitarian system centered around local decisions and priorities. This policy will be released in mid-2024.
- **Knowledge Management and Organizational Learning Policy:** USAID strives to be evidence-based in its work, including through creating and sharing the knowledge that staff, partners, and other stakeholders have gained from experimentation, formal research, local contextual knowledge, Indigenous and generational knowledge, and experience. The [Knowledge Management and Organizational Learning Policy](#) and an accompanying forthcoming ADS chapter encourage use of a wide range of evidence

sources (including local and Indigenous knowledge) and strengthening local knowledge and learning ecosystems to support locally led development.

- **Policies on gender equity and inclusive development:** Localization without attention to inclusion has the potential to reinforce discrimination and unequal power structures within local contexts. Likewise, inclusion without the tools and practices of localization may not be as effective at centering decision making with local actors or strengthening local systems. The [Gender Equality and Women's Empowerment Policy](#), the [LGBTQI+ Inclusive Development Policy](#), an [ADS 201 Additional Help Document on Inclusive Development](#), all launched in 2023, and the forthcoming Disability Policy, join the existing [Policy on Promoting the Rights of Indigenous Peoples](#) and the 2022 update of the [Youth in Development Policy](#). These policies emphasize the importance of elevating the knowledge, leadership, and decision-making power of these often marginalized communities as part of locally led programming.
- **Local Systems Position Paper (forthcoming):** Systems practice recognizes that sustainable progress is achieved by engaging with and strengthening the diverse networks of actors jointly connected to a challenge. USAID is updating the [Local Systems Framework](#) as a new position paper to place greater emphasis on how development and humanitarian actors can integrate systems practice throughout their work.
- **Position Paper on Grants to Households, Individuals, and Microenterprises (forthcoming):** Grants to families, individuals, or microenterprises that enable recipients to participate in markets are important tools for elevating local agency because they enable the individual or household-level recipient to make decisions about the use of development funding and choose how best to improve their lives. A forthcoming position paper will define types of grants, summarize the evidence of their effectiveness for particular outcomes, address barriers to their use, and provide examples of how USAID has employed this tool in its work.

Box 2: Strengthening Nigerian and West African supply chain systems through demand-driven capacity strengthening

In Nigeria, most medicines for public health are imported, and there is a growing need for locally produced medicines that meet World Health Organization (WHO) quality standards. Swiss Pharmaceuticals Ltd (SWIPHA), a Nigerian pharmaceutical manufacturer, requested technical assistance to attain WHO certification. With USAID support, through the Promoting the Quality of Medicines Plus program, SWIPHA strengthened its quality assurance processes, improved medicine quality standards, and implemented good manufacturing practices. Subsequently, SWIPHA began to produce essential and high-quality medicines for malaria and maternal and child health for health facilities across Nigeria. SWIPHA also worked with state drug management agencies to strengthen local distribution systems for medicines to ensure these commodities reached health facilities.

SWIPHA's ability to produce high-quality medicines domestically positioned the company to export its high-quality products to other countries. When SWIPHA achieved WHO prequalification certification for diarrhea control medicines, it became the first West African manufacturer producing WHO-certified health commodities. SWIPHA now distributes this medicine to both domestic and export markets and is working to expand its products that meet WHO standards. Local manufacturing of these essential medicines, rather than relying on imports, is critical to the long-term sustainability of supply chain and commodities.

Supporting staff to work in locally led ways

- **Capacity support for USAID staff and local partners:** The New Partnerships Initiative's (NPI) Compliance and Capacity to Support Diversified Partnerships (CCSDP) contract supports USAID staff to improve local partnerships, undertake third-party monitoring, and conduct risk assessments, as well as offer capacity strengthening for local actors. NPI created CCSDP in response to findings from the NPI Action Plan Report that highlighted OUs' interest in supporting new and local partners to serve as prime partners and in advancing local leadership across USAID programming.

- **Inclusive and participatory program design approaches:** A new internal Advanced Activity Design course trains staff in blending systems thinking and human-centered design while engaging a diverse set of stakeholders. Teams gain competencies in fostering collaborative relationships with stakeholders, facilitating inclusive and participatory convenings, and implementing collective visioning and ideation processes. These are foundational concepts for elevating local voices and decision making in programming.
- **New guides to elevate local leadership and advance equitable partnerships:** USAID’s internal Localization Playbook now includes more than 80 crowdsourced references, templates, and case studies, including a series of short, user-friendly “how to” guides on a range of topics that support equitable partnerships and advance localization. USAID has also produced a new internal guide on the use of household grants that, by enabling local recipients to participate in markets, results in highly localized decision making that can allow individuals or households to meet their priority needs.
- **Risk Appetite Statement (RAS) implementation guidance:** In 2022, USAID updated its [RAS](#). The revised RAS articulates that USAID has a high appetite for 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. Local partners are not inherently more risky, but any partner that is new to working with USAID may present different risks, both to the Agency and the partner itself, than partners with more USAID experience. USAID has developed several new, internal resources to support staff in reconciling a high appetite for programmatic risk related to working with local partners with an overall low appetite for fiduciary risk. These resources emphasize the nuance and granularity within the category of fiduciary risk and provide examples of how Missions seek to balance priorities by working closely with new and local partners to jointly identify risks and develop plans to mitigate and manage them.
- **Sector-specific learning and guidance:** Opportunities and approaches to advance locally led development often look different by sector. For example, USAID’s HIV teams have identified [lessons](#) from their efforts to channel most of their funding through local partners, including using data to monitor progress, investing in local partners’

organizational and financial management capacities, and intentional strategic planning. These and other lessons have informed the Bureau for Global Health's localization-focused strategic planning for all health offices, extending the model beyond HIV.

The Bureau for Democracy, Human Rights, and Governance (DRG) released a [series of papers](#) that outline the changes USAID is making to strengthen DRG programming through the integration of local leadership in [rule of law](#), [civil society](#), and [governance](#) programs.

The Bureau for Resilience, Environment, and Food Security (REFS) published new [Localization Activity Design Guidance](#) focused on aligning Feed the Future activities with programming approaches and principles to support locally led development, apply a local systems perspective, and strengthen local capacity. REFS has also been a major contributor toward and proponent of the Principles for Locally Led Adaptation and has developed resources for their operationalization, including a [primer](#) and [guidance note](#).

Box 3: Centroamérica Local spurs more—and more collaborative—local partnerships in northern Central America

In 2021, USAID launched Centroamérica Local to foster locally driven, sustainable progress against challenges that can influence decisions to migrate to the United States. Between FY 2021 and FY 2023, USAID has provided more than \$140 million to nearly 30 local organizations and enterprises in El Salvador, Guatemala, and Honduras. In FY 2023, 21 percent of USAID's funding in northern Central America went directly to local actors, up from just 3 percent in FY 2020, the year before Centroamérica Local began. The three Missions have also used flexibility from Congress to spend up to 15 percent of program funds for staffing and other administrative expenses to support salaries, benefits, and travel for staff, including new staff, who oversee the higher number of local awards.

Through Centroamérica Local, USAID is expanding its outreach to local actors, including Indigenous and women-led organizations, and removing barriers to make it easier for local partners to work with USAID. For example, USAID/Guatemala launched a localization Annual Program Statement (APS) in September 2023 to reach and fund organizations typically outside USAID’s orbit. The APS solicits proposals from local organizations to respond to broad Mission objectives. The Mission conducted a series of outreach campaigns in both Spanish and Indigenous languages to offer tailored support for possible applicants. The Mission also translated the procurement package into Spanish to ensure local applicants fully understood APS goals, procedures, and requirements, and created an application process that allows for the submission of concept notes in Spanish or English.

