

USAID LOCALIZATION: CHALLENGES, OPPORTUNITIES, AND NEXT STEPS TO FURTHER DEVELOPMENT INITIATIVES ON THE LOCAL LEVEL

HEARING

BEFORE THE

SUBCOMMITTEE ON STATE
DEPARTMENT AND USAID
MANAGEMENT, INTERNATIONAL
OPERATIONS, AND BILATERAL
INTERNATIONAL DEVELOPMENT

OF THE

COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE

ONE HUNDRED EIGHTEENTH CONGRESS

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THURSDAY, MARCH 9, 2023

U.S. SENATE,
SUBCOMMITTEE ON STATE DEPARTMENT AND USAID
MANAGEMENT, INTERNATIONAL OPERATIONS, AND
BILATERAL INTERNATIONAL DEVELOPMENT,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:31 a.m., in room SD-419, Dirksen Senate Office Building, Hon. Benjamin J. Cardin, presiding.

Present: Senators Cardin [presiding], Coons, Booker, Hagerty, and Ricketts.

**OPENING STATEMENT OF HON. BENJAMIN L. CARDIN,
U.S. SENATOR FROM MARYLAND**

Senator CARDIN. The subcommittee will come to order.

This is the Subcommittee for State Department and USAID Management, International Operations, and Bilateral International Development. That is quite a title.

Welcome to our first hearing of this Congress. The subcommittee's jurisdiction is broad and our principal responsibility is oversight, oversight of the State Department, the USAID, U.S. Agency for Global Media, the Peace Corps, the Millennium Challenge Corporation.

We have a lot of work to do, and we intend to be very active during this Congress and I say "we" because Senator Hagerty and I are partners in this effort on oversight.

We joined together in the last Congress and we concentrated more on the State Department, and I think we were able to get some significant progress made in the State Department on several areas including training and we intend to do the same type of work during this Congress together on the oversight of the agencies to make sure that Congress is a full partner and the agencies being able to carry out their mission and to make the types of recommendations we think that can be helpful in carrying out that responsibility.

I am extremely fortunate to have Senator Hagerty as my partner. He understands the challenges through his experience as Ambassador to Japan.

We have had a chance to talk about that on many occasions and it really is a pleasure to have him as my co-leader on this committee, and thank you very much for your help in that regard.

Our first hearing will be on the USAID localization—challenges, opportunities, the next step, and further development initiatives on the local level.

This is a subject that does not get the type of attention that we think it needs to get because we know that locally-led development gives the ability of the local communities to become self-sufficient to sustain their operations.

We know Administrator Power has made this a priority for USAID. There are major advantages to moving forward on local capacity and the challenge is that today's numbers are about 6 percent of the resources are used in local development. Administrative Power indicates she wants that number to be increased to 25 percent over a 4-year period.

That is an ambitious goal. The question is how do we get there and part of it is in the definition of what is local actors. The USAID's definition encompasses individuals, communities and networks, organizations, private entities, and governments set their own agendas, develop solutions that bring capacity, leadership, and resources to make those solutions a reality. That is a quote from the USAID.

We are going to talk a little bit about that because we recognize that localization—in some cases there is a disagreement as to what is local. We will have a chance to talk a little bit more about that.

Challenges in carrying out localization, first and foremost, is resources—do you have the capacity to be able to carry out your current mission and do a transition to more local efforts with the resources that are available.

We will talk a little about workforce—do you have the personnel that can make that a reality. We will talk about financial risks that are involved and accountability, and the conflicts between local providers and their sights and ambitions and what the USAID goals are.

These are all areas that we hope that we will have some conversation about during today's hearing.

The United States needs a strong Agency for International Development to advance its interests in the 21st century. In order to do this effectively, we need strong local partners.

Many of the most serious challenges the United States faces in 2023 and beyond require us to effectively leverage our development initiatives, and local actors play a critical role in this effort preventing the rise of authoritarianism, empowering businesses to build economic ties with our country, addressing climate change, strengthening democratic institutions, furthering peace building, and strengthening health systems overseas to respond to global health crisis.

These are just a few of the development priorities in which local civil societies have the local context and experience required to help USAID achieve these goals. That is our objective.

I must tell you we have a really distinguished two panels, first from the Administration and then from the private sector, and we

welcome you here. You will get formal introductions in one moment.

We welcome you to this discussion so that we can work together to improve the effectiveness of our international development efforts.

With that, let me recognize Senator Hagerty.

**STATEMENT OF HON. BILL HAGERTY,
U.S. SENATOR FROM TENNESSEE**

Senator HAGERTY. Thank you, Chairman Cardin, and I, likewise, appreciate the opportunity to partner with you on this and looking forward to a productive Congress.

I certainly feel honored to have been able to work with you in the last Congress to achieve the beginning that we have in the State Department and I applaud you for taking us in this direction with USAID.

I would also just like to acknowledge that USAID does business in some very tough places and a lot of the, by definition, the developing nations where USAID does business often lack the infrastructure to have the accountability, the transparency, that we would like to see.

I want to acknowledge that challenge up front and say that I know that it is difficult, as we move forward, but that is the challenge that we are embracing today to try to help make that better.

The notion of localization is very appealing. It, certainly, from a person with a business background, smacks of greater efficiency, disintermediation of sort of brokers and people that go between, and it suggests to me in the long-term that we could certainly become a lot more efficient with the expenditure of our USAID dollars.

I hope we have a chance to talk about some of the efforts toward localization that have taken place. I applaud Ambassador Power and her setting the goal of 25 percent localization over this Administration.

I agree with the chairman that is a very aggressive goal. I would take us back to the Obama administration, and at that point the Obama administration put forward the USAID Forward program and at that point the administrator, Rajiv Shah, sought to localize 30 percent of mission funding and, obviously, that did not happen. I just want to acknowledge this has been tried and has not happened on a broad scale basis.

I would like to draw our attention to an area that I think may be an example where this has worked, and as a business person we always try to find a case-in-point where we can observe best practices and see if we can standardize on those and that would be in the Trump administration, an effort called Journey to Self-Reliance—the Journey to Self-Reliance Initiative—and in particular I think that initiative probably saw greater results as countries got toward their goal of self-reliance.

There was a particular program there in PEPFAR where they made tremendous, tremendous progress and I hope we will have an opportunity to go there.

With respect to Ambassador Power's goal of getting to 25 percent, I just want to come back and, again, put a reality check. This

is a report, and I will quote from it, the Congressional Research Service reported in January of this year—a very recent report—that—I will just use the exact words—that, “USAID has faced challenges in operationalizing its localization work. These include potential increased financial risk when working with local partners when compared with U.S.-based entities, inconsistent definitions of local entities leading to confusion among stakeholders,” just as Chairman Cardin said, “and potential conflicts between localization objectives and USAID development goals.”

I think that that is a clear-eyed acknowledgement of the challenge that we have to look at and, again, it takes me back from a business background.

Let us take a look at what has worked, and Dr. Deborah Birx and Dr. Bill Steiger wrote a report that was published by the George W. Bush Institute just last month, and I am going to use a quote from that. “Fewer than 15 percent of the prime recipients of PEPFAR funds managed by AID were local partners in 2016, but by 2021, USAID transitioned more than 63 percent of its worldwide PEPFAR awards to these local implementers and it is on track to hit 70 percent this year.”

I think if we talk about what the next steps might be, let us take a hard look and understand what worked and what has not worked in the past and see if we can learn from that.

In that spirit, I look forward to hearing from the witnesses today from both panels and I am certain that we will have a very productive conversation.

Mr. Chairman, back to you.

Senator CARDIN. Thank you, Senator Hagerty.

Senator Ricketts, I want to, first of all, welcome you to our subcommittee. We have already welcomed you to the full committee, but welcome to the subcommittee.

Senator Coons, who chairs the relevant subcommittee in Foreign Ops, has a lot of demands. Thank you very much for being part of this subcommittee. I appreciate it very much.

Our first witness is Michele Sumilas, who was the assistant to the administrator for the Bureau of Policy, Planning, and Learning and is USAID’s lead on implementing the localization initiative. She served as executive director of Bread for the World, an anti-hunger Christian advocacy organization.

She also brings to the table her government experience serving as USAID chief of staff and deputy chief of staff during the Obama administration and earlier service on the staff of the House Subcommittee on State and Foreign Operations.

I learned this morning that she has roots in Baltimore. Welcome.

STATEMENT OF MICHELE SUMILAS, ASSISTANT TO THE ADMINISTRATOR, BUREAU FOR POLICY, PLANNING, AND LEARNING, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT, WASHINGTON, DC

Ms. SUMILAS. Thank you, Chairman Cardin, Ranking Member Hagerty, distinguished members of the Subcommittee.

USAID is grateful for the support of members of Congress on advancing a more localized approach to achieve sustainability and

greater impact from our foreign assistance investments. I appreciate the opportunity to appear today to share our work.

When she articulated her vision for USAID, Administrator Samantha Power said, “Never before have our fates been so intertwined with those of people around the world. So, accordingly, it is imperative that we work hand-in-hand with local communities as we address both chronic and acute development and humanitarian challenges to achieve progress that outlives our investments.”

This not only furthers our localization agenda, but it also strengthens the NGOs to be voices for democracy, anti-corruption, and transparency in their own countries.

For USAID, localization refers to the actions and reforms we take to put local actors at the center of our work. Localization is a whole-of-agency effort to understand local systems and our role within them, to address barriers to pursuing equitable locally-led development, to reevaluate our risk posture while continuing to safeguard taxpayer resources, to incentivize staff to work more closely with local partners, and to build greater support for localization among our key stakeholders, collaborators, and partners.

We want to reiterate as well that we see a continued key role for our existing partners, including international NGOs, U.S. small businesses, contractors, multilateral institutions, and the private sector.

Collectively, we are working to change the power dynamics between donor organizations and those with whom we work. We want to ensure a seat at the table for local actors, especially those representing women, girls, historically marginalized communities, and others.

Localization is fundamentally about putting local context, aspirations, dynamics, organizations, and change agents at the center of our programming.

It is about recognizing that development agencies such as USAID do not direct or drive change. Rather, we support and catalyze local change processes.

To do this, we want to shift more leadership and ownership, decision making, evaluation, and implementation to local communities who possess the capability, connectedness, and credibility to propel change in their own communities. This is part of what Administrator Power calls our commitment to Progress Beyond Programs.

To institutionalize this agenda, Administrator Power established two high-level targets. By 2025, a quarter of our funding will go directly to local actors, and by 2030 at least half of our programs will create space for local actors to exercise leadership over priorities, activity design, implementation, and defining and measuring results.

Next month, we will release our first localization progress report that will include the 2022 data for direct local funding and it will also articulate the definition and methodology for the second target as well as for the first target.

We see the two targets as complementary. Whom we partner with is a key measure of localization, but direct funding is only part of the story.

More broadly, opportunities exist to advance local ownership across all types of relationships with local actors, whether they are

direct recipients of funding, sub-partners on a USAID award, participants in a USAID program, or members of the communities where we work.

We need to track how we work to create those decision-making opportunities. This new target has been informed by consultations with USAID staff, partners, and local organizations themselves.

On the issue of direct measurement, we acknowledge the complexities of defining a local entity and have been working with stakeholders to make this target as accurate as possible.

Our goal was to come up with as good a proxy as possible while minimizing the reporting burden on staff and our local partners by maximizing our automated systems.

Finally, as part of all these efforts on targets, missions and operating units will set direct funding targets for future years and we will share more about these targets soon.

I also want to flag that our target of 25 percent of funding is a global target and so in some missions there will be—70 percent of funding will go to local organizations and in other missions, depending on where we are working, as you said, Senator Hagerty, we may have 2 or 3 percent going to local partners. It has to be based on the local context.

While we measure our progress towards increasing locally-led development, we will remain focused on impact.

Increasing our impact through locally-led development is the ultimate reason we are committed to this. Engaging with local partners and communities will create deeper development outcomes, safeguard our investments, and advance the Sustainable Development Goals.

While the measurement development process has been ongoing and has received lots of attention, we have also pressed forward with other reforms.

We are pushing forward a whole-of-agency change management process including reforms to business practices built on lessons learned and ongoing engagement with current and prospective partners, and this is what is different about this effort from USAID Forward. We are looking at all of our systems and making changes.

We have released a new updated Risk Appetite Statement and implementation plan. We have updated our Agency Learning Agenda to make sure we are assessing our progress and making changes along the way. We have established a Localization Playbook, which is an internal document for our staff, and, finally, we have a new Local Capacity Strengthening Policy.

Last week, we released a new Acquisitions and Assistant Strategy. The Strategy has three core focus areas. The first focus is on our staff, the second commits to streamlining cumbersome acquisitions and assistance processes, and the third focuses on lowering barriers to engagement. We have been seeking input on all of this from everyone.

Finally, I just want to flag that we are also reducing hurdles to accessing USAID information and in November.

Senator CARDIN. You can finish your comment.

Ms. SUMILAS. We launched the *workwithusaid.org* website, which provides additional information for local organizations, which has

been used by over 200,000 new users. We also just added a sub opportunities portal to the website.

I just want to flag, and I hope I will have a chance to talk about Centromérica Local, our Africa Localization Initiative, and some of the work being done in our country missions.

Finally, we look forward to working with you and I want to thank the Appropriations Subcommittee and all of Congress for the additional resources provided to hire new staff. Many of these staff will be making these changes that we are talking about, and I look forward to talking about specific legislative changes that we would seek in the new Congress.

Thank you so much, and I look forward to answering questions.
[The prepared statement of Ms. Sumilas follows:]

Prepared Statement of Ms. Michele Sumilas

INTRODUCTION

Chairman Cardin, Ranking Member Hagerty, distinguished members of the Subcommittee, thank you for inviting me here today to testify about the United States Agency for International Development (USAID)'s efforts to promote locally led development. We are grateful for the support we have received from you and other Members of Congress on the need to advance a more localized approach to achieve sustainability of our investments and greater development impact.

When she laid out her vision for our Agency, USAID Administrator Samantha Power said, "never before have our fates been so intertwined with those of people around the world." Acknowledging this, it is imperative that we work hand in hand with local communities as we strive to address both chronic and acute development and humanitarian challenges and achieve progress that outlives and outlasts our investments in time-bound programs. The communities in which we work have unique priorities, knowledge, lived experiences, and aspirations. Through collaboration with USAID, this local expertise can shape the investments of foreign assistance and greatly increase its impact. Creating space for local actors to exercise leadership is a smarter, more efficient use of development and humanitarian resources. In the spirit of "Progress Beyond Programs," working with and through local actors and leaders creates impacts and sustains progress long beyond the period of performance of a single award or program.

As we take steps to realize this, we are urged along by a wide range of stakeholders. Members of Congress, our international and local implementing partners, and community-based organizations in the countries where we work have all expressed their support for enhancing locally led approaches and working with us to create a more inclusive vision of development and humanitarian assistance. We see a collective imperative to recognize and change power dynamics—to ensure that we utilize the expertise of local actors—including, notably, those who represent and have the confidence of historically marginalized communities and groups. Our work must continue to support these local changemakers to drive progress in their own communities.

For USAID, localization refers to the actions and reforms we are taking to put local actors at the center of our work to advance locally led development and humanitarian relief. Localization is a whole-of-Agency effort to understand local systems and our role within them; take specific actions to make USAID more accessible to local actors; address barriers to pursuing equitable locally led development; re-evaluate our risk posture while continuing to safeguard U.S. taxpayer resources; provide incentives to staff to work more closely with local partners; and build greater support for localization among our key stakeholders, collaborators, and partners. We will also continue to work hand in hand with existing implementing partners, private sector actors, international NGOs, U.S. small businesses, multilateral institutions, and philanthropic foundations to complement, promote, and increase our locally led development efforts. We need to make sure we are building on the unique resources, skills, and networks of all actors in the development and humanitarian system, and do so in a way that supports and creates the conditions for local actors to lead their own progress.

I'm honored to represent USAID today and share some of the progress that we've made toward more locally led development.

MEASUREMENT AND METRICS

Administrator Power has set out two high-level targets for our localization efforts. The first is that by FY 2025, a quarter of USAID's funding will go directly to local actors. The second, which is of equal importance—or maybe even higher importance—is that by 2030, at least half of our programs will create space for local actors to exercise leadership over priorities, activity design, implementation, and defining and measuring results. In the next month, we will release our first localization progress report that will also include our first year of data for direct local funding as well as the definition and methodology for a new metric for tracking local leadership. But today, I'd like to preview how these measures relate to each other and why, together, they are important for tracking our progress.

We see these two targets as complementary. On one hand, *who* we partner with is a key measure of localization. And it is one USAID has used in the past. But direct funding is only part of the story. Channeling funding to local partners can be done in ways that create more or less space for local actors' agency and decision making. And, more broadly, there are opportunities to advance local ownership across all types of relationships with local actors—whether they are direct recipients of funding, sub-partners on a USAID award, participants in a USAID program, or members of a community affected by USAID programming. So, while control of resources is an important aspect of ownership, the power to meaningfully influence key decisions about how development happens for your own community is at the heart of locally led development. On the other hand, we need to track *how* we work to create those decision making opportunities. This new metric is informed by consultations with USAID staff, partners, and local organizations themselves.

On the issue of direct measurement, USAID acknowledges the complex nature of measuring what is considered a 'local' entity and has been working with stakeholders to make this metric as accurate as possible. We also recognize there are several ways to measure direct funding to local organizations. Our goal was to come up with as good a proxy as possible, while minimizing the reporting burden on staff and local partners by using automated systems to the maximum extent possible. At the time of the launch, USAID was able to ascertain that our direct local funding was 6 percent in FY 2021 (this has since been revised to 7 percent) and we will be using this data as our baseline. This year, all USAID operating units were asked to review the 2022 data to ensure its accuracy, resulting in many changes following the initial data review.

We are also asking all Missions and operating units to set targets and we will plan to share more about those in the coming months. We are initially focused on establishing targets for the direct local funding indicator, but we will also ask Missions and operating units to set targets for local leadership after we pilot the new measure this fiscal year.

While we measure our progress towards increasing locally led development, we understand that we need to remain focused on impact. Increasing the impact of our investments through locally led development is *the reason* we are committed to this work. Taking the opportunity to engage with local partners, communities, and leadership will create deeper development outcomes and safeguard our investments.

While the measurement process has been underway, we have not been waiting to move ahead on the goal of creating space for local leadership in our work. Here in Washington, we have been making fundamental changes to our business model and investing efforts across the Agency to ensure we reach our localization goals and institutionalize the business practices that facilitate successful investment in local organizations. Our missions are also moving forward. For example, USAID/Nepal has already committed to co-create 100 percent of its programs with local actors, at every step of the way, from the concept stage to measuring and evaluating results. Early support from Congress has made this possible and we want to recognize and thank you for your partnership and assistance in support of this goal.

Additionally, please note that our efforts to expand engagement with local partners will in no way jeopardize our strong commitment to close oversight and monitoring. We remain fully committed to safeguarding U.S. foreign assistance, promoting effectiveness, efficiency, and accountability, and preventing fraud, waste, and misconduct.

INTERNAL REFORMS TO SUPPORT OUR LOCALIZATION GOALS

Achieving our localization goals requires a whole-of-Agency change management process, including reforms to our business practices. These reforms are built on lessons learned from our previous efforts to expand engagement with local partners, as well as ongoing engagement with both current and prospective international and local partners to understand their needs and perspectives.

A central strategy that is driving our reform process is our newly-released Acquisition and Assistance Strategy, or “A&A Strategy.” The strategy’s overarching goal is to ensure our A&A practices enable sustainable, inclusive, and locally led development, and it has three categories of commitments in pursuit of that goal.

First, the strategy focuses on our staff. Through efforts to improve hiring, training, and retention, we will enable, equip, and empower USAID’s A&A workforce to engage with local organizations who are unfamiliar with U.S. Government and USAID requirements and often need more accompaniment through the process. Special attention is given to hiring and retention approaches for foreign service national (FSN) A&A staff who, with their in-country connections, continuity at post, language capabilities, and professional skills, will be central to advancing localization.

Second, recognizing that our award process can be cumbersome, the A&A strategy commits to streamline our A&A processes and automate repetitive tasks so USAID staff and partners can spend less time on paperwork and more time on developing partnerships and delivering development results.

And third, the A&A Strategy focuses on lowering barriers to engagement with USAID for all partners, but with particular attention to local organizations. The strategy highlights efforts such as using more proactive communications to reach local partners; using more flexible, adaptable, and simple award mechanisms; expanding the use of less-than-full proposals up front and phased competitions; expanding opportunities for local partners to engage in A&A processes in languages other than English; making it easier for Missions to limit competition to local partners; and exploring more ways to help local partners recover their indirect costs.

We are already making progress. For example, USAID missions in Northern Central America have ramped up their efforts to reach out to potential new local partners, including through targeted outreach in English, Spanish, and local Indigenous languages. And several Missions are supporting a pilot for “last mile translation,” wherein final applications are translated into English (a regulatory requirement) from local actors who operate primarily in languages other than English.

We released the A&A Strategy earlier this week along with a draft implementation plan. We are seeking input from internal staff and all our partners to shape and inform our efforts. We hope to tap into local organizations’ expertise on how to implement the objectives in the A&A Strategy, asking for their input to identify the barriers local organizations face in partnering with us, beyond those we are already addressing.

One topic on which we anticipate significant input and discussion to find a solution is the requirement to obtain a unique entity identifier (UEI) and register in the System for Award Management (SAM), which is a U.S. Government-wide system designed for U.S. entities. USAID staff and local organizations consistently highlight challenges with the UEI/SAM process. For example, there is a requirement that documentation in the entity validation process be submitted in English; this is a huge barrier for many local entities whose operations—and documentation—are in other languages.

In addition to reducing the procedural requirements to access USAID funding, we’re also reducing the knowledge barriers that have historically impeded local organizations from working with USAID. In November 2021, we launched the *WorkwithUSAID.org* website to help development organizations expand their knowledge and networks. Since its launch, over 200,000 new users have visited the website and more than 3,700 entities from more than 90 partner countries have registered in the Partner Directory. Of these entities, more than 60 percent self-identified as “local.” The platform also includes resources in nine different languages.