Most USAID programs in northern Central America were co-created with local partners or communities. Working together to incorporate local knowledge and perspectives into the design, planning, and implementation of activities allows USAID programming to be more inclusive and better aligned with local priorities, with less risk of duplication. Several local partners noted that recent co-creation processes felt more like a partnership with USAID than prior experiences.¹⁴

For example, USAID/El Salvador worked with 12 Salvadoran organizations to co-create tailored technical assistance packages for each of them. USAID fostered trust through this process by listening to the organizations’ unique needs, motivations, and challenges. This process enabled USAID to provide targeted support to help the organizations build trust within their teams and—through transparency, accountability, and evidence-driven decisions—their communities. In Honduras, the private sector Fundación Nacional para el Desarrollo de Honduras is co-creating and implementing a program—in partnership with the private sector and national and local governments, with \$14 million in co-financing—to increase protection for vulnerable populations, including youth and returned migrants in communities with high levels of crime and out-migration.

¹⁴ US Government Accountability Office. (2024). [Central America: USAID Should Strengthen Staffing and Fraud Risk Management for Initiative Addressing Migration to the U.S.](#) GAO-24-106232.

Lowering barriers to entry for local partners

- **Accessible information on how to work with USAID:** WorkWithUSAID.gov provides information in multiple languages about partnering with USAID, as well as directories to help facilitate contacts and networks among current and prospective USAID partners. The platform also consolidates all USAID funding opportunities, eliminating the need to navigate multiple federal websites for this information.
- **Translation:** Because USAID works in many countries where English is not widely spoken, the Agency is expanding opportunities to engage in A&A processes in languages other than English. Several Missions translate funding opportunities into their host-country languages. To expand and institutionalize this practice, an Agency-wide Translation Program provides Missions and other OUs with access to on-demand translation services for requests for information, notices of funding opportunity, final applications, and other documents associated with the award-making process. Translation is available for Arabic, French, Kiswahili, Portuguese, and Spanish, with more language offerings planned.

Complementing the Translation Program, USAID’s Linguistic Services Blanket Purchase Agreement provides translation services for documents, audio/video media, and in-person or virtual meetings.

- **Outreach:** USAID/Washington has held a number of “How to Work With USAID 101” sessions for organizations that are new to USAID, including local organizations. The Agency has also developed resources for Missions to hold “Industry Days” where local organizations can ask questions and engage directly with Missions in advance of the award-making process. In addition, Missions are expanding their use of local communications channels, including newspapers, social media, and radio, to promote funding opportunities—and are seeing local engagement increase as a result.
- **Phased applications:** Applying for USAID funding can be a lengthy, time-consuming process. Where useful, USAID is employing phased application processes, requesting, as a first step, that applicants submit concept notes or even provide oral presentations (including in languages other than English) before requiring investment in full applications.

- **Revised pre-award assessment guidance:** Before issuing an award to a non-U.S. organization, USAID is required to determine the extent to which that organization has sufficient financial and managerial capacity to manage the funding in accordance with U.S. government requirements. One of the key tools used to make that determination is the Non-U.S. organization Pre-award Survey (NUPAS). In 2023, USAID fully revised the NUPAS guidance to be more flexible and tailorable to the areas most relevant for a particular award. The revised guidance shifts the focus from a pass/fail conclusion to more of a risk-mitigation approach that can allow an award to move forward, while addressing identified risks. These revisions lay the foundation for a positive relationship with new, local partners early in the award process.
- **Policy on restricting eligibility to local entities:** Even when local organizations have robust technical capabilities and strong community linkages, they can, in some cases, struggle to compete for funding opportunities with international implementing partners that have years of experience with USAID, especially if these local organizations are new to working with the Agency. To help address this challenge, USAID revised its operational policy (in ADS 303) to clarify that staff may restrict eligibility for assistance awards, such as grants and cooperative agreements, to local entities.

Box 4: USAID employs flexibilities to extend rapid support to marginalized groups under threat

In some places in the world, certain groups and communities are not only marginalized but actively threatened by the government or majority groups. Knowing that all people—no matter their background, identity, age, or social status—have a central role in shaping their own development and that of their countries and societies, USAID works to protect the rights, well-being, and inclusion of marginalized and/or underrepresented groups. The Agency also works to elevate these groups' voices and leadership in USAID programming that relates to them.

In some places, USAID has used existing A&A flexibilities and tools to quickly support local marginalized groups under threat. In one example, a Mission designed an APS to solicit the ideas

and solutions of local applicants to respond to growing threats to their communities. The Mission also streamlined the process of applying, eliminating the request for a complete application and instead asking applicants to submit three-page concept notes in response to guiding questions. This process put all applicants on equal footing by requiring that they respond to the same set of questions, in the same order, and with the same amount of space, and allowed the Mission to proceed quickly to co-creation and then to award. USAID was able to award Fixed-Amount Awards to new local partners in just six weeks, much more quickly than the 10 months, on average, that such a process normally takes. By combining use of an APS with a simplified and phased application processes, USAID was able to respond quickly, in locally led ways, to growing threats to marginalized communities without bureaucratic delay.

Partnering better with local partners

- **SAM.gov registration:** All prime recipients of U.S. government funding must register in the U.S. government’s System for Award Management (SAM.gov) and obtain a Unique Entity Identifier (UEI). This process can be challenging for many non-U.S. organizations for several reasons, including processing delays, limited non-English help functions, and a requirement that certain supporting documentation be translated to English. In 2023, USAID implemented a number of measures to ease the burdens associated with the SAM.gov registration process, including providing escalation support to facilitate urgent UEI/SAM registrations; clarifying that subcontractors do not require full SAM registration; and updating and translating guidance and other tools for Agency staff and partners. USAID continues to explore options for potential additional exceptions and flexibilities to support partners in the UEI/SAM process.
- **Pay-for-results awards:** Pay-for-results awards are among USAID’s many flexible instruments that support direct awards to local partners. With pay-for-results awards, such as fixed-amount awards and firm-fixed-price contracts, USAID pays the awardee based on the achievement or delivery of negotiated milestones or deliverables. This approach allows the Agency to establish partnerships with a diverse range of entities, including those with little or no experience with USAID, due to the lower financial and administrative reporting and compliance requirements. While not appropriate in all

cases, USAID is encouraging the expanded use of pay-for-results awards through a new internal training and [guidance](#) on how to create and manage this award type.

Box 5: A fixed amount award with a Moroccan civil society organization enables local decision making¹⁵

The Association Jeunesse Tamdout Pour la Culture et Le Developpement (AJTCD), or Tamdout, received a \$711,000 fixed amount award from USAID/Morocco to implement an inclusive civic education project, working across 23 communes to provide a platform for civic participation. AJTCD’s executive director described a long but enriching co-creation process with the mission and other partners that improved their understanding of USAID and strengthened the program design. AJTCD simultaneously feels supported by USAID—through regular consultations and site visits—and empowered to make its own decisions in how it reaches its targets. This award marked a turning point for Tamdout as it believes it is now more widely seen as a well-established, professional organization.

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- **Cost recovery:** Partners incur both direct costs and indirect costs when implementing USAID awards. Direct costs are costs that can be identified specifically with a particular contract or grant and include costs such as salaries, travel, equipment, and supplies. Indirect costs represent the expenses of doing business that are not readily identified with a particular contract or grant but are necessary for the general operation of the organization, all of which are essential for delivering high-quality programming.

Unfortunately, many new and local partners struggle to fully recover indirect costs due to the complexity of U.S. government financial requirements and the varying levels of USAID staff experience negotiating budgets that include indirect costs. To help local partners achieve full and fair cost recovery, USAID has developed a toolkit of solutions geared toward substantially improving the ability of staff to work with local partners to achieve this goal.

¹⁵ USAID. (2024). [“Paying for Results: Managing Risk in Fixed Amount Awards with Local Partners.”](#)

In addition, the Office of Management and Budget (OMB) has issued a [regulatory change for federal financial assistance](#), raising the minimum rate for indirect cost recovery (the “de minimis” rate) from 10 percent to 15 percent. OMB notes that this change will allow for a more reasonable and realistic recovery of indirect costs, particularly for new or inexperienced organizations. USAID is updating its policies accordingly to reflect this new rule (and others) before they go into effect in October 2024.

- **Translated policies on award management:** USAID has translated several key policy documents that explain USAID’s expectations for award implementation. Translating them—currently into Arabic, French, and Spanish—ensures they are more accessible to local partners whose primary language is not English.
- **Limited and more flexible reporting requirements:** Reducing reporting requirements can help lower burdens for both partners and USAID staff. USAID has issued reminders encouraging staff to refrain from including any non-mandatory reporting requirements (e.g., daily, weekly, or monthly reports on program implementation; accruals and pipeline analysis) in assistance awards. USAID is also encouraging staff to allow shorter, more streamlined reports, with creativity and flexibility around report formats (e.g., oral presentations, slide decks).

Box 6: The Africa Localization Initiative (ALI) focuses on creating more and more diverse local partnerships

In September 2022, Administrator Power announced the ALI – a new effort that builds on USAID’s progress and lessons learned from advancing locally led development. The ALI’s goal is to increase direct funding to African organizations and expand locally led development by:

- I. Placing local actors at the forefront of USAID’s development work. The ALI focuses on the many ways in which USAID can promote locally led development, including increasing adoption of the “good practices” that are tracked by the Agency’s new Locally Led Programs indicator; collaborating with other donors, partners, and key stakeholders, such as the private sector, to identify and respond to local priorities; and making flexible funding available to Missions to support locally led priorities.

USAID is also encouraging participating Missions and overseas Operating Units (OUs) to consider local organizations or institutions as the first option when designing new awards.

2. Expanding the *diversity* of partners by tapping into new sources of innovative change. Part of this goal includes expanding direct awards in sectors beyond health, where Missions in Africa have led the Agency's progress in direct local funding, to other sectors, including agriculture, democracy and governance, and education. The ALI also seeks to expand partnerships with organizations led by or benefitting underrepresented groups, including women and historically disadvantaged racial and geographic groups; ALI will collect information on these characteristics beginning in spring 2024.

The ALI began with ten countries and two regional platforms: Angola, Benin, Botswana, Burundi, East Africa, Eswatini, Kenya, Lesotho, Namibia, Rwanda, South Africa, and Southern Africa. In FY 2024, participation is expanding to include at least five more Missions, including: Malawi, Mozambique, Senegal, Tanzania, and Zambia.

The ALI elevates locally led development to be among the Africa Bureau's highest priorities. To support the ALI, the Bureau provides "surge" staffing support, supports the creation of new Foreign Service National positions and fellowships focused on localization, and expands local partner outreach and training, with plans to invest in capacity strengthening and support services to Missions and local organizations.

Staffing to support localization

- **New hiring:** USAID is building its workforce to deliver on all components of the Agency's mission more effectively. This focus on staffing will also help support USAID's localization goals. It takes more staff time to work in locally led ways: to listen, to co-create, to translate documents, to expand communications channels, and to guide prospective and current partners who are new to working with USAID, as many local partners are.

Since June 2020, USAID has hired 65 new Foreign Service Officers (FSOs) to fill technical, acquisition and assistance, legal, and other roles. USAID's Office of Acquisition and Assistance onboarded 27 new Civil Service contract specialists in FY 2023. USAID has also more than doubled the number of Foreign Service National (FSN) staff with administrative warrants since FY 2022, giving these experienced, locally hired staff greater authority in administering USAID awards.

Shifting culture and incentives

- **FSN empowerment:** In 2023, USAID launched the FSN Empowerment Implementation Plan, laying out 12 commitments centered on professional development, leadership and career pathways, compensation, and emergency preparation and planning for USAID's FSNs, who make up most of the Agency's overseas workforce. FSNs are central to advancing locally led development through their in-country connections, language capabilities, professional skills, and the continuity they provide at Missions. In addition, in 2023, USAID created an FSN localization fellowship to harness and amplify FSN expertise on localization-related themes across the Agency.
- **New diversity, equity, inclusion, and accessibility (DEIA) skill for employee evaluations:** USAID has developed a new criteria that direct hire employees will respond to as part of their professional evaluation and promotion process. Employees will be evaluated on how they advance DEIA along the "5 Ps" dimensions: people, partnerships, programs, policies, and processes. The partnerships and programs elements, in particular, reflect efforts to support locally led and inclusive development. By explicitly valuing those approaches, the new skill helps reinforce incentives for staff to advance work in locally led ways.
- **Internal communities of practice:** USAID fosters peer learning and exchange through topical communities of practice. The Localization Community of Practice (CoP) has grown from its launch in 2022 to a group of more than a thousand staff from across the Agency. The Localization CoP has become an active space that facilitates connections for peer-to-peer learning and knowledge sharing, with regular exchanges of questions, tips, examples, and best practices that help staff advance localization. Other Agency CoPs support program and award management; USAID's Collaborating, Learning, and Adapting approach; and the Inclusive Development practice area, all of which share information and tools on localization topics. Similarly, many Missions and

Bureaus have established Localization Working Groups with broad staff representation working together to advance the OU's localization goals.

Catalysing and supporting a broader shift

- **Agenda-setting in the international donor community:** USAID is part of a growing global movement of actors who recognize both the ethical and practical value of inclusive and locally led development and humanitarian assistance. USAID helped spearhead a [Donor Statement on Locally Led Development](#), endorsed by 20 other bilateral funders and 26 philanthropic foundations. Together, the statement endorses commit to shift and share power, channel high-quality funding as directly as possible, and advocate publicly for increased efforts to advance locally led development.

In addition, USAID actively participates in the Organization for Economic Co-operation and Development (OECD) Development Assistance Committee's workstream on locally led development. The workstream's goals are to share knowledge and practices and move toward common standards.

- **Partnerships with philanthropies:** Private foundations are an important counterpart for USAID and other bilateral funders for advancing locally led and inclusive development and humanitarian efforts. USAID has entered into formal partnerships with the William and Flora Hewlett Foundation, the Skoll Foundation, Humanity United, and the Conrad N. Hilton Foundation to strengthen collaboration and knowledge sharing on themes related to locally led development.

CONCLUSION

There is more work ahead to fully realize the goals USAID has set out for itself to transform to a model of more locally led development and humanitarian assistance. But even though the systems and culture change that this shift entails take time to manifest, the imperative remains strong, as does the commitment to continued progress. This Progress Report highlights areas for improvement alongside the real strides the Agency has made toward its goals.