The newest feature on the platform centers around a popular topic in the development community: sub partnership opportunities. A Sub-Opportunities Portal has been added to the website, which shares opportunities being offered by USAID’s prime implementing partners, who are seeking subcontractors or subawardees when they need specialized expertise or on-the-ground support. For current USAID prime partners, the new page will raise the visibility of their subaward and subcontract opportunities, allowing them to access a wider pool of qualified potential partners. And for these potential partners, the page will provide visibility into more ways to get involved.

The team is working on additional enhancements to the website, including a funding opportunities feed that will pull all “live” USAID-specific opportunities from *SAM.gov* and *Grants.gov* into one place, making it easier for potential partners to locate solicitations. Finally, we are working to translate the entire platform into multiple languages, prioritizing Spanish, French, and Arabic.

REGIONAL INITIATIVES

While all USAID Missions are exploring opportunities for expanding their engagement with local partners and other local actors, regional localization initiatives offer targeted and expedited opportunities to expand engagement with local partners.

Launched just over a year ago, Centroamérica Local is a 5-year, \$300 million initiative to engage, strengthen, and support local organizations in El Salvador, Guatemala, and Honduras to lead programs to advance sustainable and equitable economic growth, improve governance, fight corruption, protect human rights, improve citizen security, and combat sexual and gender-based violence in line with the U.S. Strategy for Addressing the Root Causes of Irregular Migration in Central America. Under the program, USAID missions in the region are expanding outreach to local organizations, including indigenous and women-led organizations, using procurement flexibilities to make partnership opportunities more accessible to local organizations. We are now directly supporting more than 20 local partners in El Salvador, Guatemala, and Honduras.

The Africa Localization Initiative is our second regional initiative and will build on the consistent investment that region has seen over the years, particularly in health and food security. The initiative will be a targeted effort in which USAID Missions identify opportunities and the support and flexibilities necessary to take advantage of those opportunities. We are focused on understanding what Missions need to expedite these efforts.

GLOBAL LEADERSHIP IN LOCALLY LED DEVELOPMENT

And finally, we recognize that USAID is a powerful player in development and humanitarian spheres. We want to use our voice, power of example, and partnerships to encourage others to also advance locally led development. We are seeing new momentum around reimagining the business of foreign assistance, and we want to help push that forward.

To date, USAID is the only international development donor that has made clear, measurable commitments for how it will hold itself to account for making progress. But other countries are also invested in making their work more locally led.

That is why USAID is working with other donors on shared commitments and approaches for increasing locally led development. In December, during the Global Partnership for Effective Development Cooperation Summit in Geneva, I announced that the USAID and 14 other bilateral donors agreed to a new joint statement on supporting locally led development.

The joint statement outlines specific commitments on behalf of the joining donor institutions to: (1) shift and share power with local actors; (2) channel high quality funding as directly as possible to local actors; and (3) use our voices to advocate for locally led development.

Building on previous international commitments, this statement provides a strong collective statement of donor commitments to localizing development, humanitarian, and peacebuilding cooperation, with a particularly important focus on power dynamics. Together, we will work toward actualizing these commitments, and will continue to advocate for other donors, philanthropies, and multilateral organizations to join us in these efforts.

CONGRESSIONAL FLEXIBILITIES

We are grateful for the support and enthusiasm we've heard from our partners and advocates in Congress for advancing a more localized approach to development and humanitarian assistance.

We look forward to working with this committee to advance reforms and tackle the constraints involved with scaling up localization, including those related to current statute or regulation. In particular, we are interested in pursuing changes to how U.S.-centric requirements, such as SAM registration and compliance with certain accounting and audit standards, are applied to partners overseas.

I'd like to thank the committee for the increased funding for 270 new direct hire staff and 33 Foreign Service National staff in the FY 2022 and FY 2023 appropriation funds. Through our multi-year Global Development Partnership Initiative, we hope to continue to work with Congress to grow the permanent Foreign Service workforce to 2,500, the Civil Service workforce to 2,250, and hire 206 Operating Expenses-funded Foreign Service Nationals.

Flexibilities are central to advancing locally led development, and an example from a Local Works program in Burma illustrates why. In Burma's Kachin State, USAID/Burma had been working with international partners to address high HIV rates, which were driven, in part by a complex, heroin epidemic. The Mission's ear-

marked funds, however, did not allow for activities that addressed the complex socioeconomic factors underpinning the drug epidemic. The Mission was able to use Local Works' flexible funding to listen to local actors—including faith-based and youth organizations, women's groups, the private sector, and others—and then design programming with these organizations based on how they defined the challenge and their envisioned solutions—a strategic, sustainable approach to the complex nexus of the HIV and drug epidemics.

We also hope that future legislation can support the New Partnerships Initiative (NPI), which helps improve the Agency's ability to partner with new, non-traditional, and local partners. To note one example of NPI's success, I'll highlight USAID/Nigeria which bought into multiple NPI mechanisms to channel hundreds of millions of dollars through awards to new and local partners. Despite a challenging security environment, the Mission currently has 16 awards to local partners with a value of \$538 million.

In addition, we hope that any new legislation will support our efforts to apply a localization lens to all of our work, whether that's by making USAID more accessible to local partners or by removing barriers to help USAID and our traditional implementing partners work in different ways with local organizations. USAID looks forward to continued dialogue on the specifics of these reforms in the coming months.

CONCLUSION

Thank you again for the opportunity to speak with you today. USAID hopes to continue collaborating closely with Congress to lift up a diverse chorus of voices within and outside of the Agency to create a more secure and prosperous world. I welcome your questions and comments on USAID's leadership in driving locally led development.

Senator CARDIN. Thank you very much for your testimony. Today is the day that the President will be submitting his budget, so it is appropriate, first, that we start on workforce issues.

In the last Congress, as I mentioned earlier, Senator Hagerty and I made a priority of issues within the State Department.

Part of that was training, that we felt that we needed to up our game on training. The challenge is that there were not enough personnel to substitute as Foreign Service officers did their training mission. It was a budgetary issue from the point of view of the number of personnel.

USAID uses a lot of local contractors and grants and they are very valuable to you accomplishing your mission. We recognize that. I do not want to minimize any aspect of the tools that you have available.

Do you have an adequate number of Foreign Service Officers—the FSOs—to be able to transition to more being done at the local level where you are going to need to deal with financial responsibility and accomplishing missions, et cetera?

Do you have the personnel in order to implement a transition to 25 percent localized?

Ms. SUMILAS. Thank you so much for the question, and I will say that we do not have enough staff and we are working on increasing that. We thank the Committee and the Congress for the additional resources for additional staff in the 2022 and 2023 bills, and you will see the 2024 budget request asks for further staff.

Those staff will be focused primarily on contracts—contracting officers in the field and we are working also to work much more closely with our Foreign Service National staff to provide opportunities for them to also serve as contracts officers.

Currently, we have, I believe, somewhere around 20 or 30 contracts officers who are Foreign Service Nationals and we are looking to significantly increase that number at the mission level.

They have the context and the ability to ensure that we are working most carefully with local partners. We appreciate the support you are providing.

This is an iterative process and we are being very careful about protecting taxpayer dollars, putting in place lots of checks and balances to make sure that resources are going to the right local partners in the right way with the right oversight.

Senator CARDIN. I want you to elaborate more on the protections to the taxpayers. As we do more and more localization, explain to me how you will be able to ensure that we have the appropriate mechanisms in place for the proper use of taxpayer dollars and that you have an accountability system that this is the most effective way for us to achieve our development goals.

Ms. SUMILAS. Thank you very much for the question. This is something that is very much on our minds.

One, I just want to be clear that the requirements for local organizations will be no different from the requirements for large NGOs that are U.S.-based or international NGOs.

Local partners will be required to meet our audit requirements. They will be required to have a monitoring and evaluation plan and we are setting up processes at the mission level to make sure that this will all be in place.

We are also working on creating new support mechanisms both for USAID mission staff, as well as organizations in the field to help them build up their accounting systems, their HR systems, and their monitoring and evaluation processes.

I think we would also flag that there is no evidence that local organizations are any more corrupt or use resources in a way that is not consistent with their award more than any other partner that we have.

What is often the case is they do not have the same level of information that our international partners and our U.S.-based organizations have. There are instances where they may take an action that seems like it is inconsistent with our auditing practices, but it is a knowledge issue. It is generally handled very carefully.

The other thing we are putting into place is new award types. We are doing fixed amount awards, which are based on progress towards goals in the grant or contract.

For example, if I am a small organization, I will have milestones that I need to reach before resources are released to me and I will have to provide receipts and accounting for all the resources that I am using.

We are working very closely to put this all into place. I would also just flag the new Acquisitions and Assistance Strategy that was released this week.

We have an implementation plan to go along with that and we are building systems in missions and in Washington to help support these local organizations to meet our requirements.

Senator CARDIN. I just want to underscore the point that Senator Hagerty made about PEPFAR.

Many of us have been to countries that have been the recipients of PEPFAR dollars and we see the local capacity to deal with health challenges that was just not there before, COVID-19 being one, how PEPFAR countries were able to do a much more effective

job because we built up the capacity through PEPFAR that they are handling health care issues and the sustainability.

I would hope that you could get—and you do not necessarily have to answer at this moment, but if you could get back to our committee other areas where capacity building could give us the same type of results that we saw from PEPFAR, so we make the investments in building up local capacity where we think we will be able to see big dividends in the future with a country being able to handle their needs rather than needing international assistance. I think that would be very helpful to us.

Ms. SUMILAS. Thank you, Senator Cardin. We will get back to you with more details on that.

One thing I would just flag. The reason PEPFAR was successful is they really took a systems-based and whole-of-initiative approach to doing this. From the very beginning, working with local partners was a priority. That is why this initiative is really focused on our systems and the ways we work to make sure it can be successful.

Senator CARDIN. Thank you.

Senator HAGERTY.

Senator HAGERTY. Thank you, Chairman Cardin.

I will come back to you, Assistant Sumilas. First, thank you for being here today.

I would like to ask you a foundational question about localization, and Senator Cardin touched on this in his opening remarks, but it is how you define localization.

In your prepared testimony—I am just going to cite it—you say localization is, “the actions and reforms we are taking to put local actors at the center of our work to advance locally-led development in humanitarian relief.”

I think I understand that, but I want to contrast that with how the Chinese Communist Party handles their diplomacy, how the CCP handles their foreign assistance and their infrastructure development overseas, and in that regard, it is predatory. It is corrupt. They take advantage at every turn they possibly can. It is coercive. It is often very big and it is always marketed as “made in China.”

In some parts of the world I feel like the CCP is outcompeting us by the fact that they play by a different set of rules. When I served as ambassador to Japan, I had to think about all of our efforts through the lens of our strategic competition with Communist China every single day and it certainly shaped how I had our embassy work with JICO, which is the Japan International Cooperation Agency, the Japan Bank for International Cooperation—JBIC—which we worked with constantly, how we worked with them on foreign development and assistance projects in the Indo-Pacific region. I always had to put that lens on it, how we are competing with China.

I would like to come back to you and ask you how USAID sees its localization efforts fitting into President Biden’s overall National Security Strategy and, in particular, how localization is going to support our strategic interest as we work in the areas where you are deploying your resources.

Ms. SUMILAS. Thank you, Senator Hagerty, for that question, and I think we believe that the localization agenda fits very squarely

within the efforts to counter, compete, and cooperate, if possible, with China.

USAID is very much a part of this agenda. We are the ground game for the United States Government in terms of working with our partners in-country.

We believe that working with local partners and really creating a new relationship with civil society, with governments, with the private sector, and other partners in the country will demonstrate that we support a transparent, a cooperative, and a collaborative way of doing assistance.

We hold countries and ourselves accountable for results. We work closely and we listen to local voices. We lift those up and make sure they are part of the conversation.

This is very much about working with our partners, listening to them, having them see that we listen to them, and that we are meeting their local needs and their aspirations.

Senator HAGERTY. One aspect of the localization concept that I think is inspiring in this regard is the fact that you are going to get closer to the people that you are serving and I would love to hear your thoughts on how you market the fact that it is the U.S. that is delivering these resources and that it is the U.S. that is partnered with this local organization.

How does the public see that in the nation where you are actually working?

Ms. SUMILAS. Thank you so much for that question.

USAID has over a 60-year history of working in countries, and as you probably have seen on your trips and you will see, going forward, we very much are committed to being clear with our partners that this is assistance coming from the American people.

It is demonstrated very clearly on our logo with the hands that are clasped together, and we work within branding guidelines. Where it is safe, where it makes sense, all of our partners will be very clear that this is assistance coming from the American people.

If we choose not to brand a project, it is for very specific safety purposes and there is a waiver required, but all assistance has that logo and an American bent to it.

Senator HAGERTY. You mentioned branding requirements. It sounds like you have guidelines put in place. Do you have any reports on the effectiveness of our branding or anything of that nature that would allow us to get a better sense for how effective the branding process is?

Again, I am thinking about it contrasted to the way China does it. I would be very interested to see, and you may want to come back to me on that, but I would be very interested to understand that better.

Ms. SUMILAS. We will come back to you on that. We have very definite data and information on that.

Senator HAGERTY. Can I just get a little bit deeper into it—some examples of how you are going about the process here? One of the things that Administrator Power has said is that you need to reduce bureaucratic burdens as a key part of being able to localize with local partners.

Could you share some examples of the reforms that USAID has enacted in terms of reducing bureaucratic burdens and those type of burdens that would enable more localization?

Ms. SUMILAS. Thank you for the question. This is very much a part of our work. We are very focused on reducing bureaucratic burdens, not just for local partners, but also for all of our partners.

For example, we have made new requirements about how long the initial application for a proposal needs to be. It is now, I think, about a five-page document that local organizations need to present to us and then we will have follow-on conversations.

We are also making our work more available to all of our local partners. Many of our requests for proposals are now translated into local languages so local indigenous communities and local partners can see them.

They are in Spanish, they are in French, they are in Arabic, and we are doing that a lot as well on our new website, *workwithusaid.org*, so people can have access to that.

In addition, we are doing new awards through co-creation. We are sitting down with partners and saying here are the goals that we want to reach in your country—maybe it is a health goal, maybe it is an economic growth goal—and then working with the local partners to say how would you do this; what would make the most sense.

We are co-creating along the way and we are not asking organizations to do a ton of work on a project that maybe is not going to be appropriate to the context.

The last thing I would point to is our Acquisitions and Assistance Strategy, which was just released this week. It has a full implementation plan, which has a slew of new burden reduction efforts in it, which we will be implementing over the next year.

Senator HAGERTY. We have exceeded the allocated time here, but if I could just leave one more point in the context of something you can get back to me with, and it may be part of this acquisition strategy that you have just outlined.

If you could array where you see the low-hanging fruit in terms of the highest benefit and work down. I would love to see that chart and the impact that you think it would have.

I would appreciate that very much. Thank you.

Ms. SUMILAS. We will definitely get back to you.

Senator CARDIN. That would be very helpful, I think, for our committee. Thank you.

Senator Coons.

Senator COONS. Thank you, Senator Cardin and Senator Hagerty, for engaging in this important conversation.

As you well know in your former role of Bread for the World, your previous role as chief of staff to the administrator, and now your return role in Policy, Planning, and Learning, this is a long-standing conversation about the tension between using highly-skilled, broadly-experienced, but U.S.-headquartered NGOs that have the audit and accounting staff that understand the lingo and the process and the procurement versus having local NGO partners that then build the human resources, the administrative capacity, and are much more likely to be delivering culturally appropriate and effective solutions, particularly when the sorts of things we are

talking about are public health, which is an intensely human personal engagement.

It is one thing when you are building a highway or a stadium. It is another thing when you are encouraging people to get vaccinated or talking about maternal and child health.

This is a discussion that has gone on over decades. As I think my colleagues recognized and as you referenced, USAID works in some very difficult places that are robustly corrupt, where existing national and local government institutions are uneven, where the human resources to effectively administer programs in a way that is transparent and meets our expectations in terms of the expenditure of public dollars is challenging.

I am very encouraged by the progress you have made. I would be interested if you would talk to just a few questions.

One is you mentioned in passing a new risk appetite statement and I would welcome—having not seen or reviewed that statement—I would welcome hearing what that new statement is, what the risk appetite profile you think is, and what role we in Congress play in sending signals because my concern—and I will just reference embassy construction and security.

We had one tragic, terrible incident. There were more than a dozen hearings about it, about Benghazi in Libya, and in the years since I have seen us build fortresses remote from the centers of cities that are really focused not on diplomacy, development, and engagement, but on protection of Americans.

I understand that choice, but it was, in my view, one incident and it has had significant consequences for how our development professionals engage in countries.

Risk profiles are driven in no small part by what Congress says and does in a few instances. My hope is that you will accelerate your localization.

I just came back from a bipartisan trip to Zambia, Botswana, South Africa, and, yes, the PEPFAR experience across those countries led to significant strengthening of the NGO and national health system capacity.

Talk to us for a minute about the risk appetite statement. Tell me what, if any, additional legal authorities you think you need and what sorts of signals, whether spoken, stated in bipartisan letters, in resolutions or in legislation, would help you move towards appropriately investing more in the strengths and skills of the people who would ultimately administer a localized program.

Ms. SUMILAS. Thank you very much for the question and I appreciate you grabbing onto that one piece.

The risk appetite statement is something that we actually looked at very early in the Administration and realizing that it had been built to really look at projects and programs of several hundred million dollars.

We have updated our risk appetite statement and our staff would be happy to update you on this. We have been doing trainings with our staff around the world on this.

We are asking people to kind of look at the relative size of a grant, look at the relative experience of the organization you are working with, look at putting in ways of working together where you really can watch the flow of resources so, as I mentioned, the

milestones option. We are asking people not to put the same restrictions on grants and contracts of \$100,000 or \$500,000 that they would put on a contract or grant of \$500 million, our risk appetite statement was written in such a way that both were getting the same types of scrutiny and oversight.

Now just to be really clear, USAID is very focused on protecting taxpayer dollars. We do not intend to have this localization agenda lead to the misuse of resources and dollars. We are putting in place processes that will make that clear to our partners.

In many cases, things that are seen potentially as corruption are often just an oversight, not understanding how to keep timesheets for staff for example.

There are just different cultural differences. We are building systems and ways of supporting these organizations so that they do not get caught in those kinds of situations.

In terms of legal authorities that we would ask that the committee consider, some of them are related to this and some of them are related to other things. For example, going back to the question around resources and staff, in the appropriations bill you have given us the authority to use up to 15 percent of our program resources—for administrative and operating expenses for Centroamérica Local.

We would ask that you would consider doing that in other regions of the world because that will help us increase the number of staff more quickly, help us hire more Foreign Service National staff, which is a very big priority of the administrator, who really know the local context, local organizations, and can assess where the risk is.

We would also ask that you consider additional flexibilities such as multiyear or no-year money. There is a lot of work that we do that is really very focused on getting money obligated and spent. We do want to spend our resources in a very constructive way, but that often leads us not to work with local partners who require more accompaniment as they understand how to work and follow our rules.

In Centroamérica Local, you also have included legislative language where you give us some flexibility in how quickly those dollars need to be spent.

We thank this committee and others for continued support for the New Partnerships Initiative and Local Works. These are very important mechanisms that we have and we are looking at lessons learned internally from those two specific initiatives and applying them to our new way of doing business.

Finally, one additional thing that we are working on is infusing localization across all sectors of work. This is not just about doing localization on climate change or health or education. It is across all of our work.

We want it to be the first way we work with partners in countries and so we need flexibility on sectoral earmarks. In some countries, in order to address their issues, countries need resources to work on education versus water and we are very restricted on this due to the sectoral earmarks.

I will stop here because I think I am probably over time, but I do have an example—a country example—that might be helpful in that context.

Senator COONS. Thank you, Michele. I would welcome hearing that from you.

Mr. Chairman, I regret I have to go. You have some very talented people behind you who I just wanted to give my best regards to and I know you will get remarkable testimony from Bill O'Keefe, among others, and so I look forward to staff sharing the testimony that you will deliver today.

Great to see you. Thank you very much.

Senator CARDIN. Senator Ricketts.

Senator RICKETTS. Thank you very much, Mr. Chairman.

Ms. Sumilas, thank you very much for joining us here today. I have some experience—a little bit of experience with development in Nepal.

There is a foundation there called the dZi Foundation that has been there a long time and they are, in my opinion, very successful because they work with local partners. They are not working with USAID.

Their model is that they go to a village. They ask what the village wants, whether it is toilets, water, school, some—in one case it was a grocery store, and they partner with the village to ask them what they want and then require the village to put in 50 percent of the sweat—put in the sweat equity, essentially, to be able to build whatever they want and then they provide the materials to be able to get it done.

In my opinion, it has been very successful. It is—one of the things that they, for example, were able to do in one small village that was about 5 days from the nearest road and about 2 days from the nearest airstrip by walking because that was the only way to get there—there was not any roads or any other way to get there, at least at the time and this was in 2008—they were able to build a school for about \$17,000.

I came back a few years later and USAID had built a hospital there, my recollection—you got to take this with a grain of salt because this is what I was told at the time and I do not know how accurate it was, I never followed up with it, so just taking a ballpark—of, like, \$250,000 or \$500,000.

To me, I was, like, how could you have possibly spent that much money. Granted, it was a hospital, not a school so it was a little different, but when we took the tour, it did not look that different, right. This is very rural Nepal. Very remote in Nepal. Hard to get to.

I think that the opportunity to be able to be more effective and more efficient and use local partners is really a good idea.

My question is more along the lines of, do you have a model, like, what the dZi Foundation does where you can—rather than parachute in and say, hey, I am going to give you blah, blah, blah—a hospital—do you work with the local places where you want to do development, ask them what they need, and then require them to put in some of the sweat equity to some of the—actually in some of the work so they have got a buy-in and ownership?

I know one of the things the dZi Foundation did that was very successful is, like, for example, when they build a school they require the village to form a PTA to hold the teachers accountable because generally the teachers come from Katmandu and they were not keen on staying there.

They really worked with the local community to make sure that the community could then run that operation afterwards and be successful.

Can you just tell me a little bit about how you think about this localization effort from a tactical getting it done, working with the local community?