With more new awards to a larger number of local partners, the Agency is positioning itself for a long-term shift of resources to local actors. The new Locally Led Programs indicator elevates

the importance of integrating local leadership into program design, implementation, and defining and measuring results.

These indicators measure ways of working that USAID believes will be associated with greater locally led development and, in turn, the longer-term, more sustained outcomes that come with greater local ownership. But USAID's localization efforts do not boil down to these targets alone. Localization encompasses a broad range of steps, tools, and reforms to help break down barriers, partner better, change Agency culture, and integrate local ideas and knowledge into USAID's daily work. Localization requires continued emphasis on building trust and sharing respect, as well as listening to the Global South-based leaders, groups, and movements that are powerfully advocating for a shift to more locally led and inclusive approaches and helping drive how those changes should look.

Localization is not a new effort. The shifts USAID is pursuing today reflect decades of lessons learned. USAID is committed to continuing this journey as it works toward creating more equitable, inclusive partnerships that produce more sustainable impact.

ANNEXES

Annex I: Definitions of Direct Funding to Local, Regional, and Government Partners

USAID recognizes that the concept of what it means to be “local” is complex and contextually nuanced. No single definition can capture it perfectly. In selecting the methodology for measuring funding going to local actors, the Agency aimed 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 track funding data.

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 obtains 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 personal services contracts (PSCs), interagency agreements, Government to Government (G2G) assistance, and Public International Organization (PIO) agreements that are entered into via “other transaction authority” rather than A&A processes. With the exception of PSCs, these implementing mechanisms are not (or not fully) recorded in GLAAS. Since G2G is an important type of direct local partnership, it is reported separately. For additional information on this indicator, see [Key Performance Indicators: Direct A&A Funding for Localization](#).

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](#).

G2G Assistance: This term refers to direct obligations to partner governments in a given fiscal year to implement programs through the use of their systems or institutions.¹⁶ The graphs in this report only capture G2G assistance in which USAID directly finances specified results based on cost (with either a Cost Reimbursement or Fixed Amount Reimbursement payment mechanism). They exclude 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.¹⁷ USAID generates this indicator using data from the Agency’s financial management system (Phoenix).

By law, G2G assistance is only possible with governments that meet certain criteria pursuant to section 7031 (a) of the annual Department of State, Foreign Operations, and Related Programs Appropriations Act (SFOAA), assessed jointly, on a biennial basis, by USAID and the Department of State. These eligibility criteria focus primarily on issues related to budget transparency, the protection of civil society, anti-corruption efforts, and compliance with the minimum standards for the elimination of trafficking in persons.

¹⁶ For more information, see [ADS 220](#), Strengthening the Capacity of Partner Governments through G2G assistance.

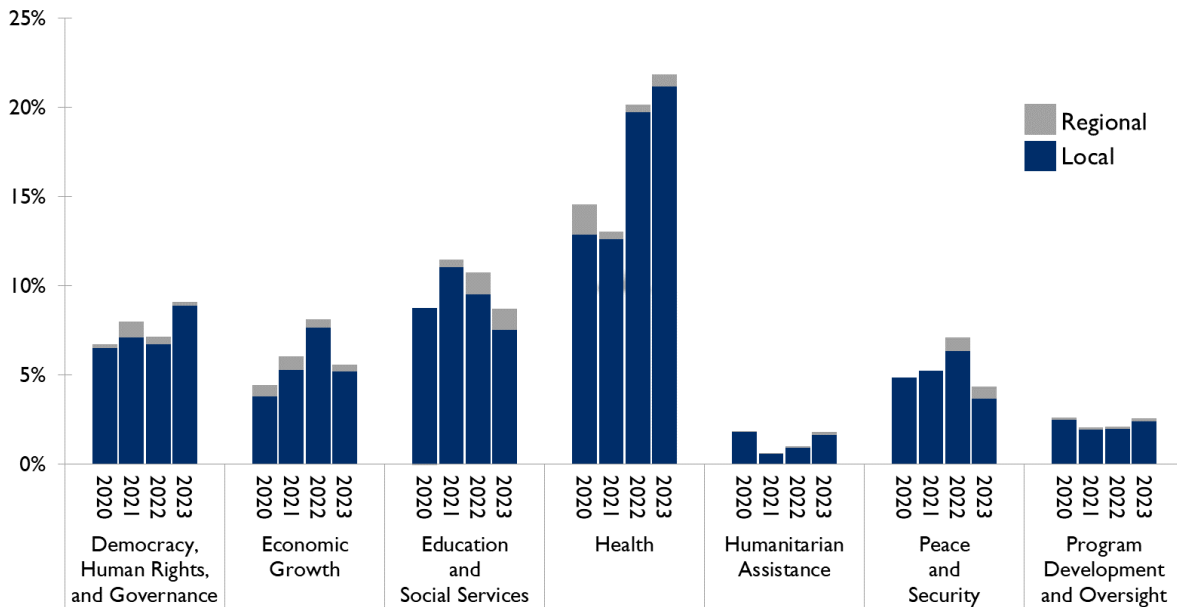
¹⁷ For the last ten years, USAID has only provided this type of generalized resource transfer to Jordan.

Annex II: Detailed Analysis of Direct Local, Regional, and G2G Funding

Direct local, regional, and G2G funding by sector

By sector, health continues to lead the way in Direct Local and Regional Funding, channeling 21 percent of its A&A funding directly to local and regional partners (Figure 7). This success reflects, in large part, the concerted push by the President’s Emergency Plan for AIDS Relief’s (PEPFAR) over the last five years to channel most of its funding directly through local partners and partner governments.

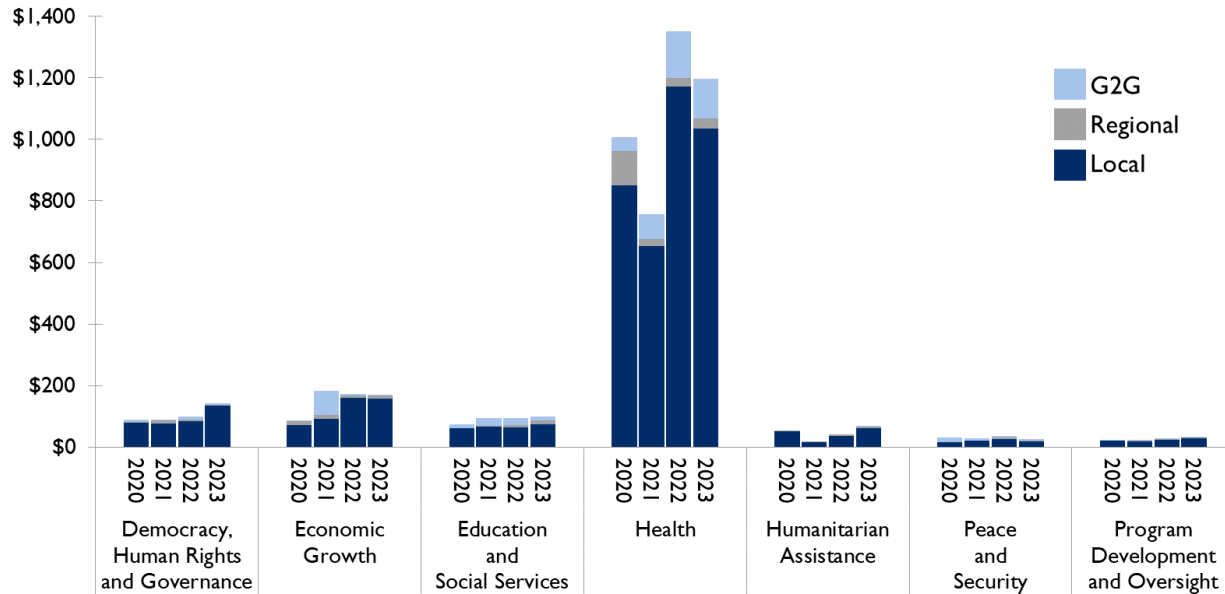
Figure 7: Direct Local and Regional Funding by sector (percent)



Looking at the *volume* of funding going to local and regional actors, including G2G funding, adds another angle to the overall picture of USAID’s support for local partners (Figure 8).¹⁸ Notably, while education and social services registered a marked decline in the percentage of funding going to local and regional actors, the amount of funding going to local and regional actors increased by over 20 percent between FY 2022 and FY 2023. Education and social services also comprises the second highest volume of G2G funding in FY 2023.

¹⁸ Since G2G assistance is excluded from the denominator of the direct local and regional funding indicators, per the methodology outlined in [Annex I](#), G2G obligations are not included in figures presented in percentage terms. G2G funding is incorporated into analyses focused on levels of funding.

Figure 8: Direct Local, Direct Regional, and G2G Funding by sector (millions of dollars)



The sector with the largest percentage increase in Direct Local and Direct Regional Funding was humanitarian assistance, with close to 70 percent more funding going to local and regional partners in FY 2023 compared to FY 2022. The humanitarian sector also nearly doubled the percentage of funding going to local and regional partners, though, at less than two percent, it remains very low. The democracy, human rights, and governance sector also significantly increased funding to local and regional partners in FY 2023.

As seen in the prior chart, most of USAID’s Direct Local Funding is in the health sector (two thirds in FY 2023), as is the vast majority of G2G funding (over 80 percent in FY 2023). While the percent of health sector funding going to local partners increased to new highs in FY 2023, the volume of direct local health sector funding declined relative to FY 2022. This decline reflects, in part, the overall decline in all health sector obligations (to all partners) between FY 2022 and FY 2023, due largely to the expiration of COVID funding. Though little COVID funding was implemented by local partners, South Africa had direct local awards for COVID that declined by \$59 million between FY 2022 and FY 2023. Other dynamics in South Africa, the Mission with the most Direct Local Funding, also contributed to the decline in volume of direct local awards. In FY 2023, the Mission was transitioning between local awards that were

closing and new local awards beginning in FY 2024. The timing of this transition caused the Mission to obligate less HIV funding to local partners in FY 2023 compared to the year prior, though this decline does not indicate a shift in the Mission's commitment to local partnerships; it reflects nuances around the timing of award cycles. Driven in large part by these two factors, the dollar value obligated to local health partners went down, though the percentage still increased.

These dynamics also offer insights into the slight year-on-year decline in the Agency's overall percentage of Direct Local Funding. Since health sector obligations make up most of USAID's Direct Local Funding, patterns in health significantly influence the Agency's overall results. While health funding to local partners declined by around 11 percent between FY 2022 and FY 2023, due to the factors described above, USAID's overall level of A&A funding stayed relatively consistent across that two year period.

Year-on-year changes in the direct local funding data reflect some "noise." As the example of South Africa's HIV programs demonstrates, the timing of when local awards are issued or concluded matters. With this in mind, a longer-term view can be more instructive of trends. Compared to FY 2020, USAID channeled more money to local and regional partners in FY 2023 across all sectors.

Direct local and regional funding by location and type of operating unit

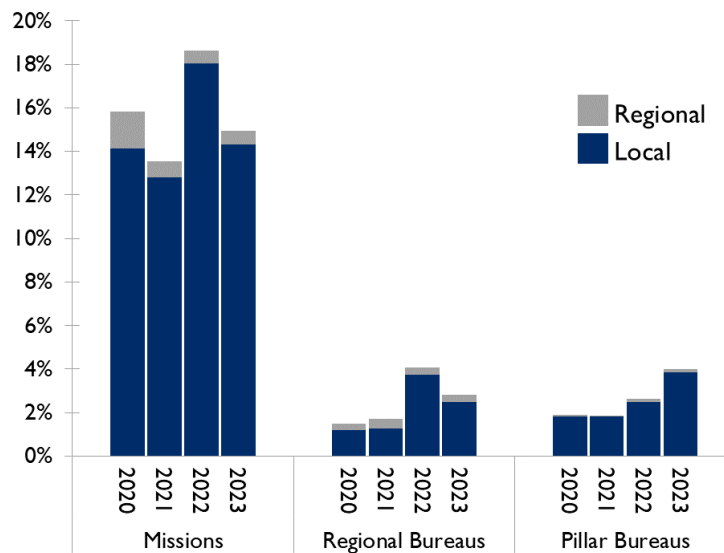
Unsurprisingly, Missions and other overseas OUs obligate a higher percentage of funds to local partners than do Washington-based Bureaus. USAID Missions have the in-country staff and the local networks and connections that can help facilitate partnerships with local organizations and develop relationships with them over the years. USAID Missions also have an operational model based largely on funding projects in the country (or broader region, in the case of Regional Bureaus) where they are located.

In contrast, Washington-based Regional and Pillar Bureaus typically provide technical support to Missions and advance global and regional efforts that complement Missions' bilateral programming. Pillar Bureaus tend to have more limited opportunities to enter into and manage direct awards with local partners.

Most of the Direct Local and Regional Funding associated with Washington-based pillar and regional bureaus is managed and obligated by Missions. For example, most of the Global Health Bureau’s Direct Local Funding is passed through to Missions which obligate the money to procure commodities and provide logistics/warehousing services by local entities. In addition, Local Works is an initiative managed by the Bureau for Inclusive Growth, Partnerships, and Innovation (IPI) to fund locally-driven development solutions. IPI transfers funds to Missions who design and manage local awards directly with local partners and communities. In FY 2023, IPI’s Direct Local Funding data includes \$42 million of direct local obligations under the Local Works program, even though 95 percent of this funding was managed by 24 missions.¹⁹

All Pillar Bureaus increased the level and percentage of funding going to local partners in FY 2023, some significantly (Figure 9). BHA and the Bureau for Global Health nearly doubled and REFS nearly tripled the percentage of funding going to local partners. Even with these increases, the percentage of Washington-based funding going to local and regional partners remains very low.