Ms. SUMILAS. Thank you so much for the example and I love that you actually have a country example because I think that is really what makes this all come alive.

A couple of things I would say. One is that we do a lot of work with local communities and we are trying to get our staff to do more.

One is we are doing a lot of co-creation. If we know that we are working on a water project in a particular part of a country, we will reach out to local communities. We will talk to local NGOs, local governments, the national government in many cases, and ask what way of doing this work would work the best.

I will say and going back to the conversation I just had with Senator Coons, in some countries we are restricted on the types of programs we can do because of the limitations on the kind and flavor of money that we have. Be happy to speak to you about that.

That does limit us. In some countries, we only have money to do certain sectoral projects and no other projects.

Let me give you two examples, perhaps. In Kenya, we are working with county governments and developing MOUs with their 25 counties—we currently have MOUs with 11 counties—to say what are your priorities as a local government and how can we help support that.

That effort is run and overseen by our Foreign Service Nationals who are from those counties. In many cases, we are trying to then take the money that we have depending on the flavor of it and apply it most appropriately to those county priorities, working also with local civil society.

We have a project in Honduras. It is called the Genesis Global Development Alliance, which was co-created and is being implemented by a local private sector foundation, very much probably like your dZi Foundation. It is called FUNADEH, and in that project we are working to increase opportunities for vulnerable populations including youth and returned migrants to provide economic growth opportunities, education, training, and capacity strengthening.

Our support for that project has leveraged an additional \$14 million that the private foundation was able to raise on a yearly basis, it will be reaching 75,000 children.

As I said earlier, the administrator has a new vision for our work, Progress Beyond Programs, which is to say we have program resources, but how can we leverage those resources either from local foundations, local governments, other donors, other founda-

tions here in the United States, to really amplify the impact that we can have. We are working very carefully to do that.

Senator RICKETTS. All right. Great.

Well, I will note I am over time. I just wanted to add one little note as well. When the dZi Foundation, for example, was building the school, one of the things they did is they posted everything, getting back to your idea of transparency.

They posted on a board so all the villagers could see it, how much sweat equity had been put in by whom in the village and then how much money had been allocated to the village and how it was being spent. It was not just given all the time—given all at once, and the materials that were delivered and that sort of thing.

Again, just I think there is maybe things to be learned from some of these small nonprofits that are doing development work in these countries because they have to be accountable for their dollars as well when they are getting it from private donors.

Anyway, just food for thought. Thank you.

Senator CARDIN. Thank you, Senator. That was very helpful.

Senator Booker.

Senator BOOKER. Sir, were you going to pass me the power and let me preside while you go down the hallway to another meeting? I was hoping to have the power, sir.

[Laughter.]

Senator BOOKER. As a junior senator from New Jersey, I rarely get such moments.

[Laughter.]

Senator CARDIN. You are going to have to wait a little longer, I am afraid.

Senator BOOKER. Story of my life in the United States Senate. Wait.

Let me just, first off, by saying what an extraordinary career you have had. You have dedicated your—you do things that would make most Americans truly proud, but most Americans have no idea the kind of impact you are making on the globe, and I know you have a team of those kind of folks.

I just want to say—start off by saying how deeply grateful I am for the work you do for humanity and in the name of the United States. You make us a stronger nation.

I still remember when General Mattis was here and said that famous quote, “If you cut the State Department, I am going to need you to buy me more bullets,” and when you are doing things in countries that stop the things that often cause political instability, people do not realize that the dollars we expend in the programs that you do, we get a big significant return for that as well. Thank you for just being that kind of patriot for our country.

I loved your testimony. You had a whole section at the very end very gently trying to say to us where you need us to act. I want to end with that, if I can foreshadow sort of on your—what you call it. I think that your section was called the congressional flexibilities. I want to end with that.

I want to talk about—and I was so interested in hearing Senator Ricketts. I have a lot of my friends who do philanthropy on the subcontinent of Africa, on the—excuse me, on the sub-Saharan Africa and one of my friends who has led major corporations of names

we know who is really now dedicating his life to that work is frustrated because he—they de-Americanized their organization to stop the sort of colonial, to really get local legitimacy.

They only have one or two Americans now involved in this organization and he has frustrations that they have to go through a subsidiary that takes a pretty high vig, which he thinks is an obnoxious amount of money, just to get USAID grants, so even less of it is going to the folks.

This idea of localization, I am just wondering in that context of how do we—again, he has done all the research. He has found some—an organization that gets the highest bang for his philanthropic buck, but he is wondering why American taxpayers are not able to get their money to get the highest bang. They get it reduced by this amount of folks.

I am wondering what are the—what is the hope I could give someone like that who is just wondering why USAID is basically saying, we cannot give to you?

Ms. SUMILAS. Thank you, Senator Booker, for that and I will just say that Senator Cardin called out my Baltimore roots, but I have also spent every summer in South Jersey, so I have deep Jersey roots as well.

[Laughter.]

Senator BOOKER. You are reaching and I respect that.

[Laughter.]

Ms. SUMILAS. I am just seeking a little grace here.

I think this initiative is what you should share with your colleague. We are working to move significant amounts of money to local organizations.

We are currently at about 6 or 7 percent. Later this month, we will release the report and we will have new numbers, but this is about finding the organizations like the one your friend has been working with and saying, how can we work with you better, what kinds of support can we give you on the back-end in terms of accounting, auditing, human resources, etc., to make you eligible for the resources that we have.

This effort is reaching as far as we can. As I said, the *workwithusaid.org* website is a very strong resource. Over 200,000 new users have come on. Of those, many of them, I think, over 60 percent are local organizations and it will have lists of opportunities for people to apply for local grants. I just want encourage them.

Also, we are working with our missions and our mission leadership to urge them to get out of the fortresses that Senator Coons was speaking about into local communities, working with local people, and hearing about effective local organizations.

This is the hope and we hope that people will apply, will receive resources, and then this will be more sustainable development.

Senator BOOKER. Great. One of my best friends of life is actually a very conservative individual, gives lots of contributions to my friends on the other side of the aisle, but his philanthropy and one of the reasons I love him is he was looking for the best ways to make a difference with his dollar and he finds it is local health systems in Africa.

One of my heroes in America, a guy named Ron Finley, says in South Central we have drive-bys and drive-throughs, and the drive-throughs are killing more people than the drive-bys because the number-one killer of our own population in the United States are issues that deal with health.

The USAID's localization efforts are really focused on strengthening health systems and helping the communities have the resources and the ability to continue their global health progress.

In particular, what is being done to support and equip local health workers who are really the frontline of the defense not only in stopping death at rates that are often other issues, even wars, do not amount to, but also my concerns are global pandemics, are local issues here in America, as well as global issues that we see in developing countries?

Ms. SUMILAS. I am going to bet that my colleague, Bill Steiger, is going to give you lots of strong examples of how the Global Health Bureau and PEPFAR are working very closely with local partners.

What I would say is the Global Health Bureau is very focused on local health workers. There will be an initiative, I believe, in the proposed budget coming out later today from the Administration that focuses on how can we strengthen local health workers, how can we make sure they are paid, they are resourced, they are trained to do what they have been asked to do.

The Global Health Bureau has taken a specific interest in the localization initiative. They are holding conferences, trainings, discussions with their local partners and with their local staff and U.S. Foreign Service Officers to talk about how they can increase their percentages as PEPFAR has done. There are common denominators across all that work and we look forward to being part of that effort.

Senator BOOKER. In my time, I am trying to be more like Senator Hagerty and less like Senator Coons—you guys can tell them I said that—in going over my time.

At risk of now pushing the chairman, could you just end—if you had two big wishes as we are doing this, just for the record, just reemphasize maybe perhaps from your testimony, what would be the two big wishes you have from us as we look towards our legislative role?

Ms. SUMILAS. These are not approved by OMB, but I will put them out there—

[Laughter.]

Ms. SUMILAS. —and you all can help me later.

First, I would say we would ask for the ability to use up to 15 percent of program funds for administrative and operating expenses so that we can further support the localization effort. I think that is very, very important.

Then I think the additional flexibility on multiyear funding so that we have additional time to work with local partners who need the accompaniment to be able to apply, to be able to implement, and to have the results that you all are looking for.

Thank you for that opportunity.

Senator BOOKER. Thank you very much to my favorite Jersey girl today.

[Laughter.]

Senator CARDIN. You might want to consider spending a little more time in Tennessee just as—

[Laughter.]

Senator BOOKER. That is wise counsel.

Senator HAGERTY. One other thing I—

Senator CARDIN. Senator Hagerty.

Senator HAGERTY. Ambassador Power gave a speech at Georgetown talking about the burden on your contracting officers. In fact, she said that the average officer at USAID has a burden of the dollars—she compared the dollars managed by a contracting officer at USAID to a counterpart at DoD and said about 4× the number of dollars managed at USAID versus DoD, and I think she was using that as a way to underscore the fact that there is a real shortage and a hiring problem in terms of getting the competent people to do the contracting work.

That is context. I am trying to get at something I have seen happen in the corporate world. If you take the value chain from the dollars that are being distributed from USAID and you use the grants under contract construct, that is, you get an American company as an intermediary, they do the work and then they hire or subcontract a local firm.

If you think about the dollars flowing through there and the process that happens, let us focus on that American intermediary for a minute.

Do you have a sense for how many USAID alumni are employed by these intermediary firms now?

Ms. SUMILAS. I do not have a sense of that. I know that there are alumni who work for many of those organizations, but I would not want to offer a percentage at this time.

I would just say that this is an ecosystem of assistance. We require U.S.-based organizations to help us achieve some of our goals and other—

Senator HAGERTY. No. No. I get that.

Here is what—here is my next question and you will understand where I am trying to get.

Ms. SUMILAS. Yes.

Senator HAGERTY. If we knew the extent, I would like to know it, but is there a big pay gap between what one can make as a contracting officer at USAID versus what they could make if they jumped over to the other side and became an intermediary?

Ms. SUMILAS. Again, I do not know the difference. I do not want to offer a pay gap number because I do not know what it is, to be honest with you.

Senator HAGERTY. I would be interested in following up on this at some other point, if you could think about it, but the question I have got is whether the intermediaries siphon your talent and make it almost impossible to ever fill the bucket, so to speak, because there is this constant pull of intermediaries who are extracting value in the chain and playing—basically playing a lot of the role that the contracting officer might otherwise play.

You have got overburdened contracting officers on the one hand, this intermediary, and then you have got the localization goal that we are trying to accomplish.

I am just trying to get at what that intermediary is doing and how it is impacting your ability to deliver.

Ms. SUMILAS. We would be happy to follow up with your staff on that and to provide additional information.

Senator HAGERTY. Okay. Thank you.

Senator CARDIN. Senator Hagerty, you are raising a very important point. I know that Senator Menendez, the chair of our committee, and Senator Risch, the ranking member, have been concerned about the relationship between DoD and State Department as it relates to the responsibility—this has been in foreign military arms sales.

It is also beyond that, and the capacity within the State Department has been eroded. The capacity within DoD has been strengthened.

It would be good, I think, for us to understand your capacity on contracting and also the relationship between what you are able to compensate versus the private sector. I think that would be important information for our committee. If you could get that to us, it would be helpful to us.

Ms. SUMILAS. Happy to do that and appreciate the question. Thank you.

Senator CARDIN. Senator Booker, anything further?

Senator BOOKER. No, sir. For the respect of the time, I think we should let this extraordinary public servant retire from the hearing. Samantha will—Ambassador Power will kick my butt if I am telling people—

[Laughter.]

Senator CARDIN. Thank you very much for your testimony and thank you very much for your service to our country. We appreciate it.

Ms. SUMILAS. Thank you.

Senator CARDIN. We will now turn to our second panel. Let me introduce them as they are coming forward.

We, first, have Bill Steiger, who is currently a global health consultant at the George W. Bush Institute and recently he was chief of staff at the U.S. Agency for International Development—USAID.

Previously he was managing director of Pink Ribbon Red Ribbon, a public-private partnership dedicated to the fight against cervical and breast cancer in the developing world.

Dr. Steiger also served as director of the Office of Global Health Affairs at the U.S. Department of Health and Human Services and a special assistant for international affairs to the Secretary of HHS. Thank you very much for being here.

Next, we have Elana Aquino, who is the U.S. executive director of Peace Direct. With over 15 years of experience in international development and peace building, she brings an on-the-ground perspective of supporting locally-driven initiatives, in particular on women's empowerment.

In Kenya, she served as head of the key coordination secretariat between the Government of Kenya and 17 international development agencies. She is currently the chair of the board of Women of Color Advancing Peace, Security, and Conflict Transformation.

Our concluding witness will be Bill O’Keefe from Catholic Relief Services, executive vice president for mission, mobilization, and advocacy.

Mr. O’Keefe has also served as director of CRS’ flagship program, Operation Rice Bowl, director of church outreach for CRS and director for government relations.

We will start with Mr. Steiger.

STATEMENT OF DR. BILL STEIGER, GLOBAL HEALTH CONSULTANT, GEORGE W. BUSH INSTITUTE, WASHINGTON, DC

Dr. STEIGER. Thank you, Mr. Chairman, Ranking Member Hagerty, members of the subcommittee. I am grateful for the invitation to discuss localization at the U.S. Agency for International Development (USAID).

Diversification of USAID’s partner base should be an urgent priority, given the continuing concentration of the agency’s portfolio in a small number of hands, essentially, an oligopoly of large U.S.-based and United Nations implementers.

When I started at USAID in 2017, just 25 implementers managed 60 percent of the agency’s funding for acquisition and assistance and 75 organizations controlled 80 percent of funding across all of the agency’s portfolios.

Despite a series of policy changes and major pushes from both Administrators Mark Green and Samantha Power, these figures have continued to move in the wrong direction.

Transforming this model into one that prioritizes relationships with entities based in the countries where USAID operates should be a bipartisan policy goal. This was a major focus of the Journey to Self-Reliance in the last Administration.

On ethical, financial, foreign policy, development, and public diplomacy grounds, it is imperative for the United States to localize our foreign assistance.

Robust civil society, private sector, and faith-based organizations do exist around the world today that are delivering services and capacity-building right now and they should be the agency’s primary recipient of funds, going forward.

Large U.S.-based partners will always have a place in USAID’s work, but the current situation is unhealthy. I endorse and applaud Administrator Samantha Power’s vision for localization.

However, I believe the Administration should be even bolder, more ambitious, faster to act, and more directive and proscriptive, especially with USAID’s overseas missions.

Fulfilling the Administrator’s vision will not be possible without continuing and expanding fundamental reforms to USAID’s business practices, cultural norms, and distribution of human and financial resources, many of which began under Administrator Green.

USAID already has the legal authorities and other tools necessary to pursue a comprehensive localization agenda and does not need congressional action with the possible exception of the authority to create a working capital fund for acquisition and assistance, which I am happy to discuss. Relief from appropriations directives is another matter I would also endorse.

The agency has remarkable legal and regulatory flexibility to innovate in its procurement, but too often it chooses not to. USAID's own staff, especially in the field, want to pursue innovative approaches, but are often stymied by restrictions and inertia in Washington.

The key to achieving localization is to unshackle the agency's contracting and agreement officers to allow them to innovate freely.

The President's Emergency Plan for AIDS Relief, PEPFAR, as many of you have already mentioned, demonstrates that localization at scale is not only possible, but transformative.

PEPFAR also shows us that getting locally-led development to take root requires unflinching leadership, culture change, clear measurement, and a willingness to take risks despite opposition from entrenched interests.

My written testimony offers a number of specific recommendations for how to bring that spirit to USAID, recognizing that this process will not move at the same pace in every country.

However, focusing on the Administrator's goal of putting 25 percent of USAID's current portfolio in local hands must not detract from the pressing need for the agency to change its business model, practices, and culture regarding the other 75 percent of its awards.

Now is a perfect opportunity to instill a culture of greater programmatic risk-taking across the agency to attract new ideas, new partners, and pay for results, including through greater partnerships with the private sector.

The agency must use procurement instruments across its entire portfolio that are flexible, nimble, and lessen the burdens for both its own staff and implementers. In particular, Category Management is squeezing out innovation at USAID right now.

A radical approach to the transparency of procurement data is needed also to allow us to understand whether our tax dollars, localized or not, are having the impact we expect.

The bottom line is that the localization of our foreign assistance benefits both the population USAID serves and the U.S. taxpayer. Local organizations are closer to the issues and understand local needs and priorities.

They have earned legitimacy and trust in their communities. They build lasting capacity, self-reliance, and sustainability. In an era of great power competition, our assistance to local groups is more likely to be visible and known to beneficiaries and the public on the ground. Local organizations are cheaper.

Finally, I should emphasize that increased staffing is only one—and not even the principal—barrier to success in localization.

Just adding more Contracting and Agreement Officers at USAID without changing policy, risk tolerance, lines of authority, incentives, and senior personnel in key places will not lead to the desired outcomes.

USAID must retain and make better use of the staff it already has and continue Administrator Green's efforts to make grant-making and contracting the responsibility of everyone at USAID.

I believe the purpose of foreign assistance is to end its need to exist, as Administrator Green said. This goal is hard to achieve without localization.

I thank you for the opportunity and welcome your questions.
[The prepared statement of Dr. Steiger follows:]

Prepared Statement of Dr. Bill Steiger

“If they get you asking the wrong questions, they don’t have to worry about the answers.”—Thomas Pynchon, Gravity’s Rainbow

Chairman Cardin, Ranking Member Hagerty, and Members of the Subcommittee, I am grateful for the invitation before you to discuss what is variously known as “localization” or “locally led development” at the U.S. Agency for International Development (USAID).

USAID’s current system of grantmaking and contracting has created an oligopoly of large, U.S.-based implementers that are expensive, inefficient, and largely unaccountable for their performance. Transforming that model into one that prioritizes relationships with entities that are based in the countries where USAID operates should be a bipartisan policy goal. Robust local civil-society, private-sector, and faith-based organizations exist around the world today that are delivering services and capacity-building right now—they should be the Agency’s primary recipients of funds going forward. Large numbers of USAID’s own staff, especially in the field, believe in localization and wish to pursue it through innovative approaches but are stymied by restrictions and inertia in Washington. The key to achieving localization is to unshackle the Agency’s Contracting and Agreement Officers (COs/AOs) to allow them to innovate freely.

In the service of making localization at USAID more effective and feasible, I offer five principal messages for you and your colleagues:

1. On ethical, financial, foreign-policy, development, and public-diplomacy grounds, it is imperative for the United States to localize our foreign assistance.
2. I endorse and applaud Administrator Samantha Power’s vision for localization; however, the Biden administration should be bolder, more ambitious, faster to act, and more directive and prescriptive (especially with USAID’s overseas Missions).
3. USAID already has the legal authorities and other tools necessary to pursue a comprehensive localization agenda and does not need Congressional action (with two possible exceptions, including the authority to create a Working Capital Fund for Acquisition and Assistance). The challenges the Agency faces in localizing its portfolio of awards are self-imposed, as USAID often chooses not to exercise the authorities it enjoys.
4. Focusing on the Administrator’s goal of putting 25 percent of USAID’s current portfolio in local hands must not detract from the urgent need for the Agency to change its business model, practices, and culture regarding the other 75 percent of its awards.
5. Increased staffing is only one, and not the principal, barrier to success in localization; simply adding more Contracting and Agreement Officers (COs/AOs) at USAID without changing the Agency’s policy (and the interpretation of policy), risk tolerance, lines of authority, incentives, and senior personnel in key places will not lead to the desired outcomes.

WHAT IS “LOCALIZATION” OR “LOCALLY LED DEVELOPMENT”?

These two terms encompass a multi-administration effort to award more U.S. foreign aid to smaller, non-U.S. organizations and increase the involvement of affected and beneficiary communities in the programs funded by USAID and other elements of the U.S. Government. I appreciate that the current Administration’s approach to locally led development, while clearly and appropriately focused on finding and funding more local organizations around the world, is not *just* about the money. I am heartened that public comments by USAID officials, including Assistant to the Administrator for Policy, Planning, and Learning Michele Sumilas, have given almost equal weight to the idea that USAID will be consulting more with beneficiaries and communities in the design and perhaps even procurement of its programs, recruiting them to participate in the ongoing evaluation of the Agency’s awards, and inviting them to share in the accountability for them. Administrator Power and Ms. Sumilas both correctly have mentioned that localization depends on “*changing the culture*” at USAID. The Administrator’s goal of having 50 percent of all USAID’s programmatic work, at least half of every dollar the Agency spends, involve the

input of local communities in the lead in designing, implementing, adapting, or evaluating these programs, might be far more important than the 25-percent goal.

Bringing this vision to reality will not be easy, and will face stiff resistance both within USAID and among the development-industrial complex that receives the vast share of the Agency's funding today. Shifting the balance of power and resources away from U.S.-based organizations will be impossible without the continuation and expansion of fundamental reforms to USAID's business practices, cultural norms, and distribution of human and financial resources.

WHY PURSUE LOCALIZATION?

What the Biden administration has proposed in its localization agenda is consistent with, and builds upon, similar efforts launched under the Obama and Trump administrations. Why have three successive administrations decided to pursue a strategy of attempting to provide more resources to local organizations and increase their involvement in USAID's decision-making, implementation, and monitoring? The answer covers several dimensions, from cost to legitimacy to sustainability:

- Local organizations are closer to the issues, understand local needs and priorities, and can more efficiently and effectively address barriers to access;
- Local institutions have the legitimacy to advocate for and drive the policy, social, and cultural changes necessary to address development challenges effectively;
- Local groups, especially civil-society and faith-based organizations (FBOs), have access to, and have earned the trust of, their communities;
- Local private-sector firms are drivers of economic growth and employment in developing countries, and of two-way trade with the United States; and
- Local partners, including governments, can ensure the sustainability of interventions, particularly by eventually assuming control of the financing of U.S.-funded programs.

The bottom line is that localization of our foreign assistance benefits both the populations USAID serves and the U.S. taxpayer. Rigorous economic analysis confirms this thesis: A new study (<https://static1.squarespace.com/static/5b2110247c93271263b5073a/t/6377d05b92d652286d6720e5/1668796508981/Passing+the+Buck+Report.pdf>) released in November 2022 by the Share Trust and the Warande Advisory Centre suggests that local implementers are 32 percent more cost-efficient than international ones, because awards to the former do not include what the authors call "inflated international overhead and salary costs." In addition to hiring few foreigners on expatriate compensation packages, local organizations much more seldom receive large reimbursements from USAID for so-called "indirect costs."

Yet we do not have to rely on modeling to see the positive impact of localization on U.S. foreign assistance, because we what economists call a "natural experiment" in the form of the President's Emergency Plan for AIDS Relief (PEPFAR). A paper (<https://www.bushcenter.org/publications/pepfar-and-communities>) I co-authored with former U.S. Global AIDS Coordinator Dr. Deborah Birx, published last month by the George W. Bush Presidential Center, traces the history of PEPFAR's remarkable record of prioritizing the funding of local organizations and the engagement of affected communities over the last 20 years. Local organizations, defined by a standard more precise than that used by USAID, now directly receive and manage almost 70 percent of PEPFAR's bilateral funding, and the program has seen no diminution in quality or coverage as a result. In fact, the cost-savings and programmatic efficiencies produced by localization are a main reason PEPFAR has been able to expand the numbers of people it supports on life-saving anti-retroviral treatment and reaches with prevention interventions despite a flat budget (<https://gwbushcenter.imgix.net/wp-content/uploads/Peppar-paper-3-2.pdf>) over more than a decade. Furthermore, no U.S. foreign-assistance program better embodies Administrator Power's vision of involving the input of local communities in awards. Representatives from host governments and civil society participate in PEPFAR's annual planning meetings, and clients and other citizens perform the community-led monitoring that ensures the generous investment of U.S. taxpayers is reaching the people the program is supposed to serve and generating the expected quantifiable results.

We all can agree that close oversight is paramount to maintaining the integrity of USAID's programs, no matter who implements them, and the Administration's push for "localization" cannot not bring with it a watering down of the Agency's standards for financial management and probity. But I reject the assertion, often

whispered by large U.S.-based implementers, that “local” means “high-risk,” and that more money to smaller foreign entities means more funds diverted. This claim is designed to intimidate, and to provide cover for current business models that diminish the role of local partners by limiting their role to overly restrictive sub-awards. There is a need for sub-awards to local partners from the traditional prime recipients of USAID’s awards. But the proper role for such established U.S.-based grantees and contractors is to sub-award the majority of funding to equip local partners through technical oversight, compliance support-, and capacity-strengthening. In these arrangements, the local partner, even as a sub-awardee, should be leading in project implementation. Traditional prime partners mainly should be facilitators that enable maximum transparency to the public and USAID.

To its credit, USAID’s leadership has pushed back forcefully on the assumption that going local automatically brings higher risk. In a hearing before the House Subcommittee on International Development, International Organizations and Global Corporate Social Impact in March of 2022, Ms. Sumilas said, “Our commitment to funding local organizations does not stand in conflict with our commitment to prevent waste, fraud, and abuse.” I am encouraged to hear that all USAID’s current requirements to vet partner for ties to terrorism will remain in place, that “local organizations/entities” all will have to pass a “responsibility determination assessment,” and that the Agency will be quick to put in place additional “special conditions” in grants and cooperative agreements that might involve heightened risk. This is all great news for the taxpayer.

HOW TO DRIVE LOCALIZATION AT SCALE: SEVEN SETS OF RECOMMENDATIONS

PEPFAR shows that localization at scale is not only possible but transformative. But PEPFAR also shows us that getting locally led development to take root and flourish in a large program requires unflinching leadership, culture change, clear measurement, and a willingness to take risks and follow data despite bureaucratic inertia and opposition from entrenched interests.

Administrator Power’s vision for localization and the steps she and her team have announced are necessary, but insufficient. I am gratified that USAID’s Missions across the world are reaching out proactively to community leaders and beneficiaries to seek input at the early stages of designing programs and mapping the landscape of local organizations in their countries to identify those not currently funded by the Agency that could be good candidates for upcoming competitions. Yet the increased knowledge of this existing capacity is not yet translating into a large increase in awards to new and local partners. In the service of helping drive localization at USAID farther, faster, and with a greater chance of long-term success, I offer the following recommendations, including for how Congress can help:

Define “Local” More Precisely and Measure Localization More Accurately

So much of the success and credibility of localization rides on the definition of a “local organization/local entity.” This question is the single most important policy decision for the Biden administration as it continues to shape its localization initiative. A standard that is too vague invites U.S.-based and international groups and for-profit companies to “game the system” by claiming “local” status; a standard that is too strict can exclude the legitimate, helpful role that international partners can play in mentoring and preparing local organizations to manage Federal funds and implement USAID-financed projects successfully. USAID’s current definition (<https://www.usaid.gov/sites/default/files/2023-01/303.pdf>) of “local organization/local entity” is less precise than the one PEPFAR (<https://gwbushcenter.imgix.net/wp-content/uploads/Pepfar-paper-5.pdf>) uses, in particular because it has a lower threshold for beneficial ownership (“majority” vs. 75 percent) and no criterion for percentage of staff who must be local citizens or lawful permanent residents. In addition, USAID’s framework for measuring local funding only qualifies implementers as local based on the alignment of three criteria: registration in the U.S. Government’s System for Award Management, declared location of an organization’s headquarters, and location of implementation. This system can allow international groups to pose as “local” and skew the measurement of progress in pursuing Administrator Power’s target of channeling 25 percent of USAID’s funding to local partners.

In a report (https://www.publishwhatyoufund.org/app/uploads/dlm_uploads/2023/02/Metrics-Matter-Summary.pdf) published last week, Publish What You Fund concluded that, as a result of this expansive definition, USAID might be overstating its progress on localization by a significant margin. In research that looked at 10 countries, the analysis found that USAID actually channeled 5.7 percent of eligible funds directly to local and national actors from 2019–2021, while USAID’s approach produced an estimate nearly double that number (11.1 percent). That

translates into a \$732 million difference over 3 years for just this subset of countries.

Finally, USAID has said it will produce its calculations of funding to local organizations by using data from the U.S. Government System for Award Management (SAM) and the Agency's Global Acquisition and Assistance System (GLAAS). While the public has access to some of these data, they cannot view the full set of information required to carry out this analysis. This limits the possibility of carrying out any independent replication of USAID's data and results.

USAID also should disaggregate these data according to sector and geography, so the public can see not just progress against the macro-level 25-percent figure but how the Agency is performing country by country and sector by sector. Otherwise, there is a real risk that the data from a few countries will tilt the scales and lessen the burden on other Missions that need to do more work to shift resources to local organizations.

Perhaps more important than the 25-percent target is assuring USAID's progress against Administrator Power's 50-percent target for "local initiative" and leadership in development assistance. The Agency's Policy on Promoting the Rights of Indigenous Peoples (<https://www.usaid.gov/sites/default/files/2022-05/USAID-IndigenousPeoples-Policy-mar-2020.pdf>) offers a good roadmap for how Missions could structure and manage consultations with many kinds of communities, as does the Country Operational Plan Guidance for PEPFAR. Any increase in site visits, focus groups, listening sessions, and community fora would be an improvement over the typical way USAID designs its programs.

Therefore, USAID should:

- A. Change Chapter 303.6 of the Agency's Automated Directives System (ADS) to adopt PEPFAR's standards for beneficial ownership and local staffing as part of the definition of "local organization/local entity."
- B. Maintain the current definition of "Locally Established Partner (LEPs) in ADS 303.6," but track funding to LEPs and their sub-recipients separately from funding to "local organizations/local entities."
- C. Ensure that the tracking of local funding includes all dimensions of USAID's definition of "local organization/local entity," and apply this definition strictly when determining eligibility for funding opportunities restricted to new and local partners.
- D. Publish and track the achievement by each Mission of standardized targets for "local leadership" in 50 percent of programming by 2030 based on models such as PEPFAR consultations and community-led monitoring, as well as the Agency's own *Policy on Promoting the Rights of Indigenous Peoples*.
- E. Make public the metrics and data systems the Agency is using to track progress on localization:
 - a. USAID should make all its award data public, including, but not limited to, the data in the SAM and GLAAS systems the Agency is using to track progress towards localization, to enable the public to replicate the Agency's claims.
 - b. USAID should disaggregate these data by sector and geography.

Increase and Assure Progress Against the Global Target for Funding to Local Organizations/Entities by Assigning a Specific Share to Each USAID Bureau and Mission, and Create Corresponding Funding Opportunities for New and Local Partners Now and Every Year

For USAID to achieve Administrator Power's target of having 25 percent of award funding in the hands of local organizations by 2025, qualifying groups will have to start winning a lot more of the Agency's open competitions right away, and/or the Agency will have to start structuring many more competitions just for them. If USAID does not change the rules of the game now, local organizations will not be able to win awards at the Mission level at a high enough rate to come anywhere near the Administrator's goal. I am gratified that Administrator Power has continued the New Partnerships Initiative (NPI) begun by former Administrator Mark Green, including by requiring all USAID's Missions and Bureaus to produce NPI Action Plans. The time has come to convert the vision of these plans into concrete contracts, grants, and cooperative agreements in larger numbers. Because the interlocking jigsaw puzzle of geographic (country- and region-specific) and sectoral appropriations directives imposed by Congress make it extremely difficult for USAID to aggregate large central pots of money and eliminates unattributed funds at most Missions, the Agency should write these Notices of Funding Opportunities (NOFOs) in as broad a fashion as possible to cover every programmatic area and account. In

this way, eligible local applicants in education, health, climate-adaptation, economic growth, and other areas could all apply to the same open call for proposals, and Missions could combine resources under various directives and attributions to fund the resultant awards.

Furthermore, PEPFAR demonstrates that USAID can and should be more ambitious in its vision for localization. In reality, Administrator Power's target of 25 percent is too low, especially in Asia, Latin America and Eastern Europe, where local private-sector and civil-society organizations are well-positioned to take over the work of the U.S.-based for-profit contractors that dominate the Agency's portfolio in these regions today. I applaud the approach USAID has taken to shift more funding in Central America over the last 2 years, but the Agency can do more. Missions in countries such as Brazil, Peru, Colombia, the Eastern Caribbean, India, Indonesia, and the Balkans should be ready to move to close to 100 percent localization by the end of this decade.

In addition, an aggregate target allows individual Missions to escape responsibility and accountability. USAID already has a very successful example of how to translate an Agency-wide goal into realistic, achievable yearly shares for Bureaus and Missions with with a progressive, multi-year time horizon to meet them—the Small Business Goals (<https://www.usaid.gov/about-us/organization/office-small-and-disadvantaged-business-utilization/small-business-program/small-business-goals>) managed by the Office of Small and Disadvantaged Business Utilization (OSDBU).

I acknowledge that not every potential "local organization/local entity" is ready and able to handle Federal funding as a prime implementer today. We should agree that the compliance requirements that come with U.S. Government funds are heavy (I would argue too heavy), even for the most sophisticated organization. Signing central contracts for supporting "local entities" in their governance, management, and compliance is a strategic answer to this problem, because it offers an alternative business model for the U.S. for-profits that inevitably will see their funding decrease as USAID transitions to making more awards to foreign groups. NPI "mentoring awards" that require recipients to subaward 50–75 percent of the Total Estimated Amount while focusing on technical, compliance, and capacity-building assistance are another strategic answer. However, if the Agency does not write the awards correctly, with specific Key Performance Indicators and timelines for achieving sustainability, the arrangement could end up trapping local organizations in a dependent relationship with American companies.

A crucial step in localization is funding partners that help local partners handle compliance. This will help nurture indigenous equivalents to (and eventual substitutes for) the large, U.S.-based, catch-all contractors. USAID should start this process immediately in Asia, Eastern Europe, and Latin America, where more than enough local competent, honest accounting, human-resources, and management-consulting firms exist to perform this work. The system of "Local Fund Agents" the Global Fund to Fight AIDS, Tuberculosis, and Malaria has created to provide oversight to its grants around the world could serve as a model. After all, "localization" should mean that all aspects of both programmatic and administrative implementation are in the hands of *local people*, including accounting, human resources, monitoring, and reporting.

Another answer is to create more awards that are pass-through arrangements in which U.S.-based and local implementers apply jointly for funding related to specific, time- or milestone-bound projects. The U.S. partner can keep a modest sum to mentor and provide oversight of the local partner, which receives the overwhelming majority of the funding. The best current example of this model at USAID is the American Schools and Hospitals Abroad Program (ASHA), which is a relic of the Marshall Plan and predates the Agency by almost 20 years. ASHA only receives an appropriation of \$25 million per year, and the management of its APS and awards only requires a few full-time employees. One of ASHA's most important aspects is that the local partner is not treated as subordinate to the U.S. partner. This dynamic is critical to mitigate the risk that the U.S. organizations could use such an arrangement to drive up their margins in the name of "building capacity," the hallmark of the worst awards in the current system.

As a result, USAID should:

- A. Raise the Administrator's localization target to 50 percent of the Agency's portfolio of acquisition and assistance by 2030.
- B. Using the Small Business Goals as a model, assign a specific annual target for localization to each Bureau and Mission, which, in the aggregate, add up to USAID's global goal:

- a. Track and publish progress against the targets for each Bureau and Mission as OSDBU does for the small-business program.
- C. Issue a renewable global umbrella Annual Program Statement (APS) from Washington restricted to “local organizations/entities,” modeled on the original NPI APS:
 - a. Require every Mission to publish an Addendum to it each year, translated into local language(s), that follows the central rules and definitions.
 - b. Set minimum first-year and 5-year amounts that each Mission would have to invest in its Addendum to the APS.
- D. Require each Bureau and Mission to set up a multi-sectoral pass-through partnership program, modeled on ASHA, to attract new local partners that have established ties with U.S. peer institutions.
- E. Set in motion a process to move 90 percent of the funding managed by USAID’s bilateral and regional Missions in Asia, Latin America, and Eastern Europe to local implementers by 2030.
- F. Help more potential applicants among local entities prepare to qualify for Federal funds through targeted technical assistance and additional education, ideally delivered through a series of quarterly “how-to” webinars and “Industry Days” in multiple languages.
- G. Pursue a comprehensive, region-by-region strategy to find and fund local organizations that can provide services to their peers in the areas of governance, administration, and compliance.

Include Humanitarian Assistance in the Localization Strategy

Since the International Disaster Assistance (IDA) and Food for Peace appropriations account for nearly 40 percent of the Agency’s annual budget, USAID must not exclude them from the localization agenda. The Bureau for Humanitarian Assistance (BHA) has a long way to go to open its opaque funding processes and culture to qualified “local entities.” I appreciate the incremental steps USAID has taken to increase BHA’s capacity in response to inquiries from Senator Jodi Ernst (R-IA), but the Agency needs to do more to lessen the power of the oligopoly of United Nations (UN) entities and international non-governmental groups that dominate HA now.

As a result, the Agency should:

- A. Allow BHA to use its existing authority to use even more IDA funds to acquire additional capacity for tasks directly related to procurement.
- B. Mandate that BHA use these resources to perform more of its specialized pre-award assessments (essentially a pre-qualification process) on local organizations, especially faith-based charities, to make them eligible for HA funds.
- C. Delegate to BHA the authority to hire its own Personal Services Contractors.
- D. Expand the use of Government-to-Government Agreements with national agencies responsible for preparing and responding to disasters.

Include Acquisition Fully in the Localization Strategy

On paper, acquisition (contracts) is included in the Administrator’s global target for localization. In practice, however, the Office of Acquisition and Assistance (OAA) in USAID’s Bureau for Management (M) is leading a systematic campaign to increase the share of the Agency’s portfolio managed by U.S.-based for-profit contractors, including by assertively pushing Missions and Bureaus to make awards from the pre-competed Federal Supply Schedule and Multiple Award Schedule managed by the General Services Administration (GSA). U.S. Government-wide targets set by the Office of Management and Budget (OMB) for “Category-Management” should not be an excuse for de facto exempting contracts from localization, as USAID’s overseas business is fundamentally different from the activities of other Federal Departments that primarily purchase goods and services for their domestic use. Furthermore, USAID should not exclude its largest central contracts, such as the Next Generation (NextGen) Global Health Supply Chain Suite of Programs, from the localization agenda. Sixty years of USAID’s investments in medical procurement, supply chains, and delivery in developing countries have failed to produce much sustainable local capacity on the ground. Logistics and healthcare are two of the most mature sectors in all of Africa, Asia, Eastern Europe, and Latin America—these sectors are the biggest low-hanging-fruit opportunities to begin to shift resources locally.

As a consequence, USAID should:

- A. Negotiate with OMB to exclude the Agency's portfolio of field-implementation contracts from the denominator used to calculate USAID's progress against the Federal Category-Management goals.
- B. Ensure the forthcoming Requests for Proposals under the NextGen program are accessible to local applicants, including by awarding points in the scoring process for local organizations and restricting eligibility for the contract for last-mile delivery to local entities.

Use the Principles of Localization to Take Aggressive Steps to Diversify USAID's Entire Portfolio

Diversification has to be an Agency-wide priority, given the continuing concentration of the Agency's portfolio in a small number of hands. When I started at USAID in 2017, just 25 implementers managed 60 percent of the Agency's funding for acquisition and assistance, and 75 organizations controlled 80 percent of funding across all the Agency's portfolios. The members of this cartel, including the so-called "non-profits," have become increasingly dependent upon Federal funds over the years, to such an extent that one can consider USAID awards to large U.S. organizations a form of corporate welfare. This dependency is partially the result of the Congressional decision in 1998 to repeal a 1984 amendment to the Foreign Assistance Act of 1961 (FAA) that established that a "Private Voluntary Organization (PVO) is ineligible for U.S. foreign-assistance funding unless it could demonstrate that it obtained "at least 20 percent of its total annual financial support for its international activities from sources other than the United States Government." For-profit contractors have never been subject to such a requirement.

Despite a series of policy changes and major pushes from both Administrators Mark Green and Samantha Power to increase the number of new and local partners, these figures have continued to move in the wrong direction. USAID has remarkable legal and regulatory flexibility to innovate in its grant- and contract-making; too often, it chooses not to. The Biden administration's localization agenda offers a perfect opportunity to make sure a culture of greater programmatic risk-taking takes hold across the Agency. The risk of USAID's current approach is that the bureaucracy will wall it off and ignore it, as they did with Administrator Raj Shah's previous effort that had a similar global target.

To avoid this fate, USAID needs to institute a generalized shift to attract new ideas, new partners, and pay for results, including through greater financial partnerships with the private sector. The Agency must use procurement instruments across its entire portfolio that are flexible, nimble, and lower the burden of compliance for both the Agency's staff and implementers. Large awards to U.S. organizations should have sunset provisions built in from the beginning, so that local organizations are ready and able to assume the role of prime recipient after 5 or more years. Making open calls (such as the APS, Broad Agency Announcements, and two-stage competitions for contracts) the default model for all NOFOs would lower the administrative barriers to applicants, which would make it far more likely that smaller and local organizations could win awards over time. I applaud Congress's recent decision to remove the cap on the number of Innovation Incentive Awards (such as Grand Challenges and prize competitions) that USAID may finance every year, which always bring in partners that have never received funding from the Agency before. These awards are underused, strictly pay-for-results mechanisms that cut red tape for both USAID and recipients. USAID's Bureaus and Missions need to seize this opportunity to make these kinds of competitions a standard practice in every sector and geography, which will allow the Agency to get more money out the door faster while also heightening accountability to the American taxpayer.

In this regard, USAID should:

- A. Make open calls for proposals and solicitations with streamlined requirements that only ask for short Concept Notes at the initial stage of application the default modality for both acquisition and assistance across the Agency.
- B. Structure every large assistance cooperative agreement to include mandatory Transition Awards to local organizations/local entities for the vast majority of the substantive work by the end of the period of performance.
- C. Structure every large programmatic contract to require the holder to devolve a greater share of the funding year over year to local sub-recipients, with mandatory provisions for the transition of the vast majority of the substantive work by the end of the period of performance.

- D. Structure many more awards as Fixed-Amount Awards (FAAs), Fixed-Price Contracts, and other pay-for-results modalities.
- E. Use reimbursable grants and the Agency's Other Transaction Authority much more widely to conclude unconventional investment arrangements and partnerships with private-sector entities.
- F. Allow the Agency's COs to exercise the authority they have under the Federal Acquisition Regulations (FAR) and the and Uniform Guidance for Federal Awards (2 CFR 200) to:
 - a. use two-step competitions that streamline and expedite acquisition and assistance;
 - b. encourage oral presentations and other local-friendly techniques in proposals for new awards; and
 - c. promote adaptive management by employing the Changes Clause of the FAR to manage existing contracts.
- G. Require that every umbrella contract to a U.S.-based organization use Grants under Contract (GUCs) to increase the small-scale, nimble grants to local organizations.
- H. Require each Bureau and Mission to issue at least one NOFO for Innovation Incentive Awards each year for each sector for which it receives funding.
- I. Ask Congress to Restore Sub-Section g of Section 2151u of the FAA to re-establish eligibility criteria for Private Voluntary Organizations and include a similar provision to cover for-profit contractors.

Adopt a Radical Approach to Transparency

I appreciate that USAID has begun to take steps to make the Agency and its processes easier to understand for new and local partners, such as opening the website *WorkwithUSAID.org* and publishing more NOFOs in languages other than English. Yet USAID fails to report the very information that would promote accountability and transparency in the relationships between new, underutilized, and local partners and USAID's traditional primes. A stunning and intimidating asymmetry of information puts most prospective local implementers in a difficult position. A lack of basic data in the public domain on USAID's procurement also makes it difficult to track how implementers of any kind actually spend their funds, and to hold the Agency and its large, U.S. based implementer accountable for progress on localization. USAID is even allowing many of its largest U.S.-based prime implementers to skirt the few statutory requirements that do exist, which makes it impossible to replicate and independently verify their and the Agency's performance claims. As I noted above, I endorse Publish What You Fund's call for USAID to make publicly available all its award-related data in the SAMS and GLASS systems.