Figure 9: Direct Local and Regional Funding by type of operating unit (percent)²⁰



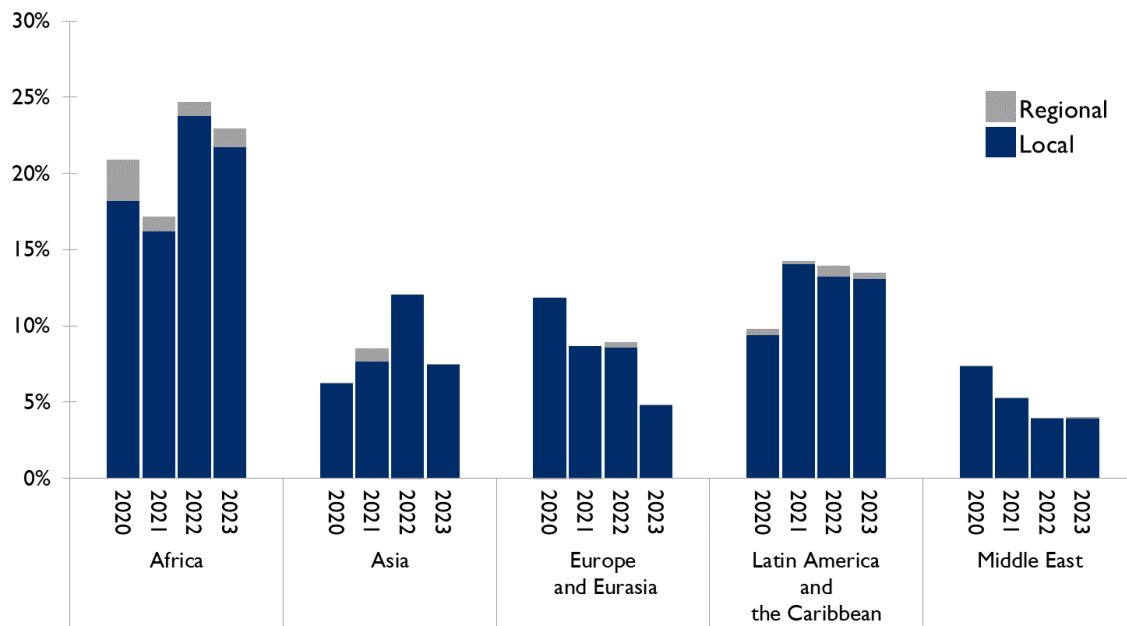
¹⁹ The Missions are Armenia, Azerbaijan, Bangladesh, Burkina Faso, Dominican Republic, East Timor, Ecuador, El Salvador, Guatemala, Guinea, Honduras, India, Kazakhstan, Kenya, Macedonia, Malawi, Morocco, Paraguay, Philippines, South Africa, Syria, Turkmenistan, West Africa Regional, and Zimbabwe.

²⁰ Pillar Bureaus are the Bureau for Conflict Prevention and Stabilization; the Bureau for Democracy, Human Rights, and Governance; the Bureau for Global Health; the Bureau for Humanitarian Assistance; the Bureau for Inclusive Growth, Partnerships, and Innovation; and the Bureau for Resilience and Food Security.

Direct local, regional, and G2G funding by region

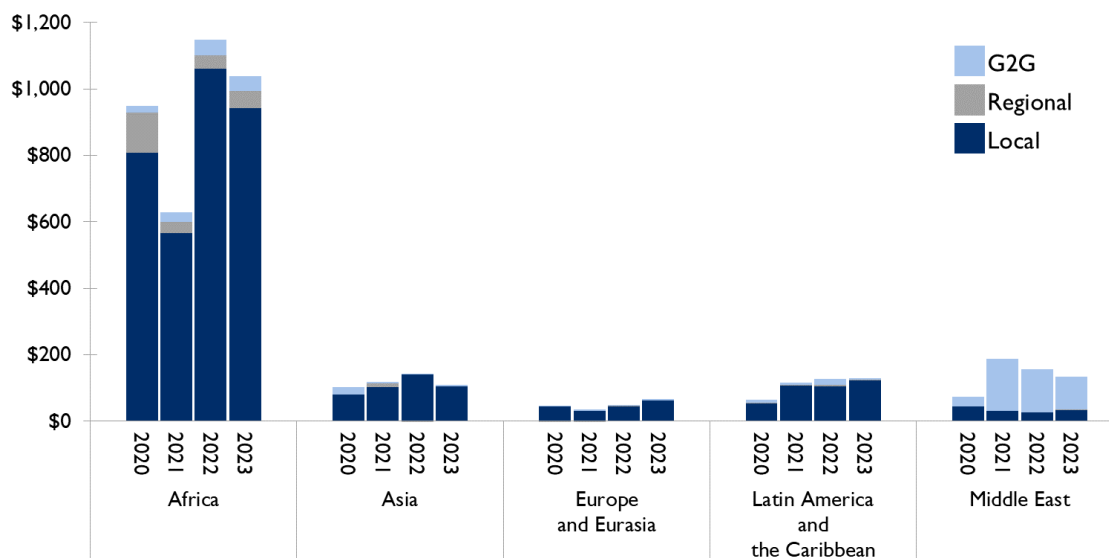
By region, Africa maintains its position as a leader, due in large part to the successes of the health sector, especially HIV programs, to transition more awards to local partners over the last five years. However, with the exception of the Middle East, the percentage of funding to local and regional partners declined across all regions relative to FY 2022 (Figure 10).

Figure 10: Direct Local and Regional Funding by region (percent)



Looking at the volume of funding to local and regional partners presents a more complete picture, however (Figure 11). Several regions—Europe and Eurasia, Latin America and the Caribbean, and the Middle East—modestly increased the amount of funding going to local and regional partners in FY 2023.

Figure 11: Direct Local and Regional Funding by region (millions of dollars)



The decline in Direct Local Funding levels in Africa is linked to the explanation for the drop in health sector funding to local partners. Notably, if South Africa is excluded from the analysis, Direct Local Funding in the rest of the Africa region increased compared to FY 2022, in both level and percentage terms.

In the Middle East, the data on Direct Local and Regional Funding underestimates USAID’s engagement with local partners in the region. In FY 2023, USAID obligated \$10 million to the White Helmets, or Syria Civil Defence, an organization of Syrian volunteers responding to humanitarian needs in their country, and an additional \$13 million to two other local NGOs. For security reasons, these organizations are registered in Turkiye, a neighboring country. But even though Turkiye shares a border with Syria, Turkiye is in the Europe and Eurasia region while Syria is in the Middle East. Even though the White Helmets are a fundamentally local organization, USAID’s work with the White Helmets is not captured in the Agency’s Direct Local or Direct Regional Funding data.

The vast majority of G2G assistance is in the Middle East. Over the last three years, nearly 70 percent of G2G obligations have gone to Jordan alone, primarily for health objectives—water and sanitation in particular—with smaller education, energy, and civil society programs. Overall, G2G assistance declined slightly in FY 2023, compared to levels in FY 2021 and FY 2022. Most of the decline is due to lower obligations for a large water and sanitation project in Jordan, compared to years prior.

Annex III: Table of Direct Local, Regional, and G2G Funding by Region and Mission²¹

*Mission/OU has an active G2G agreement or agreements but did not obligate funding during the FY 2023 time period.

AFRICA									
Operating Unit	Direct Local Funding (percent)			Direct Regional Funding (percent)			Government to Government Assistance (millions)		
	FY2021	FY2022	FY2023	FY2021	FY2022	FY2023	FY2021	FY2022	FY2023
ANGOLA	1.3%	8.8%	0.0%	14.3%	6.1%	6.7%			
BENIN	14.4%	19.8%	11.5%	0.0%	0.5%	0.0%	0.4	2.4	†
BOTSWANA	33.3%	56.6%	60.6%	0.5%	0.1%	-0.3%			
BURKINA FASO	0.0%	0.5%	0.4%	0.2%	0.0%	0.0%			
BURUNDI	4.0%	14.6%	21.7%	0.0%	0.0%	0.0%			
CAMEROON	1.4%	2.0%	26.2%	0.0%	0.1%	0.3%			
CENTRAL AFRICA REGIONAL	0.0%	29.2%	21.3%	15.8%	26.6%	14.7%			
CENTRAL AFRICAN REPUBLIC	0.0%	1.2%	1.1%	0.3%	3.7%	0.0%			
COTE D'IVOIRE	5.6%	4.9%	5.4%	2.1%	0.0%	0.0%			
DEMOCRATIC REPUBLIC OF THE CONGO*	1.9%	0.1%	3.2%	2.0%	1.7%	0.3%			
DJIBOUTI	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%			
EAST AFRICA REGIONAL*	0.3%	45.0%	3.5%	0.0%	0.0%	17.4%			

²¹ Asterisks (*) denote that the OU is a full Mission, as defined in [ADS 102, Agency Organization](#). Other types of overseas OUs include Independent Offices (also known as Country Offices) with Senior Development Advisors. This table excludes OUs that have total annual obligations under \$5 million in both FY 2022 and FY 2023 and have no Direct Local Funding.