As a result, USAID should:

- A. Resume public reporting on the use of New and Underutilized Partners (NUPs) by USAID, which the Agency tracked and reported publicly through the Office of Management and Budget (OMB) from 2018 to 2021—including data at both the prime and sub-award level.
- B. Require both for-profit and non-profit organizations to disclose publicly the percent of work they promise in their responses to NOFOs to sub-award to smaller firms, including local organizations, and the percent they actually deliver through sub-awards quarterly.
- C. Publish the NICRA rates USAID negotiates with all for-profit and non-profit implementers.
- D. Allow searchable public access to all contracts, grants, and cooperative agreements stored in the Agency's Secure Image and Storage Tracking System (ASIST) and accompanying performance reports.
- E. Enforce the existing legal requirements that all USAID's prime implementers disclose their sub-recipients in the Federal Funding Accountability and Transparency Act Sub-Award Reporting System (FSRS) on a timely basis, and work with GSA to make these data publicly available.
- F. Hire more local organizations, such as universities, Supreme Audit Institutions, and watchdog groups, to conduct the ongoing monitoring and required, formal evaluations of the Agency's awards in the field.

Harvest Human Resources for Procurement More Wisely

USAID's traditional rationale for why it cannot pursue and sustain localization is that the Agency is short-staffed. There is no question that USAID lacks the num-

ber of warranted COs/AOs that would correspond to the size of its award portfolio. But blaming the Agency's failure to diversify its partner base on staffing shortages is the easy, and lazy, answer. Does USAID need more AOs and COs? Yes. But just adding more of them to the current system will not fix the excessive concentration of USAID's portfolio in the hands of UN agencies and large U.S.-based companies and organizations.

The reality is more complicated, and just increasing staffing levels is not the answer. Under the current conditions and in the current culture, even doubling the number of COs/AOs in the Foreign Service and Civil Service will not solve a series of underlying structural and cultural problems. We tried this strategy in the Trump administration: Despite a hiring freeze (first U.S.-Government-wide, then continued by the U.S. Department of State), former Administrator Mark Green secured permission to hire enough COs/AOs to increase USAID's cadre of procurement officials by 45 percent. Because of attrition driven by factors I will describe below, by the beginning of Calendar Year 2021 the numbers of COs/AOs on staff had returned to the level before the hiring surge.

The main staffing challenge at USAID is that the Agency does not make optimum use of the personnel it has. USAID is an entity whose purpose and mission is grant- and contract-making. Nevertheless, the Agency likes to pretend that it is a think tank, or a non-governmental organization, or a charity, or an academic institution, instead of what it actually is—a procurement agency. Too much of the workforce is not engaged, and not incentivized to be engaged, in the Agency's core business. They are reluctant to participate in the less-than-glamorous aspects of that work: writing draft solicitations, sitting on the Technical Evaluation Committees (TECs) that review applications, checking monitoring and performance reports, acting as Contracting Officer's/Agreement Officer's Representatives (CORs/AORs) to help structure and oversee awards in progress, none of which requires a warrant.

To be fair, this reluctance often arises because USAID has chosen to make all of these processes just as burdensome for its own staff as they are for applicants. NOFOs are unnecessarily long and complicated, TECs take too long and are woefully inefficient (often because NOFOs do not include clear scoring criteria and the panels insist on reviewing all applications, even ones that are not qualified), and the system of pre-award approval is duplicative and overly cumbersome. For example, instead of accepting as valid the due diligence of a local organization performed by another major public or private donor has recently (within 3 years, say) that covers the same topics USAID does in its pre-award evaluations, the Agency insists on undertaking its own review. In addition, Agency staff understandably focus on their job descriptions and performance plans, which rarely include any expectations that they will participate in procurement or award-management.

Administrator Green identified and found solutions to address these and other systemic problems. However, not all the solutions were fully implemented, and many have been quietly rolled back since the end of the Trump administration.

Administrator Power needs to continue Administrator Green's efforts to make grant- and contract-making the responsibility of everyone at USAID and set clear metrics to hold staff accountable for spending their time on the Agency's most important job. In exchange, she should task M/OAA, the Office of the General Counsel, and the Bureau of Policy, Planning, and Learning to reinforce the streamlining of every step in USAID's Program Cycle, including procurement processes and eliminate other distractions and time-wasters that prevent people from believing they have the bandwidth to prioritize USAID's core work. The Agency needs to make the best use of the personnel it has, by empowering as many of them as possible to qualify for appropriate warrants, providing better training and career paths for AOs/COs and AORs/CORs, and empowering Foreign Service Nationals as much as possible to shoulder more responsibility. In addition, USAID should emulate the best practices of other Federal grant- and contract-making agencies, such as the National Institutes of Health within the U.S. Department of Health and Human Services, which supplement their workforces with outside reviewers and procurement specialists who can perform almost every step in acquisition and assistance processes short of signing an award. ADS Chapter 303 is very clear that staff from other Federal Agencies and Departments and "[r]eviewers from outside the U.S. Government may serve on Selection Committees," as long as they are free from any conflict of interest, which the Chapter defines in detail, but USAID almost never chooses to use this provision to alleviate its workload. Finally, the Administrator must install leaders in M/OAA who will embrace, rather than resist, her agenda.

Any new hiring for localization must be judicious and targeted exclusively to procurement and award-management. For example, a major bottleneck that needs immediate resolution is that the Office of the General Counsel (OGC) only has a handful of lawyers who work on grant- and contract-making full-time. I understand why

Congress has been reluctant to increase the Agency's appropriation for Operating Expenses (OE, which I would argue is disproportionately small compared to its Program Budget). But there is a simple way for Congress to make more dollars available to USAID for hiring dedicated to grant- and contract-making: Authorize a Working Capital Fund for Acquisition and Assistance. Such an authorization would allow USAID to convert a certain percentage of its Program funds to OE, but only for the purpose of hiring term-limited staff and paying for supplemental resources (such as contracts) to work exclusively on procurement.

Therefore, USAID should:

- A. Build metrics on participation in processes related to acquisition and assistance into the performance plans of all non-administrative staff from all hiring categories:
 - a. In particular, all such staff should serve on at least three TECs per Calendar Year.
- B. Create a better-defined career path for both COs/AOs in both the Foreign Service and Civil Service, including through specific training to prepare them to compete better for positions as Office Directors, Deputy Mission Directors, Mission Directors, and Deputy Assistant Administrators.
- C. Free COs/AOs in the field to pursue innovative instruments in both acquisition and assistance, and increase the ceilings on their warrants.
- D. Require that every TEC include reviewers from outside USAID who can demonstrate they do not have a conflict of interest:
 - a. At the Mission level, this should include local citizens, which could be a primary metric for measuring "local input."
- E. Prioritize the hiring of additional attorneys in OGC dedicated to acquisition and assistance:
 - a. The cadre should have a mix of Federal procurement and private-sector transactional experience.
- F. Make pre-award assessments faster and more efficient, including by pursuing mutual recognition and pre-qualification arrangements with other major donors.
- G. Revitalize and expand plans established under Administrator Green to create a dedicated institutional home, strengthened accountability, training materials, library, and other resources for CORs/AORs.
- H. Undertake an exercise to reinforce Administrator Green's reforms and streamline the steps in all procurement processes even further.
- I. Accelerate plans to grant as many appropriately tiered warrants as possible to staff from all hiring categories, both in Washington and at USAID's Missions.
- J. Restore Foreign Service leadership to M/OAA.
 - a. Consider splitting the positions of Director of M/OAA and Senior Procurement Executive and restore both of them as billets in USAID's Senior Foreign Service on the next Major Listing.
- K. Replace the entire leadership of M/OAA, including the Agency's Competition Advocate.
- L. Ask Congress to authorize a Working Capital Fund, with specific guardrails on its use.

Senator BOOKER [presiding]. That is incredibly valuable testimony. You did not seem at all nervous sitting before me. It was Hammer time now, sir, and your poise was incredible.

Ms. Aquino.

**STATEMENT OF ELANA AQUINO, U.S. EXECUTIVE DIRECTOR,
PEACE DIRECT. WASHINGTON, DC**

Ms. AQUINO. Thank you and good morning. Chairman Cardin, Ranking Member Hagerty—

Senator BOOKER. Excuse me, it is Chairman.

Ms. AQUINO. Sorry. I am so sorry.

[Laughter.]

Senator BOOKER. Yes.

Ms. AQUINO. Chairman Booker.

Senator BOOKER. Thank you very much.

[Laughter.]

Ms. AQUINO. Ranking Member Hagerty and other distinguished members of the subcommittee, thank you for inviting me to speak with you today about USAID's commitment to localization.

My name is Elana Aquino and I work with Peace Direct, an international peace building organization. At Peace Direct we take a different approach. We do not maintain country offices. Instead, we find and support courageous local people dedicated to stopping violent conflict and building lasting peace in their communities.

We accompany, support, learn from, and partner with organizations across Africa, the Middle East, Asia, and South America. Our work to shift attitudes and practices among policymakers and donors has moved us beyond the field of peace building.

We are keenly aware that the entire international development, humanitarian, and peace building system needs to reform if it is to deliver better outcomes for the poorest, most marginalized and conflict-affected communities worldwide. Local leadership is key.

We welcome Administrator Power's commitment to respect the dignity of the individual and localize USAID's efforts globally. We also recognize this committee's important role in ensuring this shift is meaningfully implemented.

Before discussing the challenges, opportunities, and next steps, it is important to be explicit about who should be considered local. Peace Direct disagrees with the definition put forth in the ADS 303 directive.

In our view, this directive offers a loophole for international organizations to qualify as local when they in fact are not.

Early last year we worked with other prominent INGOs to develop a set of definitions which differentiate international from local organizations. I have included this set of definitions in my written testimonial.

By not addressing this, we risk skewing and distorting how USAID measures its success in this endeavor. Civil society organizations worldwide have high hopes that USAID will make good on its commitments. Those hopes will not be fulfilled if funding is channeled to INGO subsidiaries or country offices.

According to a recent report by research organized by Publish What You Fund, only 5.7 percent of USAID funding goes directly to local organizations. This is woefully inadequate.

Local civil society organizations are often the first responders to any situation and local community leaders are the ones who remain when international organizations inevitably move on.

USAID colleagues in various country contexts have shared with me that they are proud of specific efforts that have been made—that they have been involved in to provide aid locally and directly to local actors, but they have also shared that these tend to be the exception rather than the rule.

Though there are some challenges we must address, out of respect for time I am only going to highlight a couple. A more comprehensive list can be found in my written testimony.

First, flexible funding. Here we mean the idea that funding for local actors be what we call local first funding—flexible, inclusive, respectful, trustable—sorry, sustainable and trust based.

In fragile contexts, dynamics can change daily if not hourly. Adaptive funding models ensure local organizations remain nimble and have a sustained positive impact in the communities they are serving.

Finally, racism. By this we mean the deliberate or unconscious exclusion from resources and opportunities due to race. Through many global consultations with local actors, we at Peace Direct believe that we must address systemic racism throughout international development, humanitarian, and peace building efforts.

Racism creeps in in numerous ways big and small, for example, in the assumption that local civil society organizations do not have the capacity to develop responsive programs, therefore, justifying the reliance on international organizations with country offices.

On opportunities, there are many opportunities to further locally-led development. Again, with respect to time, a more extensive list can be found in my written testimony.

First and foremost, it is recognizing that it is possible. Peace Direct has employed a locally-led approach to peace building since its inception in 2002. Taking a locally-led approach demonstrates a profound commitment to the autonomy and dignity of ordinary people to be agents of their own destiny.

Finally, there is significant momentum worldwide to transform the international development, humanitarian, and peace building system's efforts to be locally led. The United States has a unique opportunity to lead and shape the future of international development in ways that for the first time would answer the call of the world's marginalized communities. Nothing about us without us.

Lastly, on next steps, we must work together to address the challenges outlined here and by others to ensure that we meaningfully employ a locally-led model. This requires having difficult conversations on dismantling systemic racism.

It also requires willingness to take smart risk and it requires increased investment and budget for USAID to ensure the agency has the capacity it needs to meaningfully implement this model.

I want to take the time to thank you, Chairman Booker, and Ranking Member Hagerty and the other distinguished members of the subcommittee for organizing this vital hearing.

I look forward to responding to any questions you may have and I am also open to working with you in partnership to actualize and implement a locally-led model.

[The prepared statement of Ms. Aquino follows:]

Prepared Statement of Ms. Elana Aquino

Good morning, Chairman Cardin, Ranking Member Hagerty, and distinguished members of the Subcommittee. Thank you for inviting me to speak with you today about USAID's localization process. This is an issue that directly affects the work of my organization, our partners and local and community-based civil society globally.

My name is Elana Aquino and I work with an international peacebuilding organization called Peace Direct. At Peace Direct, we take a different approach than most international nongovernmental organizations. We do not maintain country offices. Instead, we find and support courageous local people and organizations who are dedicating their lives to stopping violent conflict and building lasting peace in their

communities. We partner with, accompany, support, and learn from partners across Africa, the Middle East, Asia, and South America. From Afghanistan to Sudan, Colombia to Syria, it is our experience that lasting development, peacebuilding and humanitarian support is more effective and sustainable when led by local civil society organizations embedded in the communities they serve.

Amplifying the experiences and perspectives of local communities striving to overcome violence, we advocate within the United Nations, here in Washington, DC, with the European Union, and in London where our sister organization is based, for policy change and improved foreign assistance to better support locally led peacebuilding. Our work to shift attitudes and practices among policymakers and donors in favor of locally led efforts has moved us well beyond the field of peacebuilding, as we are keenly aware that the entire international development, humanitarian and peacebuilding system needs reform, if it is to deliver better outcomes for the poorest, most marginalized and conflict affected communities worldwide. Local leadership is key.

DEFINING LOCAL

We welcome Administrator Power's commitment to respect the dignity of the individual and localize USAID's efforts globally. We also recognize this Committee's important role in ensuring this shift is meaningfully implemented.

Before discussing the challenges, opportunities and the next steps we believe should be taken to further locally led development, I believe it is important to be explicit about who should be considered local.

As it stands, USAID uses the criteria outlined in the ADS 303 directive to define what constitutes a local organization. According to this directive, a local organization is:

- Legally organized under the country's laws;
- The country is its principal place of business or operations;
- It is majority owned by individuals who are citizens or lawful permanent residents of the country; and,
- It is managed by a governing body, the majority of whom are citizens or lawful permanent residents of the country.

ADS 303 directive also includes a separate definition for locally established partners (LEPs). If country offices of U.S.-based or other international organizations meet the following criteria, they can qualify as an LEP:

- Continuous operations in the country for at least 5 years;
- Local staff comprise at least 50 percent of office personnel;
- A local office registered with the local authorities and with a local bank account;
- A portfolio of locally implemented programs; and,
- Demonstrated links to the local community including a majority of local citizens on any governing body or board and evidence of local support or roots.

Peace Direct disagrees with the definition put forth in the ADS 303 directive. In our view, this directive offers a loophole for international organizations to qualify as 'local' when they are in fact not. Early last year, we worked with other prominent INGOs, including Catholic Relief Services, who is also here today, as well as Mercy Corps, Care USA, Save the Children USA, and the Hunger Project, among a few others, to develop a set of definitions which distinguishes international and local organizations. I have included this set of definitions in my written testimonial in the appendix. According to this document, Locally Established Partners are not regarded as local entities, for the simple reason that they tend to be country offices or subsidiaries of INGOs who are accountable to an office outside of the country of operation.

This is a critically important issue as the current inclusion of "Locally Established Partner" in the ADS 303 directive risks skewing and distorting how USAID measures its success in delivering 25 percent of funding directly to local organizations and 50 percent of programming to be co-designed in partnership with local organizations. Civil society organizations worldwide have high hopes that USAID will make good on its commitments, as set out by Administrator Power. Those hopes will not be fulfilled if funding is channeled to INGO subsidiaries or country offices.

CHALLENGES

According to a recent report by the research organization, Publish What You Fund, only 5.7 percent of USAID funding goes directly to local organizations. The

current aid model is not equitable or sustainable, and there are questions as to whether it is effective. Local civil society organizations are often the first responders to any situation and, as COVID-19 and the U.S. withdrawal from Afghanistan have demonstrated, local community leaders are the ones who remain when international organizations inevitably move on.

The current system does not meaningfully include the perspectives and expertise of local civil society organizations as its default way of working. In discussing this with USAID colleagues at country level in various contexts, many comment that they are proud of specific efforts they have been involved in to provide aid directly to local actors. But these tend to be the exceptions rather than the rule and that tendering, procurement, and implementation continue to remain elusive processes that exclude local leaders. This is due to the lack of directives and training to U.S. staff at the local level on how to truly deliver on locally led development, peacebuilding and humanitarian support in ways that are respectful and sustainable, along with a lack of wrap around services required to prepare local actors for receiving aid.

While we welcome the commitments and sentiments made by Administrator Power, I want to raise some challenges that we must address to meaningfully implement locally led development initiatives.

First, accessibility. By accessibility I mean more inclusive access for local organizations to engage with USAID. USAID has recently launched WorkWithUSAID to help local civil society organizations learn what the Agency does and how they can partner with the U.S. Government. However, local civil society organizations must still compete with international, U.S.-based organizations who have relationships with and expertise on how USAID operates and awards. A combination of simplifying proposal and reporting requirements along with providing wrap around services to support ease in uptake can make partnering with USAID more accessible for local organizations.

Moreover, the responses to the calls for proposals circulated by USAID and the reporting requirements are often required to be submitted in English. This does not consider that for many local actors globally, English is not their first language, if they speak it at all. Allowing applications submitted in local languages, and even orally in some cases, acknowledges the difficulties local actors are already facing without seeking to add more. Shifting some of that burden to USAID to seek translation is a step towards true partnership and will create space for new entrants at the local level to participate.

Second, equitable partnership. By this, I mean partnerships that are a relationship between individuals and organizations based on trust that takes actionable steps to support the needs, priorities, and agendas of all parties equally. In our experience working with local peacebuilders globally, many local actors have highlighted that current practice of partnerships are prescriptive in nature. Foreign actors come in with pre-defined solutions often without the consultation or buy-in of the local organizations or communities we are trying to support. This overlooks the active capacity, agency, expertise, and social, political, and cultural know-how local organizations bring to any context.

Putting local civil society organizations in the driver's seat does not mean international organizations do not have an important role to play. International actors have many roles they can play. For example, as an interpreter an international organization can explain the complex jargon used by USAID, and I would encourage the committee to look at the recent paper produced by Peace Direct on the future role of INGOs as intermediaries.

Third, power dynamics. By this I am primarily looking at the decision-making authority of the design of program work, resources and credibility. USAID's place as the world's largest donor for international development, humanitarian support and peacebuilding efforts comes with explicit and implicit power. When USAID makes an announcement to offer humanitarian support or invest in development and peacebuilding efforts, it comes with a global recognition that the United States is actively involved to address issues.

To effectively and meaningfully implement a locally led approach, we must add the element of humility to recognize that we cannot know or understand the social, political and cultural variables at play as well as local organizations embedded in the community. And to acknowledge that, as much as we may want to help and have good intentions, aid delivered without community planning and inclusion can be patronizing and harmful. At Peace Direct, we do not consider ourselves to be the expert of any of the contexts our partners are working and living in. We look to them for insights and recommendations on what can be done and said, and we mobilize as best as we can to support them in their self-identified work.

Meaningfully working with, not through, local organizations will open opportunities for genuine thought partnerships to be combined with the resources USAID brings to the table, allowing credibility to flow from the community.

Fourth, flexible funding. The idea that funding for local actors should be flexible, inclusive, respectful, sustainable and trust based; what we call Local FIRST funding. As I mentioned earlier under the challenge of accessibility, the bureaucratic barriers that come with partnering with USAID often employ very rigid restricted funding. As many of us here know and recognize, in conflict zones and humanitarian crises, the dynamics change daily if not hourly. Funding models need to be adapted to allow local organizations to change programming and how humanitarian support is delivered to have a better chance of effectuating a positive impact in the community they are serving.

We must improve USAID's granting mechanism to allow for flexible funding to be deployed globally. At Peace Direct, we do this through our Local Action Fund model, and we believe it is scalable.

Finally, racism. By this, we are looking at the deliberate or unconscious exclusion from resources and opportunities due to race. Through many consultations with local actors globally, we at Peace Direct believe that we must address the explicit and structural acts of racism through international development, humanitarian and peacebuilding efforts. For example, we often wrongly assume local civil society organizations do not have the capacity or ability to implement programs therefore, we rely on international organizations with country offices to lead. Another example is the assumption that we cannot partner with local organizations due to rampant corruption and mismanagement of funds. Just as corruption does not see color, we cannot assume that every local actor is corrupt.

Only by deconstructing and dismantling racist ideologies regarding the superiority of Western approaches and working toward a redistribution of power can we meaningfully implement locally led approaches.

OPPORTUNITIES

There are many opportunities to further locally led initiatives. *First and foremost, it is possible.* Peace Direct has employed a locally led approach to peacebuilding since its inception in 2002. We are constantly learning and improving our model, and it has been proven to be successful. Taking a locally led approach across USAID will not only deliver better outcomes for communities worldwide; it also demonstrates a profound commitment to the agency and dignity of ordinary people to be agents of their own destiny. This is a sentiment that speaks to the very core of the American values of individual liberty and self-determination. And it reminds us of Nobel Prizewinning Economist Amartya Sen's definition of development as "the freedom to live the life that one has reason to value."

Second, improving USAID's funding model to be more flexible. Flexible funding for local actors is the key to unlocking creativity and adaptability for communities living in such volatile and unpredictable contexts. By providing greater flexibility in its funding, USAID will be able to contribute more effectively to the achievement of the Sustainable Development Goals by allowing communities to adapt their plans as the context changes. At Peace Direct, we have piloted such an approach for over 5 years now, and have proved that such flexible funding can be transformative for local actors. Our "Local Action Fund" (LAF) is an innovative and flexible grant making mechanism which supports and targets locally led initiatives operating at the grassroots or sub-regional level, i.e., below the field of vision of most international donors. Through such an approach, development or peacebuilding funding directly reaches those who most need it, and such an approach is scalable.

Third, locally led approaches are cost-effective. Recent evidence by The Share Trust points to the fact that local organizations can deliver programming that is 32 percent more cost efficient than international intermediaries. A more cost-effective approach will help to eliminate the need to pick and choose what conflict or humanitarian crisis deserves more attention and resources. This can allow the U.S. dollar to stretch further and reach more people globally.

Fourth, a locally led approach is more sustainable. Working with local organizations will generate read: credibility from the communities we are seeking to support. Community-owned programs and initiatives are more likely to be sustainable after international organizations and USAID decide to leave. Thus, preventing the feeling that there must be a continuous U.S. presence everywhere all of the time.

Fifth, there are existing networks of local civil society organizations ready and willing to work with USAID. We at Peace Direct have mapped many across the world. There are other networks such as NEAR, CIVICUS, Movement for Community-led Development, and United Network of Young Peacebuilders, to name a few, who

have an extensive network of local civil society organizations working on any number of development, peacebuilding and human rights initiatives. Consider this a joint endeavor and build links with those already committed to working in this way.

Finally, there is significant momentum worldwide to transform the international development, humanitarian and peacebuilding system's efforts to be locally led. From the 2016 Grand Bargain Agreement at the World Humanitarian Summit to the OECD–DAC commitments and the Donor Principles on Locally Led Development coled by USAID and Norway, the United States has a unique opportunity to lead and shape the future of international development in ways that—for the first time—would answer the call of the world's poor that “nothing about us, without us.”

NEXT STEPS

We must move from commitment to action. Together, we can champion and support the efforts USAID is making internally and globally to ensure the shift to locally led is one that is comprehensive.

We must work together to address the challenges outlined here and by others to ensure that we meaningfully employ a locally led model to development, humanitarian, and peacebuilding efforts. This involves having the difficult conversations of dismantling systemic racism to address biases and unequal power dynamics. It involves being smarter and risk-tolerant. It involves investing and increasing the budget for USAID to ensure that USAID has the capacity it needs to meaningfully implement this model.

I want to again take the time to thank Chairman Cardin, Ranking Member Hagerty and the other distinguished members of this subcommittee for organizing this vital hearing. I look forward to responding to any questions you may have. I am also open to working with you all in meaningful partnership to actualize and implement a locally led model.

DEFINING INTERNATIONAL AND LOCAL NGO



INTERNATIONAL LOCAL

INGOs **INGO Country Offices**

INGOs not based in an aid recipient country and carrying out operations in one or more aid recipient countries. (UASC, 2018)

INGO offices in country that have no separate governance or identity from the INGO. These offices report up through the INGO's management structure.

INGO Subsidiaries

Organizations that are affiliated to an international organization through multiple mechanisms such as interlinked financing, contracting, governance, branding and/or decision-making systems. They may have some local staff and board directors, but primary accountability is to the international organization.

National NGOs

Organizations headquartered and operating in their own aid recipient country. They determine their own autonomous leadership and governance structures. They set their own strategic direction, priorities and programmatic focus. They make independent financial decisions and conduct their own fundraising. They are part of and accountable to the communities they serve. These have 80% or more local board directors and leadership, or the formal equivalent.

Community-Based Organizations

Organizations headquartered and operating in their own aid recipient country that are active at a subnational level. These may or may not be legally registered. They set their own strategic direction, priorities and programmatic focus. They make independent financial decisions and conduct their own fundraising. They determine their own autonomous leadership and governance structures. They are part of and accountable to the communities they serve. These have 80% or more local board directors and leadership, or the formal equivalent.

Funding for these should be reported with National NGOs.

Reporting must be disaggregated by **INTERNATIONAL** vs. **LOCAL**. Data by national NGO vs. community-based organization is highly recommended.

This does not include local and national organizations that are part of networks, confederations or alliances, so long as those organizations meet the criteria for National NGOs (UASC, 2018).

A local actor is not considered to be affiliated with an INGO merely because it is part of a network, confederation or alliance, so long as the organization meets the criteria above for National NGOs (UASC, 2018).

Senator BOOKER. Thank you for that excellent testimony.
Mr. O’Keefe.

**STATEMENT OF BILL O’KEEFE, EXECUTIVE VICE PRESIDENT
FOR MISSION, MOBILIZATION AND ADVOCACY, CATHOLIC
RELIEF SERVICES, BALTIMORE, MD**

Mr. O’KEEFE. Thank you so much, Chairman Booker, and Senator Cardin in absentia and Ranking Member Hagerty, members of the subcommittee.

On behalf of Catholic Relief Services, the international relief and development agency of the Catholic community in the United States, I want to thank you for calling this hearing and for your leadership in addressing global poverty and injustice.

Humanitarian and development assistance are at a crossroads. In one direction, we can continue to do what we have done for decades, underestimating and under-investing in local organizations in favor of international organizations, INGOs, and contractors. In the other direction, we can seize momentum and advance more locally development and humanitarian response.

Rooted in our values, Catholic Relief Services encourages the U.S. Government and other bilateral and multilateral donors to take the second path, which we believe will vastly improve aid efficiency and effectiveness, lead to more sustainable programs, provide a foundation for more resilient systems, and weave a stronger web of civil society organizations providing services alongside governments, holding those same governments accountable and building stronger democracies.

USAID has led efforts to promote localization, but has yet to make enough progress. Reports to Congress show that roughly 1 percent of USAID’s humanitarian assistance and 7 percent of all its assistance were obligated directly to local entities in fiscal year 2021.

Shifting resources and power to local leaders requires political, economic, social, and cultural changes across the USAID system. We believe conditions are ripe for real change now, though.

One, local actors are ready. Some argue that local organizations lack capacity. We firmly reject this assertion. While every country is different, every situation is different, responsible capable local organizations are ready to take on more leadership roles in many instances.

INGOs are ready. Faith-based groups like CRS, secular NGOs, and coalitions like the Modernizing Foreign Assistance Network, of which we are a part, are ready to support a vision of a more locally-led future.

Donors are ready. Over the last several administrations, and we have heard examples of this already on this panel, USAID has committed that working more equitably with and through local entities is the path forward to sustainable impact.

Congressional support, though, is required to seize these opportunities and build momentum. We urge this subcommittee, working with appropriators, to take several actions.

One, follow the money. When local actors access direct funding, they can invest in their own capacity, expand their programming, and enhance their influence with governments and donors.

He who has the gold, rules. Congress should require the Administration to report on funding to local entities through the annual appropriations process as in the last 2 years.

In addition, so local institutions can lead in new ways, Congress should ensure USAID invests in holistic capacity strengthening.

Second, measure what matters. Creating a uniform and honest definition of local entity coupled with annual tracking of progress over time is critical.

The aid transparency group Publish What You Fund recently released a report entitled “Metrics Matter,” showing that different definitions of local produce dramatically different calculations.

What we measure and how we measure it will be critical in determining whether progress is real. Catholic Relief Services agrees with the definition that Ms. Aquino gave a few minutes ago and has worked with Peace Direct and other groups in similar efforts to clarify what we consider to be local.

Congress must provide oversight and should also evaluate State Department funding of truly local entities as well.

Breaking down silos—local partners often implement both humanitarian and development responses, but efforts to advance their leadership are siloed.

Congress should encourage USAID to harmonize localization strategies within USAID and then with State and other donors and across contexts and types of assistance. Operational policies and practices must facilitate local participation.

Finally, digging into the details. USAID has developed strong policies to advance locally-led development. Additional time, money, and human capital will be necessary to properly implement these policies and accurately report progress.

Partner with USAID in a bipartisan way to remove barriers to entry for local groups such as unreasonable award sizes, unwieldy and inflexible procurement mechanisms, and excessive compliance requirements that large INGOs like CRS have spent decades building capacity to manage. Do not let this moment pass.

I want to close with a quick story. In Nigeria, CRS led a USAID-funded \$40 million project to improve services for orphans and vulnerable children. The project strengthened the capacity of 49 local partners from state government, local civil society organizations, and community-based groups improving their technical, administrative, and financial management skills.

By projects end, 10 of those partners transitioned to prime recipient status for direct donor funding. This effort allowed hundreds of thousands of children in their communities to receive quality services provided effectively and sustainably via local institutions and local government. This is the second path.

Thank you again for your time and I look forward to your questions.

[The prepared statement of Mr. O’Keefe follows:]

Prepared Statement of Mr. Bill O’Keefe

Chairman Cardin, Ranking Member Hagerty: On behalf of Catholic Relief Services (CRS), the international relief and development agency of the Catholic community in the United States, I want to thank you for calling this hearing to discuss locally led development and humanitarian response. The future of international assistance must include a shift to more direct funding of local entities and more gen-

uine empowerment of local organizations to make decisions as they implement, evaluate, and own their development.

Strong local organizations in the lead are key for the advancement of Integral Human Development—the idea, rooted in Catholic Social Teaching, that individuals and communities thrive best within healthy social, economic, political and environmental ecosystems. Local institutions and local leaders are critical for building, supporting, and sustaining such ecosystems. Local organizations that can provide critical social services to people outside of and in addition to those provided by the government services, and through collective representation, can help hold the public sector accountable to its citizens. A robust, resourced, and representative civil society also helps create more resilient systems and societies that can better withstand shocks. Finally, supporting local organizations can help advance the relations between the U.S. and other countries by expanding the “whole of society” web of relationships between countries.

Over multiple Administrations, the U.S. Agency for International Development (USAID) has made efforts to varying degrees of success to strengthen local organization capacity and increase resource allocation to local entities. These efforts have gained momentum in recent years as the global humanitarian community signed on to the Grand Bargain, former USAID Administrator Mark Green launched the Journey to Self-Reliance, former Global AIDS Coordinator Deborah Birx advanced localization within PEPFAR, and USAID Administrator Samantha Power announced goals to direct 25 percent of all funds to local entities within 5 years and to have local entities in the lead of 50 percent of all programming by the end of the decade. These objectives are significant and to reach them will require great change within USAID and the entire ecosystem delivering humanitarian and development assistance.

CRS wholeheartedly supports the objectives of locally led development and humanitarian response. Locally led development and humanitarian response are central to our values, an essential element of our agency’s vision, and will be critical to how we think about changing our own systems and structures in the coming years. CRS will seek to share capacity with local partners to receive and manage funds directly from donors, support local organizations to achieve their leadership ambitions and sustainability, and align our own operations with our local leadership commitments.

PRINCIPLES TO GUIDE A MORE LOCALLY LED SYSTEM

For 80 years, CRS has partnered with the U.S. Government and local entities around the world to assist populations in need. Grounded in Catholic Social Teaching, we are guided by the principles of solidarity, the idea of walking with and accompanying our neighbor, and subsidiarity, the belief that those who are closest to a problem are the best positioned to determine the right solution. Solidarity and subsidiarity are at the core of our support for locally led development and humanitarian response and help determine the following principles that guide our approach to advancing localization:

Locally led development and humanitarian response requires local actors as implementers and leaders. Efforts to support local leadership must go beyond local program implementation to include ownership of all development processes. A focus on local leadership means “shifting the power” from the international to the local level in responding to development and humanitarian challenges. For transformation of the aid process, local organizations should also help lead the design of aid programming, as well as shape development strategies of governments and donors. Local actors should be part of donor processes like USAID’s Country Development Strategy Process, and humanitarian mechanisms like Coordination Clusters.

Effective partnerships underpin effective transition to local leadership. CRS’ decades-long global experience has shown that meaningful partnership that is rooted in trust, respect, and mutuality provides the foundation for successful transition to locally led development and humanitarian response. Ensuring strong relationships with clear and negotiated roles and responsibilities, as well as clear means of accountability between international actors, governments, donors, and local institutions can help ensure sustainable locally owned initiatives and maximal impact. Partnership requires intentionality and sustained collaborative work to achieve successful transition to locally led and owned humanitarian and development efforts.

Holistic, not transactional, capacity strengthening is critical for sustainable change. Too often donors, policy makers, and peer organizations define locally led development as merely the ability of local organizations to comply with donor regulations. However, meaningful, and sustainable local leadership goes beyond compliance capacity, and should instead include the resources, systems and structures,

staff and leadership needed for effective, appropriate, and sustainable programming. Holistic capacity strengthening should respond to goals developed by local institutions in collaboration with their partners. Programs may address organizational weakness in finance, programming, or compliance, but may also help local institutions improve staff skills, organizational systems, structures, and governance to lead more effectively and sustainably. Efforts can also assist local institutions develop organizational resource mobilization capacity, resulting in greater growth and sustainability. Capacity strengthening should go beyond simply training to include investments in organizational systems and structures, continuous technical assistance, and constant coaching and accompaniment to ensure these efforts take hold.

Funding mechanisms and conditions help determine localization success. There are many advantages to a humanitarian aid and development assistance system implemented primarily by local actors. However, as USAID's Bureau for Humanitarian Assistance (BHA) recognizes in its own Localization Strategy, structural and/or operational changes will be required for success. Important factors for successful local actor bidding and program design, implementation, and evaluation include appropriate award size, operation timelines, and procurement mechanisms, as well as adequate coverage of direct and indirect costs for project implementation and risk management considerations. Less directed, more flexible, and multi-year humanitarian funding; harmonized funding and reporting requirements; improved transparency and cost efficiency; and innovative tools and mechanisms such as pooled funds and fixed amount awards all encourage and support local institutions in taking more lead roles. All humanitarian and development stakeholders should develop joint strategies to manage and overcome compliance, due diligence obstacles, and move towards effective risk-management and sharing. This must include ensuring donors commit to covering local institutions' indirect costs.

A broad and inclusive civil society, including faith-based organizations (FBOs), is important. Local leadership goes beyond institutions that are immediately capable of being donor compliant or "prime ready." There are many local actors that have important roles to play in meeting development goals but may not be ready or interested in serving as prime USG program implementers. In many places, non-prime ready, or not-yet-prime ready actors are also reaching the most vulnerable. These are important local leaders and institutions for reaching program targets, and they need capacity support. Faith-based organizations of this type can play a powerful role in reaching communities and effecting meaningful change. Moreover, strong associations of local organizations that influence and support a full range of local organizations of various sizes and capacities are also essential. A broad and inclusive civil society ensures that social services and advocacy needs are addressed across a wide range of sectors, geographic regions, and areas of economic and social needs. Local leadership thrives in a political environment that allows civil society engagement and that promotes effective civil society/local government collaboration. Too often, closing civic space threatens authentic and inclusive local leadership.

Government matters. Aid to civil society should not replace an effective public social service sector. Strong partnerships with shared responsibilities between the government, local civil society, private sector, and others such as international non-governmental organizations (INGOs) can result in transformative change at scale. CRS works with local and national governments to strengthen their technical and organizational capacity to deliver services, as well as with civil society to help them fill gaps and ensure government is accountable to its citizens.

OPPORTUNITIES TO ADVANCE LOCALLY LED DEVELOPMENT AND HUMANITARIAN RESPONSE

While locally led development and humanitarian response work has been ongoing for years, USAID and stakeholders have yet to fully realize their collective goals. Shifting resources and power to local leaders and their institutions requires political, economic, social, and cultural change at every level of the system. Nevertheless, change is possible if we can capitalize on momentum and seize the following opportunities:

Local actors are ready. Opponents often argue that local organizations lack the capacity to lead or are too risky to engage. We disagree. Responsible, capable local organizations are ready to take on more leadership roles. The world has changed and developed significantly since the beginning of the modern aid system, and that system must now realize that in many countries and communities, there are local institutions led by capable, professional leaders—experienced in their fields and endowed with their own expertise—ready to take on new and expanded development and humanitarian assistance roles. Many of these local organizations have not yet

had the opportunity to lead or implement programming at scale but can with resources to strengthen their institutional systems and structures.

INGOs are ready to help. More than any time in recent memory, INGOs like CRS and coalitions like the Modernizing Foreign Assistance Network are ready to advance a vision of a more locally led future. We are using our own private resources through projects like EMPOWER—Empowering Partner Organizations Working on Emergency Responses—to show proof of concept. We are managing transition awards and continuing to accompany partners to ensure sustainability and demonstrate solidarity. We advocate in Washington, DC for a definition of ‘local entity’ that truly reflects local organizations. We are pushing USAID and international donors to report publicly how they are progressing toward agreed goals.

Donors are on board. Increasingly, donors understand that working more justly and equitably with and through local entities is the path forward to maximize funding and impact. Since Administrator Power’s speech in late 2021, USAID has made significant efforts to reflect the importance of localization in its development and humanitarian agenda, including through the appointment of special advisors on localization, and the release of a range of documents and policies to articulate goals and paths forward. Whether through USAID’s donor statement on locally led development, its Local Capacity Strengthening Policy, or more operational pieces like the Locally-led Development Checklist and Centroamérica Local, locally led development is clearly of keen interest. With the Grand Bargain’s renewal last year, government, NGO, and multilateral signatories agreed that more action is needed to actualize its vision of shifting the power towards greater local leadership, and more effective, accessible, quality funding for local actors. USAID’s BHA reflects this prioritization in its own draft Localization of Humanitarian Assistance Policy.

Evidence shows localization works. Donors have supported research into the effectiveness of local leadership. Resources like USAID’s Journey to Self-Reliance Learning Agenda (<https://2017-2020.usaid.gov/selfreliance/self-reliance-learning-agenda/>), USAID’s Stopping as Success (<https://www.stoppingassuccess.org/resources/>) platform and resource library, and their newly released Evidence Summary for Local Capacity Strengthening all demonstrate the effectiveness of localization efforts. In addition, PEPFAR has begun sharing data results from its recent shift to utilizing locally led primes that shows the effectiveness of this work. Academics and research institutions have also begun to contribute to this evidence base (e.g. recent journal articles like the International Journal of Disaster Risk Reduction’s International humanitarian organizations’ perspectives on localization efforts (<https://reader.elsevier.com/reader/sd/pii/S221242092200629X?token=146EF98D858D90B2E55BFA262E3E8E047C856D8C84194A17824ED104999350DE8BE33618866873F64F49F1157DABB940&originRegion=us-east-1&originCreation=20230120191042>) or the Brookings Institution’s recent Obstacles and recommendations for moving U.S. development policies onto a locally led path (<https://www.brookings.edu/blog/future-development/2022/05/09/obstacles-and-recommendations-for-moving-us-development-policies-onto-a-locally-led-path/>)). More INGOs are active research partners, and are producing a wide range of gray literature, including extensive case studies, lessons learned, and briefs. There is also growing research on the efficiency of locally led approaches, e.g., Passing The Buck: The Economics Of Localizing International Assistance (<https://thesharetrust.org/resources/2022/11/14/passing-the-buck-the-economics-of-localizing-international-assistance/>), a recent study estimating that local intermediaries could deliver programming that is 32 percent more cost efficient than international intermediaries.

EXPERIENCE DEMONSTRATES THAT LOCALIZATION WORKS

CRS has learned that prioritizing investment in and advancement of locally led development and humanitarian programming is the best way to ensure our development and humanitarian interventions are effective, efficient, and most importantly, sustainable. CRS has extensive experience in supporting local actors, strengthening their capacity and increasing their leadership of development initiatives. For example, the CRS High-Performing Implementers (HPI) Initiative offers partner-led, CRS-facilitated capacity building, focusing on leadership, procurement and supply chain management, financial management, and overall program quality to help place local public and non-profit institutions in the driver’s seat of their own growth as sustainable principal recipients of donor funding. Supporting local actors in this way can advance the transition to a locally led future.

CRS led the USAID-funded Sustainable Outcomes for Children and Youth (SOCY, 2015–2021) project in Uganda. This project was designed to improve the health, economic, educational, and psychosocial wellbeing of orphans and vulnerable children and their households, as well as reduce abuse, exploitation, and neglect among this

population. Through a network of civil society organizations, social workers, and frontline para-social workers, SOCY provided services that reduced the risk of HIV and violence and linked individuals to much needed services. The \$45.5 million budget investment funded local civil society capacity strengthening to meet the needs of children and families, and 13 local partner institutions. All partners demonstrated increased organizational performance, and one, the Transcultural Psychosocial Organization (TPO), has now transitioned to become a major prime recipient of U.S. Government funding. With TPO, CRS used additional funding and time to provide on-going technical assistance—beyond the life of the project—to help TPO successfully move into a program leadership role. This experience highlights the importance of strong, trust-based partnerships, as well as appropriate timelines and adequate investment in on-going capacity strengthening for effective local leadership.

In The Gambia, CRS implemented an \$11 million Global Fund malaria program as co-Principal Recipient with the Ministry of Health from 2010–2018. CRS' strong partnership with national and local organizations eventually led to full transition of the Principal Recipient role to the National Malaria Program. During this period, malaria parasitic prevalence decreased from 4 percent in 2010 to 0.1 percent in 2017 while malaria infections decreased by 50 percent across all regions of the country between 2011–2017. The project's interventions contributed to improved outcomes, including uptake of Intermittent preventive treatment by 82 percent of pregnant women (target was 85 percent), and reported bed net use by 94 percent of pregnant women, 95 percent of children under 5 (target was 85 percent), and 83 percent of other household residents (target was 60 percent). CRS continues to support The Gambia through accompaniment to improve monitoring and evaluation systems and modify approaches to move closer to disease elimination. The National Malaria Control Program and other government agencies are replicating CRS' approach to behavior change in other sectors, and many government and local NGOs have institutionalized the use of digital systems for data management and reporting as part of project implementation. Now in our Sub-Recipient role, CRS provides technical support on SMC data management and initiated a cross-border pilot project between Senegal and The Gambia.

CRS has also seen it is possible to support local organizations to lead humanitarian action. In 2018, CRS launched the EMPOWER project to strengthen the humanitarian response capacity of local partners by providing accompaniment and support in diverse areas, including business development; program management; monitoring, evaluation, accountability, and learning; finance; supply chain management; and protection and safeguarding. CRS implements EMPOWER in Latin America and the Caribbean, Asia, and West and Central Africa with 79 local and national partners in 58 countries. Through the EMPOWER project, local organizations in Brazil, Colombia, and Peru have received direct funding from USAID's BHA and the Department of States' Bureau for Population, Refugees, and Migration to respond to humanitarian needs across the region. Due to the successful model in South America, CRS has partnered with BHA to support similar efforts in Central America and now also West Africa.

These examples demonstrate the effectiveness of locally led development and humanitarian response. The core development and humanitarian goals remain the same—to save lives, reduce poverty, uphold dignity, and promote peace, but the roles in which we accomplish these goals are shifting. Locally led development and humanitarian response is not one size fits all. Context matters. Supporting a local entity to respond to the needs of orphans and vulnerable children in Uganda is quite different from accompanying a local entity in Brazil respond to a migration crisis. How we approach localization is dependent on many factors, but when solidarity and subsidiarity drive the vision, it is possible to advance our goals.