The symbol † denotes a country that had an active G2G agreement in FY 2023, even though no obligations were made in the FY 2023 time period.

As described in [Annex II](#), some awards to local partners that are managed by Missions are attributed to pillar bureaus since the funding for those awards flows through Washington. These awards are therefore not reflected in Mission data in this table. Year-on-year changes in the percent of Direct Local Funding can reflect changes in the level of obligations to local partners (the numerator) or changes to the overall level of obligations (the denominator). In some cases, the timing of when particular awards to local organizations are made and when those funds are obligated can drive big year-on-year changes.

Negative percentages in this table reflect net negative obligations due to de-obligations. De-obligations occur when an OU cancels or downward adjusts previously incurred obligations, often from previous fiscal years.

ESWATINI	34.5%	31.4%	39.3%	0.0%	2.2%	2.5%			
ETHIOPIA*	6.0%	7.6%	7.6%	7.6%	5.9%	7.6%			
GHANA*	2.7%	3.5%	2.1%	0.1%	0.0%	0.1%	2.2	1.4	1.6
GUINEA*	0.2%	-0.1%	1.0%	0.0%	0.0%	0.0%			
KENYA*	29.9%	48.8%	51.3%	0.0%	0.0%	0.0%			
LESOTHO	42.3%	33.4%	40.9%	8.8%	11.4%	6.9%			
LIBERIA*	0.6%	2.1%	1.2%	0.0%	0.0%	0.0%		14.6	11.0
MADAGASCAR*	2.8%	3.5%	4.1%	0.0%	0.0%	0.0%			
MALAWI*	25.1%	26.8%	26.6%	0.0%	2.4%	5.3%	1.4	3.3	4.7
MALI*	0.1%	0.5%	0.0%	0.0%	0.0%	0.0%			
MOZAMBIQUE*	18.1%	22.7%	21.3%	0.0%	0.0%	0.0%	3.2	5.2	10.1
NAMIBIA	51.6%	48.1%	73.5%	4.0%	2.0%	-0.2%	0.4	0.3	0.1
NIGER*	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%			
NIGERIA*	11.5%	20.1%	21.7%	0.0%	0.0%	0.0%			
RWANDA*	22.0%	25.0%	15.9%	0.0%	0.0%	-0.1%	3.0		
SAHEL REGIONAL*	3.6%	0.5%	0.0%	0.0%	0.0%	0.0%			
SENEGAL*	0.5%	0.1%	1.7%	0.0%	0.0%	0.0%	7.6	14.3	7.5
SIERRA LEONE	0.0%	0.1%	11.2%	0.0%	0.0%	0.0%			
SOMALIA*	0.0%	0.2%	4.8%	0.0%	0.0%	0.0%			
SOUTH AFRICA*	69.4%	80.9%	80.1%	1.6%	0.0%	0.0%	1.7	2.1	4.3
SOUTH SUDAN*	4.4%	3.1%	5.1%	0.3%	0.5%	-0.1%			
SOUTHERN AFRICA REGIONAL*	1.6%	14.1%	13.2%	2.4%	0.0%	0.0%			
SUDAN*	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%			
TANZANIA*	20.7%	19.2%	25.1%	0.2%	0.2%	0.3%			
TOGO	2.9%	3.2%	3.2%	0.0%	1.9%	0.0%			
UGANDA*	17.9%	27.0%	29.9%	0.0%	0.0%	0.0%	0.3	4.2	6.3
WEST AFRICA REGIONAL*	2.7%	8.9%	2.7%	6.6%	7.4%	4.6%			
ZAMBIA*	6.6%	21.0%	29.4%	0.3%	0.0%	0.0%	8.7		
ZIMBABWE*	36.9%	55.7%	57.0%	0.0%	0.0%	0.0%			
Africa Total	16.2%	23.8%	21.7%	1.0%	0.9%	1.2%	28.9	47.8	45.6

Asia									
Operating Unit	Direct Local Funding (percent)			Direct Regional Funding (percent)			Government to Government Assistance (millions)		
	FY2021	FY2022	FY2023	FY2021	FY2022	FY2023	FY2021	FY2022	FY2023
AFGHANISTAN* (remote)	7.7%	4.8%	7.9%	1.4%	-4.2%	0.0%			
ASIA REGIONAL*	0.0%	0.0%	1.0%	0.0%	0.0%	0.0%			
BANGLADESH*	12.9%	18.0%	9.5%	0.0%	0.0%	0.0%			
BURMA*	2.7%	5.8%	2.2%	0.0%	0.0%	0.0%			
CAMBODIA*	4.3%	5.4%	4.1%	0.0%	0.0%	0.0%			
CENTRAL ASIA REGIONAL*	0.1%	0.1%	0.3%	0.0%	0.0%	0.0%			
INDIA*	18.4%	26.1%	26.7%	0.0%	0.0%	0.0%			
INDONESIA*	8.3%	15.8%	8.2%	0.0%	0.1%	0.2%			
KAZAKHSTAN*	7.2%	2.0%	21.7%	0.0%	0.0%	0.0%			
KYRGYZSTAN*	6.5%	5.4%	7.5%	0.0%	0.0%	0.0%			
LAOS	0.0%	0.8%	0.6%	0.0%	0.0%	0.0%			
MONGOLIA	52.6%	46.8%	0.0%	0.0%	0.0%	0.0%			
NEPAL*	0.1%	1.2%	0.8%	0.3%	0.0%	0.1%	2.9	1.0	4.0
PACIFIC REGIONAL*	0.0%	0.0%	0.4%	24.9%	0.0%	0.2%			
PAKISTAN*	-3.3%	37.5%	7.6%	0.0%	0.0%	0.0%	1.2		
PAPUA NEW GUINEA	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%			
PHILIPPINES*	10.8%	6.7%	1.6%	0.0%	0.0%	0.0%			
SRI LANKA*	11.3%	10.3%	2.0%	0.0%	0.1%	0.0%			
TAJIKISTAN*	2.0%	3.3%	0.0%	0.0%	0.0%	0.0%			
THAILAND*	0.0%	0.0%	1.4%	0.0%	0.0%	0.1%			
TIMOR-LESTE*	2.2%	3.5%	2.2%	0.1%	0.0%	0.0%			
TURKMENISTAN	0.4%	2.4%	0.3%	0.0%	0.0%	0.0%			
UZBEKISTAN*	-0.1%	0.0%	0.0%	0.0%	0.0%	0.0%			

VIETNAM*	20.4%	32.3%	21.9%	0.0%	0.0%	0.0%			
Asia Total	7.7%	12.1%	7.4%	0.8%	-0.2%	0.0%	4.1	1.0	4.0

Europe and Eurasia									
Operating Unit	Direct Local Funding (percent)			Direct Regional Funding (percent)			Government to Government Assistance (millions)		
	FY2021	FY2022	FY2023	FY2021	FY2022	FY2023	FY2021	FY2022	FY2023
ALBANIA	-28.9%	-1.9%	0.1%	0.0%	6.9%	0.0%			
ARMENIA*	23.7%	15.9%	42.6%	0.0%	0.0%	0.0%	1.5	0.5	3.2
AZERBAIJAN*	-1.0%	-0.2%	4.0%	0.0%	0.0%	0.0%			
BELARUS	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%			
BOSNIA AND HERZEGOVINA*	21.1%	32.0%	14.6%	0.0%	0.0%	0.0%	0.1		
GEORGIA*	4.1%	11.5%	1.7%	0.0%	0.0%	0.0%	1.2	0.3	†
KOSOVO*	8.0%	6.5%	0.2%	0.0%	6.1%	0.0%			
NORTH MACEDONIA *	44.0%	42.0%	9.2%	0.0%	0.0%	0.0%			
MOLDOVA*	8.8%	5.1%	1.6%	0.0%	0.0%	0.0%			
SERBIA*	23.7%	20.4%	29.4%	0.0%	0.0%	0.0%			
UKRAINE*	3.7%	3.8%	2.8%	0.0%	0.0%	0.0%			
Europe and Eurasia Total	8.7%	8.6%	4.8%	0.0%	0.3%	0.0%	2.8	0.8	3.2

Latin America and the Caribbean									
Operating Unit	Direct Local Funding (percent)			Direct Regional Funding (percent)			Government to Government Assistance (millions)		
	FY2021	FY2022	FY2023	FY2021	FY2022	FY2023	FY2021	FY2022	FY2023
BRAZIL	86.2%	28.6%	91.1%	0.0%	0.0%	0.0%			
CARIBBEAN DEVELOPMENT PROGRAM	0.0%	0.0%	1.3%	0.0%	0.0%	0.0%			
CENTRAL AMERICA REGIONAL	0.9%	0.0%	0.0%	0.0%	0.0%	0.0%			
COLOMBIA*	7.5%	3.8%	2.7%	0.0%	0.0%	0.0%	0.5		
CUBA (remote)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%			
DOMINICAN REPUBLIC*	8.4%	22.3%	27.4%	0.0%	3.4%	0.0%			
EASTERN AND SOUTHERN CARIBBEAN	33.9%	7.6%	11.3%	0.0%	0.0%	0.0%			
ECUADOR*	44.6%	7.5%	37.5%	0.0%	0.0%	0.0%			
EL SALVADOR*	21.5%	13.9%	30.2%	0.0%	0.0%	0.1%			
GUATEMALA*	18.3%	23.9%	19.4%	0.0%	1.1%	0.4%			
HAITI*	9.9%	22.5%	10.1%	0.0%	0.0%	0.0%			
HONDURAS*	11.7%	6.1%	14.6%	0.0%	1.3%	0.0%	1.0	8.0	†
JAMAICA	18.1%	16.2%	31.5%	0.0%	-0.5%	0.0%		3.7	†
MEXICO*	30.5%	11.2%	3.2%	0.0%	0.0%	0.0%			
NICARAGUA*	12.4%	10.1%	1.1%	0.0%	7.4%	8.0%			
PARAGUAY	34.7%	78.9%	85.3%	0.2%	0.0%	0.0%			
PERU*	16.6%	16.4%	19.5%	0.0%	0.0%	0.0%	7.0	5.9	4.0
SOUTH AMERICA REGIONAL	21.0%	10.4%	20.3%	15.4%	5.2%	16.8%			
VENEZUELA (remote)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%			
Latin America and the Caribbean Total	14.0%	13.2%	13.1%	0.2%	0.7%	0.4%	8.5	17.6	4.0

Middle East									
Operating Unit	Direct Local Funding (percent)			Direct Regional Funding (percent)			Government to Government Assistance (millions)		
	FY2021	FY2022	FY2023	FY2021	FY2022	FY2023	FY2021	FY2022	FY2023
EGYPT*	0.1%	5.7%	4.1%	0.2%	0.0%	0.0%		2.5	
IRAQ*	1.5%	2.8%	0.4%	0.0%	0.0%	0.0%			
JORDAN*	11.9%	8.3%	7.9%	0.0%	0.0%	0.0%	157.0	127.1	98.9
LEBANON*	9.4%	1.2%	7.9%	0.0%	0.0%	0.0%			
LIBYA	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%			
MOROCCO*	15.9%	16.0%	38.6%	0.0%	0.0%	0.0%			
SYRIA	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%			
TUNISIA*	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%			
WEST BANK/GAZA*	0.0%	0.0%	-0.3%	0.0%	0.0%	0.0%			
YEMEN	0.0%	0.0%	0.0%	0.0%	0.0%	4.6%			
Middle East Total	5.3%	3.9%	3.9%	0.0%	0.0%	0.1%	157.0	129.6	98.9

Annex IV: Planned Changes to the Locally Led Programs Indicator

The pilot of the Locally Led Programs indicator provided a useful opportunity to reflect on the indicator and data collection process in order to identify improvements. USAID led After Action Reviews with participating Missions and Bureaus to hear staff feedback and recommended improvements. Their observations and other lessons from the pilot, described below, will inform revisions to the indicator and data collection before the Agency-wide rollout in FY 2024.

Lesson: *A more ambitious threshold is needed to reflect a strong commitment to local leadership in USAID programs. The benchmark criteria of one practice in at least two categories provided insight into what USAID programs are already doing to promote locally led development. The strong results from the pilot show that many USAID programs are already integrating good practices for local leadership and also point to scope to expand these efforts throughout the project lifecycle.*

Planned adjustment: USAID will adjust the indicator's structure and qualifying criteria. To meet the indicator criteria, programs would need to demonstrate that they implemented good practices for local leadership across the project lifecycle. This adjustment has the added benefit of being a more intuitive organizing framework for USAID staff.

Lesson: *There is substantial correlation between some of the good practices. There are multiple good practices related to co-creation, for instance, or monitoring and evaluation, that are similar enough in their approaches that programs could count more than one good practice based on a single line of effort.*

Planned adjustment: Through an analysis of the results, USAID will identify opportunities to combine good practices and/or improve their definitions and guidance to ensure that the indicator represents a set of clearly distinct opportunities to engage local leadership.

Lesson: *The indicator should be integrated into formal USAID processes to improve reporting efficiencies and reinforce opportunities to reflect on the good practices. Staff shared that the reporting process sparked useful discussions and reflections on how to work in more locally led ways. Their recommendation was to integrate the Locally Led Programs indicator into USAID processes, to ensure this reflection is part of the Agency's standard procedures.*

Planned adjustment: USAID will incorporate reporting on the Locally Led Programs indicator into standard reporting processes. At the same time, USAID will incorporate opportunities into program design processes for staff to identify and intentionally include good practices to advance local leadership.

***Lesson:** Household or individual level grants, a form of market-based assistance provide an opportunity to shift resources and decision making power to a very local level by giving individuals, households, or small/medium enterprises the flexibility and autonomy to determine how to improve their well-being.*

Planned adjustment: One of the anticipated changes to the indicator will be the inclusion of a new good practice around household grants, which will provide staff with an opportunity to identify whether a program includes this type of market-based tool.