CHALLENGES TO ADVANCE LOCALLY LED DEVELOPMENT AND HUMANITARIAN RESPONSE

To capitalize on the momentum and take advantage of the opportunities in front of us, we must not fall victim to the obstacles that have impeded progress in the past. This change will not be easy, as it requires expending political capital and the will to drive change in policy, processes, procedures, and practices. In our favor now, unlike in previous iterations, Congress, the Executive branch, implementors, and local groups are largely aligned in our collective goal. However, we also know that in previous efforts, when the enormity of the task became clear, staff and resources were not brought to bear to make the changes needed and inertia set in. This will take sustained energy and investment. In particular, we must address the following challenges:

Tracking progress. Based on Administration reports to Congress we know that only .82 percent of humanitarian funds from the International Disaster Assistance account and 7.2 percent of all USAID funds were obligated directly to local entities in FY21. With these two figures as baselines, we have a long way to go to meet our goals. And while money isn't the only indicator of success, it is an important metric. Unfortunately, one singular definition of "local entity" does not exist across the U.S. Government or international organizations to measure progress toward results. USAID uses the definition of "local entity" found in ADS 303, which can include non-local entities. USAID will not track progress toward the 25 percent metric using the ADS 303 definition, but instead on three indicators found in existing government tracking: project place of performance, organization headquarters, and organization registration. Without a unified definition and methodology to calculate target results, it will be more difficult to assess progress and understand the overall picture of funding realities on the ground. In a research paper released recently by Publish What You Fund (PWYF) titled 'Metrics Matter (<https://www.publishwhatyoufund.org/projects/localization/>),' PWYF demonstrated that different measurement approaches result in dramatically different numbers, impacting how we perceive progress.

Taking good policies and putting them into action. As noted above, recent years have seen tremendous progress at the policy level in support of locally led development. From the Grand Bargain to the Local Capacity Strengthening Policy, to regional pilot initiatives, and the emerging BHA localization policy, we see the affirmation across USG that locally led development is important. Now is the time to move from policy to practice and from concept to reality. Donors, including USAID, must take on the hard work of change at the financial, operational, and cultural levels. They must break down the enduring silos between development and humanitarian assistance; examine and address the pain points and barriers embedded in the procurement process that hinder localization progress; and make real and tangible investments in the implementation of localization policies.

To advance progress on localization, local capacity and procurement practices must be considered and addressed together. For many local institutions, the sole roles accessible to them have been as project sub-recipients, or task-specific sub-contractors. If they have primed awards, they have often been smaller and/or limited awards. As more donors look to increase funding to local institutions, the size of awards, the choice of instrument, and the timeline of the funding significantly affect their success. For example, in a given country a range of institutions may be able to take on a \$1m multi-year assistance award. However, leading a \$20m contract may be overwhelming. This difference is not a reflection of their inherent capacity, but rather the robustness of their current organizational systems that were developed to match currently available funding.

Constraints in the larger aid ecosystem. While USAID is the leading humanitarian and development donor in the world and has led the conversation in the U.S. around locally led development and humanitarian assistance, broadening these efforts within the interagency and among multilateral donors will be a challenge. Changes will need to occur within other U.S. donor agencies such as the Department of State and multilateral actors that receive U.S. Government money such as the United Nations.

Simultaneously, while USAID and others are advancing localization, civic space is under threat. We know from experience and from documentation such as Civicus' Annual Report on the State of Civil Society (<https://www.civicus.org/index.php/media-center/reports-publications/socs-reports>) that in many places around the world, civic space is deteriorating. For local organizations to thrive, they need the space to do their work and engage with communities and government free of constraints. Ensuring that third sector institutions can operate safely and thrive is critical to the localization agenda.

RECOMMENDATIONS TO THE U.S. GOVERNMENT

Grounded in our principles and based on our experience, CRS makes the following recommendations to the U.S. Government to help advance locally led development and humanitarian response:

Money matters: keep momentum and ensure increased funding and increased opportunity for local leadership. The Administrator laid out an ambitious goal to increase direct USAID funding to local entities to 25 percent by 2025. Though challenging, ensuring local actors have access to the resources necessary to lead and carry out their mission is critical. Donors, policymakers, and practitioners must double efforts to increase funding to local actors, while also supporting local institutional participation in all development and humanitarian decision-making processes,

including the development of Country Development Strategies and humanitarian coordinating Clusters.

Oversee progress toward results: ensure accurate data collection and transparency. Thanks to reports submitted to Congress required in Fiscal Year 2022 State, Foreign Operations, and Related Programs appropriations, we know very little funding is currently reaching local actors. Similar report language was included in the Fiscal Year 2023 SFOPS appropriations report. We urge Congress and the Senate Foreign Relations Committee to continue to support the inclusion of appropriations language to require a report from USAID that assesses progress toward results and provides data on funding to local entities, disaggregated by country. As USAID grapples with burden busting and reporting accurate information, we urge Congress to work with the Administration to ensure in the future this data can be readily available on *ForeignAssistance.gov* to interested stakeholders.

Ensure adequate investment in holistic, not transactional capacity strengthening. Good partnership and effective capacity strengthening is critical for any effort to support local leadership. Based on decades of experience, and in accord with USAID's 2022 Local Capacity Strengthening Policy, we insist that donor agencies fully fund comprehensive, holistic and participatory capacity strengthening approaches that ensure participatory, locally led capacity goal setting, and go well beyond simple transitional one-off activities. It is also important for USAID and other donors to plan, fund and give time in partnership activities, while also exploring new funding mechanisms to incentivize and support INGOs to play different roles in humanitarian response and development assistance programming.

Focus on the details: improve acquisition and assistance mechanisms to open the door to local partners. Strengthening local capacity is important. However, equally important are the mechanisms that help or hinder access to critical development resources. To truly 'shift the power' and increase opportunities for local leaders and their institutions, Congress must work to: ensure size of awards are reasonable for local actors to design, bid for, implement and evaluate; set timelines for design and implementation that reflect local capacity; align the choice of funding instrument with local actors' capacity to respond and comply, including using mechanisms that do not require significant upfront resources from bidding organizations; and embrace flexibility in funding and adaptive management approaches. Efforts must also be made to develop and fund strategies to manage risk and help local organizations manage the extensive security, fiduciary, legal and other risk and compliance measures, and to strive to harmonize minimum criteria among donors, share information on the criteria, and expand pooled fund coverage.

Beyond USAID: urge other actors to advance localization. The United States has emerged as a clear leader in the movement for a more localized aid system, and recent efforts (such as the joint Donor Statement on Locally led Development (<https://www.usaid.gov/localization/donor-statement-on-supporting-locally-led-development#:text=We%20will%20work%20to%20prioritize,and%20sustainable%20approach%20to%20development>)) demonstrate U.S. influence on the wider circle of donors. Nevertheless, broad agreement across the U.S. interagency or within the United Nations will not foster lasting change. Congress must work with USAID to ensure their efforts are not in vain and apply pressure to multilateral donors such as the United Nations as well as other donors within the U.S. Government to ensure that all development and humanitarian assistance advances localization.

Thank you, Chairman Cardin, Ranking Member Hagerty and the subcommittee for your leadership and dedication to supporting poor and vulnerable communities around the world. We look forward to working with you in the coming months and years to advance locally led development and humanitarian response.

Senator BOOKER. Truly phenomenal testimony.

In deference and respect to my friend and colleague, I want to offer you the opportunity to ask questions first, sir.

Senator HAGERTY. Thank you, Chair Booker. Appreciate that.

I would like to start with you, Dr. Steiger, and given your time in government as chief of staff at USAID with the outstanding Administrator Mark Green, I would like to just get some foundational questions answered with you about development in localization, and I touched on this in my previous set of questions.

From your perspective, how did the agency view its localization efforts under the Journey to Self-Reliance Initiative that I touched

on before and how did you view those localization efforts fitting into the Administration's National Security Strategy?

In particular, did you see development in localization as supporting our U.S. and allied strategic competition with Communist China? I would like to know what the lessons learned might be.

Dr. STEIGER. Absolutely. Thank you, Senator, for the question.

The answer to your question is yes, simply. Localization was a key part of the Journey to Self-Reliance because it was obvious to us that building long-term sustainability, long-term self-reliance on the ground, means working with local organizations first and over the long term.

It is hard to do that with intermediaries. There is a role to play for U.S.-based organizations to be umbrellas, to be mentors, to facilitate the kind of relationships that Bill talked about that CRS did in Nigeria.

Over time and with specific metrics, those kinds of relationships have to move on to transition to full ownership and implementation by local organizations and one of the main reasons for that is visibility.

As you know well, Communist China—the Chinese Communist Party and others of our adversaries are excellent at branding their assistance on the ground. Everyone knows what that flag means with the red stars on it.

Even to take a more benign example, everyone knows what the rising sun of the Japanese flag means when they see it on a building, on a bridge, on a hospital.

Our logos—even the great one that is “From the American People”—are washed out in a sea of other logos and colors, mostly from our implementers. This is particularly true when we use United Nations organizations.

It is hard for people to see and feel what we do when we use intermediaries. Local organizations are far more likely to give us credit, and they are far more likely to be involved in programs that show local people that what they are receiving is from the American people.

We saw localization as an integral part of trying to counter our adversaries on the ground in this great power competition.

Senator HAGERTY. Can I stay on the lessons learned topic for a few more minutes with you? I am going to extract a quote from your testimony to put it into context.

You stated that USAID already has the legal authorities and other tools necessary to pursue a comprehensive localization agenda and does not need congressional action with two possible exceptions including the authority to create a working capital fund for acquisition and assistance.

The challenges the agency faces in localizing its portfolio of awards are self-imposed as USAID often chooses not to exercise the authorities it enjoys.

If you could elaborate a bit on that. What authorities exist that are not being exercised and what can we learn from that?

Dr. STEIGER. Absolutely, and I will follow on many of the things that Michele Sumilas said.

The agency, over time, has imposed upon itself a series of bureaucratic processes that make it very difficult for Contracting Offi-

cers, Agreement Officers, innovative staff in the field, to really use what is an extraordinary set of procurement authorities that USAID has as an agency.

I would say that there is virtually no other entity in the Federal Government that does procurement at this scale that has the flexibility on paper that USAID does.

One example is a marvelous, almost magical, authority called Other Transactional Authority, which is the ability for the agency to take almost any kind of money and create almost any kind of relationship it wants to within certain legal boundaries with, for example, private sector entities.

USAID has a slew of innovative ways of doing awards with small and local organizations. Ms. Sumilas mentioned Fixed Amount Awards, but there are Fixed Price Contracts. There are other kinds of relationships with local entities that can be drawn up.

For a variety of reasons, the agency's procurement infrastructure—the bureaucratic node of the Management Bureau's Office of Acquisition and Assistance—is extremely conservative in allowing people in the field to use those authorities to work directly with local organizations.

Senator HAGERTY. Are these limitations published guidelines? Are they rules that have been made or are these informal limitations?

Dr. STEIGER. This is part of the problem. We and this Administration have worked very hard to make the documents around these issues pretty clear, to the layperson anyway, that things are permissible.

It is a cultural and, perhaps even philosophical problem that what holds people back in many cases is not the letter of the policy or the regulation, but someone's interpretation of that regulation, often shrouded in myth or in legend.

You have people who will take the letter of a policy or the Federal Acquisition Regulation, go to Washington and say, "We would like to do this," and they will be discouraged from doing so by people who are not really on board with the idea that the agency should be doing things in a new and innovative way.

Senator HAGERTY. Thank you for your testimony.

Mr. Chairman, back to you.

Senator CARDIN [presiding]. Thank you.

Let me first apologize. We have the safety issue in regards to the rail spill in the Environment and Public Works Committee today. Part of the watershed comes into Maryland, so it is an issue of public safety in our state. I apologize for leaving the committee and not hearing your testimony directly.

Mr. O'Keefe, I am going to start with you because CRS is critically important to our development goals globally, but you are also important to my community. I thank you for what you do.

I really want to understand from you. I look at CRS as having a similar mission that USAID has, that you are globally engaged for all the right reasons and your values are our values.

As we move towards localization, which we all support, what are the risk factors that could affect your ability as an institution to provide the services that you are able to do today?

Mr. O'KEEFE. Thank you, Senator. That is a great question.

I think we, in some ways, are blessed with having a network of partners and operate in a localized way in most countries already ourselves, and so as our partners have gotten stronger over the years, our role has constantly evolved and I think we are confident that as USAID has more direct relationships, as we help to strengthen capacity of more of our partners, we will be—play a critical role, but at a different level.

For example, rather than focusing on particular health clinics, we will focus on improving the health system. In the Gambia, for example, we have a global fund project that for a number of years was working with the ministry of health—their office of malaria control—to build their capacity and under that project our—the malaria incidents dramatically dropped and, more importantly, in some ways, the ministry was able to take over running of that operation.

Rather than us providing the direct malaria response, the government is now able to do so in a sustainable way and will be playing a role at that kind of higher level.

We are not afraid of a new world where we have to adapt and compete at a higher level and I look forward to doing that and as part of the community in Maryland as well.

Senator CARDIN. That is helpful, and as—we really appreciate your input today, but we invite you for continuing input to our work as we try to get this right. We want to make sure that we do not compromise the current tools that we have, that we all are working on the same way.

Ms. Aquino, I was interested in your testimony that you seem to be supporting the USAID administrator and that they need greater capacity in order to implement this. I was interested—the lack of capacity, but as they move forward, how does it affect your work?

Ms. AQUINO. Yes, thank you for that question, Senator. Thank you for that question, Mr. Chairman.

The lack of capacity at USAID, I think, is pervasive in terms of being able to really implement this and what I would say—I am just back from Colombia where I had the privilege of meeting with our USAID staff there—and it is unclear—it seems to me that it is unclear for staff at the local level whether these directives should be implemented immediately, what is the timeline for implementing this, what are tools that they can have at the local level to understand deeper what is happening in communities.

In general, I do not get a sense that there is a lack of willingness. I get a sense that there needs to be more training and more support.

As Mr. Steiger mentioned, there are tools that are available, innovative tools that USAID does have. Do all our staff at—the USAID staff at the local level know of these tools and how to use them to support local communities?

All of that working better would certainly help for this locally-led agenda to be delivered.

Senator CARDIN. Thank you.

Mr. Steiger, you have seen this up close and personal. You have heard the testimony today. You hear the Administration wants to move to 25 percent localization. Tell us your greatest concerns and risks in the way these policies could be implemented.

Dr. STEIGER. Thank you, Senator.

Mr. Chairman, the greatest risk is that the 25 percent target, which I support and I actually think should be higher, becomes an excuse for the agency and some of these larger partners to believe that business as usual can continue with the other 75 percent or the other 50 percent.

These reforms, as Michele Sumilas alluded, have to cover the entire portfolio, whether awards with local partners or not. Otherwise, this initiative, as its predecessor in the Obama administration did, will end up getting pigeonholed and sidelined.

Local Works did a lot of good things and USAID Forward did a lot of good things, but the agency was able to basically surround them. Its antibodies came out and surrounded these good initiatives and kept them as very small niche enterprises, at the end of the day. This Administration's push for localization cannot afford to fall into that trap.

I think the more that the agency, from the top down, moving to the local level, can extend these reforms to the entire portfolio, including humanitarian assistance, by the way, not just development assistance, then they have a greater chance of surviving.

Senator CARDIN. I think that is a key point. We are talking about changing a delivery system and if it just is used as an addition and we do not really integrate it, it loses the reason why we are doing this.

It becomes then a set aside or a dollar number rather than it becomes part of the ingrained way in which we are meeting our development goals. I think that is an extremely important point. Thank you.

Senator Hagerty.

Senator HAGERTY. Thank you for holding the hearing today, Mr. Chairman. I have had the opportunity to question this group of witnesses.

I would just say this. We obviously have a lot of work ahead of us in terms of helping modernize USAID's approach, too. I appreciate the approach that Ambassador Power is taking.

The localization direction from a private sector perspective makes so much sense to me, and to the extent that we can learn lessons from the past and help the organization accept a new vision, I think we can achieve something great here.

I look forward to working with you on this more.

Senator CARDIN. Thank you.

I thought you started the hearing with mentioning PEPFAR and I know there are differences and you cannot use one example, and we made a huge additional investment when we did PEPFAR.

The results speak for itself. The local capacity is there and it is making a huge difference. I think the last comment that was made about whether we can engrain that type of local responsibility and capacity into our foreign assistance—development assistance programs—really is what localization is about. I think we all support it.

It will be interesting to see whether they have the capacity and the—I guess, the sustainability to make this work throughout our development assistance goals and, as pointed out, in some areas it

is just not possible. We recognize that. We have to be sensitive to the local communities.

Senator HAGERTY. As you very ably pointed out, building that capacity creates or yields dividends well beyond the initial purpose and I think we have seen that take place and very much appreciate that observation.

I hope we have metrics that can capture that broader benefit as we think about the investments that we make here.

Mr. Chairman, could I also just make a request to enter into the record two written statements that were voluntarily submitted by two individuals—David Berteau, president and CEO of Professional Services Council, and Allassane Drabo, West Africa regional director at Search for Common Ground? If I might enter these.

Senator CARDIN. Without objection, those two statements will be made a part of our record.

[EDITOR'S NOTE.—The information referred to above can be found in the "Additional Material Submitted for the Record" section at the end of this hearing.]

Senator HAGERTY. Thank you.

Senator CARDIN. The record will remain open for questions for the record until close of business tomorrow, Friday. I would ask our witnesses to please respond promptly to those questions that are submitted for the record.

With that, I want to thank our three witnesses not just for your participation here, but for your commitment to global issues that are so important to our national interests.

Thank you all. With that, the subcommittee hearing will stand adjourned.

[Whereupon, at 12:00 p.m., the hearing was adjourned.]

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

RESPONSES OF MS. MICHELE SUMILAS TO QUESTIONS SUBMITTED BY SENATOR BENJAMIN L. CARDIN

Question. How have local partners been involved in co-development processes to ensure local context allows for and supports the aims of a program?

Answer. USAID uses many forms of collaborative action in our missions to encourage and ensure local input and ownership of our programs. We use co-creation, co-design, and co-development at different periods of time and for different purposes.

Co-creation is a design approach that brings people together to collectively produce a mutually valued outcome. It employs a participatory process that assumes shared power and decision making. In a co-creation, USAID convenes a group that may include Mission staff, partners, potential local implementers, local communities, and other stakeholders to address a specific problem. The participants agree upon shared goals and objectives, identify existing and new solutions aligned with local realities, build consensus around action, and refine plans to move forward with programs and projects. While USAID is the sponsor of this creative effort, it does not have to be directly involved. Indeed, the power of co-creation is its emphasis on those closest to the problem, the ability to enable local actors to bring their perspectives, experiences, capabilities, and ideas to the fore. In this way, an effective co-creation fosters local ownership and accountability and can generate results that are both effective and sustainable.

Co-creation is not required and can occur during the award process (pre-award and post-award) or independent of an award. Often, co-creation is a valuable implementation tool. It is important this approach is used with purpose and intent as appropriate.

Co-design is a growing feature of USAID-implementing partner collaboration. Usually, it involves USAID and an apparently successful applicant or offeror working together to shape and finalize a program description or statement of work. Through collaborative brainstorming and problem solving, this process serves to produce fit-for-purpose solutions. Though the partner may not be finally selected, ownership over the planned work is heavily shared. Co-design processes may also occur in non-competitive settings to discuss the feasibility of specific ideas for future programming or as part of an existing funding mechanism.

Co-development is a different, broader effort by USAID in a similar vein. It focuses on the “how to” of the work in progress and involves significant input from USAID. Co-development emphasizes the shared conversation of what to do next. Co-development can occur throughout implementation and at several levels, from the entirety of a program, to a workplan or specific interventions, or a discussion of the viability of new ideas. As such, co-development is usually an on-going approach unlike co-creation, which is usually time-limited; co-development also always involves USAID staff.

These collaborative approaches are among the core Agency practices promoted to ensure that local leadership is reflected in USAID programming. USAID can co-create strategic priorities, program designs, work planning, implementation, monitoring, evaluation, learning and closeout, using a variety of approaches and mechanisms.

During strategy development, Missions may consult with local actors to identify challenges and opportunities through consultative workshops, advisory boards, and working sessions with government counterparts. Co-creative approaches are particularly valuable in complex settings where various stakeholders need to work together to identify solutions. For example, USAID/Myanmar used a non-competitive co-creation event to identify local solutions to the heroin epidemic in Kachin State. A local advisory committee convened more than 100 local stakeholders to participate in a “Whole System in the Room” workshop, where participants identified common priorities to address the epidemic and began forming a local network to implement solutions. The outcome of this co-creation then informed USAID/Myanmar’s direct awards to local actors in Kachin to improve access to health and support services, and vocational training, and to promote healthy behaviors and raise awareness among non-drug users.

There are numerous creative ways that USAID co-creates during the award process, including with a funding notice like an Annual Program Statement (APS), Global Development Alliance, or a Broad Agency Announcement (BAA), which puts forth a problem statement and challenge in search of a solution. These invite local actors to bring innovative, local ideas to inform the direction of existing or new programs.

The Agency may use multi-step or phased requests for concepts followed by proposals or applications to iteratively co-create ideas and approaches. USAID/Malawi engaged in a local-only BAA and co-creation process that brought together local actors ranging from private entities to academia, most of whom were new to working with USAID. This enhanced collaboration promoted the spirit of problem solving, and ultimately seven awards were made to new local partners.

Missions are also using notices of funding opportunities that restrict eligibility to local applicants to co-design assistance awards to local and non-traditional partners for innovative, adaptive, and locally led development approaches. For example, through an addendum to the Agency’s Local, Faith and Transformative Partnerships “Locally Led Development APS,” USAID/West Africa held a 3-day co-creation workshop with local private sector associations and support organizations. This entirely virtual workshop brought together participants from across the West Africa region, creating opportunities for collaboration and continued co-creation, co-development, and co-financing. Ultimately, this effort produced three awards to new and local partners across the region.

Other ways USAID is being less prescriptive and opening the door to local actors to bring new ideas, resources, approaches, and partnerships to the Agency through co-creation include local advisory boards, such as the youth advisory boards established in Zimbabwe and Guinea, which were convened by the USAID Missions to advise on new Mission programming to support youth entrepreneurship.

USAID also employs co-creation during implementation, monitoring, learning, and adaptation. For example, the USAID Cooperative Development program conducted a collaborative redesign process with implementing partners to pause and reflect, revisit assumptions, and incorporate early learning into the program plan around 12–18 months into activity implementation. This process was an ideal time to ensure program timelines and targets aligned with local realities and priorities and created an opportunity for USAID and international and local partners to work to-

gether to update their plans, indicators of success, and target goals to align with emergent priorities and learning from their first year of implementation.

Overall, between FY 2018 and FY 2022, USAID increased our use of co-creation in the award process from 18 percent of new awards to 35 percent of new awards (inclusive of all awards, not just those with local partners). And while co-creation is not required, nor relevant for all awards and agreements, we do recognize the importance of gathering input from those—usually local actors, organizations, or institutions—closest to the problem. To help encourage USAID staff to consider co-design and co-creation as part of the award and agreement development and implementation processes, we will begin to track these two practices as part of our new indicator to measure USAID's performance toward its target that, by 2030, half of our programs will enable local leadership over priority setting, activity design, implementation, and measuring results. More information about this indicator will be available in our FY22 Localization Progress Report, expected to be posted by mid-April.

Question. Has USAID done an audit on how many local formal and informal groups it supports as sub-grantees of its programs? What were the findings?

Answer. USAID has not conducted an audit on how many local entities it supports as subcontractors and subrecipients of its programs. Prime contractors and recipients are required to report subcontract and subaward data in the Federal Funding Accountability and Transparency Act (FFATA) Subaward Reporting System (FSRS). Reported information is made publicly available on *USASpending.gov* but is often incomplete. Recently, USAID issued a reminder to prime contractors and recipients of the importance of accurately reporting subcontracts and subawards in FSRS to promote transparency, accountability, and visibility of data regarding Agency-funded activities.

Question. You mentioned a goal to empower more than the current 20–30 FSNs authorized to contract to a more substantial number. What is the intended goal and by what timeframe do you intend to reach it? What is the distribution plan for these FSN positions—will there be authorized FSN positions at every post?

Answer. As outlined in the Implementation Plan (<https://www.usaid.gov/sites/default/files/2023-03/AA-Strategy-Implementation-Plan-3-2023-draft.pdf>) for USAID's new Acquisition and Assistance Strategy (<https://www.usaid.gov/policy/acquisition-and-assistance-strategy>), USAID's goal is to increase the number of Foreign Service Nationals/Cooperating Country Nationals (FSNs/CCNs) with administrative warrants from 19 in FY 2022 to 38 by the end of FY 2023. As of March 9, 2023, USAID has 35 CCN Administrative Contracting/Agreement Officers (ACOs), though this number fluctuates constantly. Administrative warrants are issued at the request of Missions. The number of warranted FSN/CCN ACOs per Mission is subject to Mission needs for additional coverage, the number of qualified candidates, and the capacity for Mission COs to provide the required oversight.

Question. Can you outline the rough estimates for increase in USAID FSOs that the 15 percent increase in OE funding would support?

Answer. Through our Global Development Partnership Initiative (GDPI), we aim to grow the Agency's permanent direct hire workforce by 28 percent by 2025. The GDPI would expand our cadre of Foreign Service (FS) employees to 2,500, our Civil Service employees to 2,250, and our Foreign Service Nationals (FSNs) by 206 positions to around 4,700. GDPI will allow the Agency to build a diverse workforce that represents America and is equipped to tackle unrelenting international challenges. The FY 2024 request includes an additional 105 Civil Service and 125 Foreign Service, as a further step towards meeting these goals.

Our reference to 15 percent was not for an increase in operating expenses (OE), but rather the flexibility to use up to 15 percent of appropriated program funds for operational and administrative costs associated with the project (as we currently do under the Local Works program and under the directive for locally led development in northern Central America). There are several benefits to having this flexibility when working with local partners. First, though local partners should be seen as equally capable compared to U.S. or other traditional partners, their relative inexperience working with USAID may require additional USAID staff time in order to guide them through the Agency's compliance and reporting processes, technical and operational standards for programming, among other support. Part of how the Agency provides that additional guidance is by providing local partners with capacity and compliance support in various forms, which requires additional (non-programmatic) resources.

Local partners also tend to receive smaller awards than traditional partners, and issuing a greater number of awards to these local partners requires additional

USAID staff support (compared to managing a single, larger award to a traditional partner). Having the flexibility to use program funds to cover these kinds of award management costs would better enable USAID to expand and diversify its local partnerships at or above the Administrator's targets.

Thus, while this 15 percent flexibility would not necessarily be used directly for hiring additional staff, it would give our current staff the resources they need to better support more local partners.

Question. Do you support increased language training for USAID FSOs as a mechanism to enable more USAID FSOs to interact directly with local NGOs?

Answer. Direct engagement is crucial to the success of USAID's work because it fosters localization of USAID programs and provides FSOs with unfiltered information to better inform decisions for U.S. taxpayer money spending. Foreign Service Officers (FSOs) are already utilizing their language skills, in addition to the expertise of USAID Foreign Service Nationals (FSNs) and implementing partners, to engage with local NGOs, host government officials, and participants in USAID's programs. Increased language training for FSOs could augment current engagements with external stakeholders.

The required languages for tenure and language-designated positions are captured in USAID ADS 438 maa (<https://www.usaid.gov/sites/default/files/2022-05/438maa.pdf>). Language assessments are offered to potential new hires for USAID in tenure languages as part of the Foreign Service hiring assessment for extra points. Language training timelines can vary depending on the level of proficiency of the Foreign Service Officer (FSO). Depending on the language needs of individual employees, USAID can provide access to language training for FSOs at the Foreign Service Institute (FSI).

In addition to the language training offered at FSI, USAID's Office of Human Capital and Talent Management (USAID/HCTM) offers USAID staff and their eligible family members (EFMs) access to free foreign language applications such as Mango Languages and Rosetta Stone to foster ongoing foreign language skills development. USAID/HCTM also funds the Mentored Foreign Language Course at the State Department's Foreign Service Institute (FSI) to empower EFMs to fill staffing gaps in critical Mission-level positions.

FSOs can also receive one-on-one language training through a contracted vendor that has adopted FSI curriculum content, design and assessment procedures to ensure standardized learning methodologies that can result in a higher success ratio for meeting language proficiency. This one-on-one environment allows learners to absorb meaning intuitively, with a focus on developing speaking, reading, writing and listening skills. The total immersive environment enhances learner engagement. This instructional model provides real-life interactive scenarios to engage learners in conversation and build vocabulary and grammar skills.

RESPONSES OF MS. ELANA AQUINO TO QUESTIONS
SUBMITTED BY SENATOR BENJAMIN L. CARDIN

Question. How do you think USAID could best approach its policies and structure to address the problem of institutional racism in development that you raised?

Answer. Racism creeps in in numerous ways: big and small, conscious and unconscious. Some of the ways we can see the impact of racism creeping in, resulting in racist beliefs becoming standard and being perpetuated are through USAID's structures and procedures.¹ For example, it's often wrongly assumed that local civil society organizations do not have the capacity or ability to implement programs, especially when based in non-Western contexts. Then, it is deemed necessary to rely on international organizations with country offices to lead, a majority of which are based in Global North countries, believing that they are the sole legitimate option. Another example is the assumption that we cannot partner with local organizations due to rampant corruption and mismanagement of funds. Just as corruption does not see color, we cannot assume that every local actor is corrupt.

Some of the ways that USAID could best approach its policies and structures to address the problem of institutional racism in development are, but not limited to: *accessibility, equitable partnership, flexible funding, training and diversity in hiring at USAID and empowerment of Foreign Service Nationals to enact the locally led commitments.*²

¹ <https://www.peacedirect.org/us/publications/race-power-and-peacebuilding/>

² <https://www.conducivespace.org/wp-content/uploads/2023/03/Innovative-Practices.pdf>

Local civil society organizations globally welcomed Administrator Power's commitments in November 2021 at Georgetown.³ *Accessibility* remains one of the biggest barriers to working with USAID. The processes, terminology and language used by USAID excludes most local organizations who could otherwise be interested and willing to work with USAID. Complex and internationally biased processes disproportionately skew the chances of winning an award or partnership in favor of U.S. organizations over local ones.

Additionally, terms used by USAID often do not translate clearly to the local context. For example, a Peace Direct-led consultation with local civil society organizations working to prevent atrocities in eastern DRC found that "terminology [like atrocity prevention] often fails to encompass the realities of complex violence and ongoing conflict dynamics and argued for more nuanced narratives."⁴

Moreover, the languages used must be diversified. USAID has taken steps to make several major languages available in their communications, but the Agency should go further to incorporate indigenous languages and languages of other marginalized populations. This must also expand to allow for grant proposals, reporting requirements, and other forms of engagement with local civil society to be received in the local language. In some instances, allowing for verbal proposals and reporting requirements is vital as literacy rates globally vary. The emphasis should be on whether local actors can carry out the necessary tasks and have the credibility within their communities to create a positive lasting impact, not whether they can eloquently do so in English or in written format.

Simplifying and removing the barriers preventing local organizations from working with USAID is key to addressing some of the systemic processes that perpetuate racism. Also key is to speak directly with local civil society networks in local languages to understand how conflict, development concerns and humanitarian crises are being discussed by local actors to ensure terminology is not lost in translation.

In their localization process, USAID seeks to diversify who the Agency partners with to deliver vital support globally. Working toward diversifying partnerships is a good step. We think this can and should be taken further. *Equitable partnership*, in our view, is the relationship between individuals and organizations based on trust that takes actionable steps to support the needs, priorities and agenda for all parties involved. Many local actors have highlighted that the current practice of partnership is prescriptive in nature and can contain hidden agendas. External actors parachute in with pre-defined solutions often without consultation or buy-in from local organizations or communities. This overlooks or assumes the absence of the active capacity, agency, expertise, and social, political, and cultural know-how local actors bring to any context. We must add the element of humility to recognize that we cannot understand the social, political and cultural variables at play as well as local actors embedded in the community. And to acknowledge that, as much as we may want to help and have good intentions, aid delivered without community planning and inclusion can be patronizing and harmful.

We believe partnerships should be trust-based, transparent, and equitable all while maintaining decision-making power to be with the local partner. USAID should develop active feedback loops, not only from implementer to USAID, but also from USAID to the partner. Withholding or not sharing information can create an environment of mistrust and perpetuate an imbalance of power.

Flexible funding models employed by USAID should also be flexible, inclusive, respectful, sustainable and trust based. In conflict zones and humanitarian crises, the dynamics change daily if not hourly. Funding models need to be adapted to allow local organizations to change programming and how humanitarian support is delivered to have a better chance of effectuating a positive impact in the community they are serving. Funding needs to be deployed in a way that can reach local actors directly, not country offices of INGOs.

International actors have many roles they can play, but creating and implementing programs should be led by the local organizations.⁵ By solely working through international organizations, the U.S. sends the message that local actors cannot be trusted, nor do we believe they have the capabilities to carry out development, humanitarian or peacebuilding efforts. When in reality, local civil society organizations are often the first responders to any situation. Flexible funding for local

³ <https://static1.squarespace.com/static/5fc4fd249698b02c7f3acfe9/t/61afeeb21e86814389672abe/1638919859912/Public+Letter+to+USAID+Administrator+Power+from+local+actors+December+2021.pdf>

⁴ <https://www.peaceinsight.org/en/resources/escaping-perpetual-beginnings/?location=drcongo&theme=atrocities-prevention>

⁵ <https://www.peacedirect.org/us/publications/nine-roles-for-intermediaries/>

actors is the key to unlocking creativity and adaptability for communities living in such volatile and unpredictable contexts.

Internally, USAID can benefit from *hiring and promoting more Americans from diverse backgrounds into its workforce*. Diversity does not stop at race, ethnic or religious background, but also includes those who come from families of or have directly experienced being a refugee or being displaced; hiring those who have lived experience or have worked in fragile or conflict contexts.

The Council on Foreign Relations released a report in November 2020 entitled *Revitalizing the State Department and American Diplomacy*. In this report, the authors suggest that if diversity and institutional barriers are not addressed within the Department of State then “the challenges that DOS faces [to dismantle racism] risk causing irreparable damage to America’s standing and influence in the world, ability to advance its interests overseas, and security and prosperity at home.”⁶

A similar assessment and approach is necessary for USAID to maintain its leadership globally as the largest development, humanitarian and peacebuilding donor. However, hiring and promoting more diverse Americans into the workforce will not alone address the problems of structural racism within international development. Some of the barriers are addressed above and more are explored in Peace Direct’s report, *Time to Decolonize Aid*.⁷

Finally, *the training of USAID staff to overcome conscious and unconscious biases and empowerment of Foreign Service Nationals* hired by USAID is vital for addressing institutional racism. As locally hired staff, Foreign Service Nationals join USAID Missions with an existing network and understanding of the local dynamics. However, this expertise is not often utilized. Their exclusion from being fully involved in USAID programs is rooted in the underlying perceptions that local people do not have the expertise, understanding or intelligence to carry out the work that is delegated to international organizations. Foreign Services Nationals are also subject to assumptions of corruption therefore there is an effort to make their involvement minimal. Some of this stems from conscious and unconscious bias of USAID staff and overcoming this through training and intentional hiring will be key.

Foreign Services Nationals can play the role of the convener to bring together local civil society organizations for consultations or shared learning. They can also access certain parts of the country through their position as local community members. When funding models at USAID are reformed to fit one that is flexible and directly local, Foreign Service Nationals can also support USAID Missions and local organizations by tracking the implementation of programs and even play the role of interlocutor for open feedback loops between local organizations and USAID.

The steps listed above are not exhaustive. Racism comes in all shapes and sizes, conscious and unconscious, and if not curtailed, it can continue to infiltrate institutional structures in ways that disempower and marginalize rather than embrace and promote American values.

Question. What changes and reforms are needed from USAID, and what is needed from Congress to address this problem?

Answer. For the above changes to take place, it will take a concerted and intentional effort by Congress and USAID. While Congress’ mandate is far more expansive than international development and humanitarian support, USAID can bring in the technical expertise of how their systems can be reformed to fit one that is inclusive, trust-based, accessible, locally-led and sustainable. Congress can then hold USAID accountable to these values and ensure that the meaningful reform, implementation and active practice of these values are enshrined in policy, replacing the antiquated and harmful policies that promote racism and division.

The accountability measures from Congress to USAID can include mandates for USAID Missions to work with Foreign Service Nationals and other international organizations to host genuine consultation in country to garner insights on how USAID is improving its systems towards being locally-led while simultaneously addressing structural racism. The findings and assessments from these consultations should then be reported to Congress periodically. It is also important to flag that Congress should push USAID to adopt a narrower definition of local so that the metrics the Agency uses does not misrepresent the progress of its commitments to localize efforts. Early last year, Peace Direct worked with other prominent INGOs, notably Catholic Relief Services, Mercy Corps, CARE, Save the Children, and the Hunger Project, among others, to develop a set of definitions which distinguishes international and local organizations. *We define local as organizations headquartered and operating in their own country.*

⁶ <https://www.cfr.org/report/revitalizing-state-department-and-american-diplomacy>

⁷ <https://www.peacedirect.org/us/publications/timetodecoloniseaid/>

Congress can also work with USAID and non-government organizations to upgrade the current funding model employed by USAID. Upgrades should include, but are not limited to, making grant proposals and reporting requirements less burdensome for local organizations, allowing resources to be used with flexibility especially in terms of timelines and the planned work, and improving the funding system to allow for resources from USAID to reach local organizations directly without the need for international intermediaries.

Finally, Congress should increase the budget USAID has to work with to ensure the Agency has the capacity it needs to shift from the current model to one that is locally-led responsibly and to ensure that this shift is sustainable. Lack of capacity is often wrongfully and solely associated with local organizations; however, USAID also needs to raise its own capacity to localize its work meaningfully.⁸

RESPONSES OF MR. BILL O'KEEFE TO QUESTIONS
SUBMITTED BY SENATOR BENJAMIN L. CARDIN

Question. Organizations like CRS can play a critical role in helping to build the capacity of local civil society. What more do you think could be done to focus more USAID efforts to leverage organizations like CRS to further build the capacity of local NGOs?

Answer. CRS has a long track record of partnering with a diverse set of local organizations, and works with approximately 1500 local partners every year. We also have deep experience and expertise in supporting partners to strengthen their capacity, not only to implement specific projects, but also to sustainably provide a range of services to vulnerable people and to hold their governments accountable. Our approach is to deliver this kind of holistic capacity strengthening that responds to partner needs and far exceeds setting them up as mini-contractors.

We fully support the principals that guide USAID's new Local Capacity Strengthening Policy, and think it has the potential to transform USAID's work in this area—aligning capacity strengthening with larger localization goals, and elevating models that are more participatory, partner-led, and holistic.

The key now is for the vision to become reality and the policy to become practice. Congress should ensure that the USAID has the staff and resources to support INGOs like CRS to implement capacity strengthening programming that matches the intent of the policy. To scale the capacity strengthening needed to reach USAID's localization goals, USAID must increase opportunities for INGOs like CRS to play new roles—facilitating transitions to local leadership, providing significant technical assistance, accompanying and mentoring local partners as they take on greater leadership roles. Congress should ensure that USAID is adequately resourcing these efforts, and that they are accountable for progress in their implementation.

PREPARED STATEMENT OF DR. TESSIE SAN MARTIN

TESSIE SAN MARTIN, PH.D.
CEO, FHI 360
CO-CHAIR, MODERNIZING FOREIGN ASSISTANCE NETWORK (MFAN)

USAID Administrator Samantha Power has outlined what I believe is a powerful vision to make foreign assistance more accessible, equitable, and responsive. Her vision includes the ambitious target that 25 percent of USAID's funding will go to local partners by 2025, and that by the end of this decade, 50 percent of its programming will place local communities in the lead when setting program priorities, co-designing, implementing or evaluating the impact of USAID-funded projects.

SUSTAINABILITY, EFFECTIVENESS, AND EVIDENCE

Based on my experience, I consider the best argument for localization and locally led development to be one of sustainability—the activities our development assistance funds are more likely to continue after our assistance ends if they are locally led and implemented. There is evidence that supports the argument that locally led programming, aligned to local priorities, is more likely to be sustainable. And it makes sense. Local and national actors have more relevant expertise, and they have long-term commitment to the work in their communities. Building on this expertise

⁸ <https://www.brookings.edu/blog/future-development/2022/12/01/rethinking-the-constraints-to-localization-of-foreign-aid/>

and commitment is good development and responsible stewardship of taxpayers' money.

There is also some evidence that integrating local knowledge in program design and funding programs that better match local priorities can make assistance more effective. But we need to invest more in evaluation and learning to ensure all programs (not just those led by local or national actors) are effective, efficient and sustainable. We need to develop a body of hard evidence, based on rigorous research and evaluation, about where, when and how localization is the more effective or efficient way to deliver foreign assistance. I will come back to this point later.

LOCAL CAPACITY STRENGTHENING BEYOND USAID IMPLEMENTATION

Localization is not new to U.S. foreign assistance. The most widely cited example is the President's Emergency Plan for AIDS Relief (PEPFAR), which has reached a level of 62 percent of funding to local organizations. While impressive, this example should not be the model for the future. PEPFAR's efforts, and its 70 percent target for localization, have focused almost exclusively on ensuring that the local entities are able to manage USAID- or U.S. Government-funded projects—in other words, to make them new or substitute implementers of USG-designed projects. This is not enough to ensure sustainability.

We recognize now that effective localization, that is, localization most likely to lead to sustainable results, needs to be based on more than just channeling follow-on projects to local organizations. Reflecting this recognition, the new USAID Local Strengthening Policy (<https://www.usaid.gov/policy/local-capacity-strengthening>) makes clear the agency's commitment to move beyond just building local USAID implementers. This policy focuses on strengthening local organizations' capacities to realize their own priorities and work effectively within local ecosystems rather than just training them to comply with U.S. government requirements.

USAID CAPACITY STRENGTHENING

Delivering on this vision of localization—a vision for more sustainable results through U.S. foreign assistance—will require profound changes in how USAID does business. These changes will take time and effort.

For example, while much of the conversation regarding localization focuses on the capacity of local partners (based on the assumption, not always well founded, that local partners lack the capacity to meet the administrative requirements mandated by USAID to secure U.S. taxpayer dollars), not much is said about the capacity USAID needs in order to channel more assistance to local partners. USAID's staffing shortages, especially of contracting officers, is a major impediment for the agency. These shortages not only hinder advances in localization and working with other new and unconventional partners, they also impede more robust efforts around monitoring, evaluation and learning (MEL). That is why Congress must provide much-needed increases in funding for the agency's Operating Expenses (OE) account. USAID capacity strengthening requires not just more staff to manage acquisition and assistance to local entities, likely manifested as smaller and more numerous projects, but also the capacity to simplify and minimize the burden of current reporting requirements. USAID is currently undertaking efforts to do just this—hiring more staff, launching the burden reduction program, and reviewing and re-launching its Assistance and Acquisition strategy. These efforts together amount to an ambitious effort to change how the agency does business and should be recognized and supported.

RISK APPETITE

Another profound and required change to how USAID does business is a change in risk appetite. USAID recently launched its new Risk Appetite Statement, acknowledging that redirecting foreign assistance can create new risks. Organizations like the one I head, FHI 360 (<https://www.fhi360.org/>), have decades of experience working for the U.S. Government in general and USAID in particular. Our processes, procedures, manuals and staffing profiles are all optimized for partnering with USAID. Channeling more assistance to partners less familiar with USAID and U.S. government business processes and requirements will create new stresses on the agency and the implementing partner community. It will be important for USAID to carefully evaluate its experience with early efforts to work with local entities, such as the 5-year, \$300 million Centroamerica Local initiative that partners with local entities in the Northern Triangle countries to address the root cause of irregular migration, and consider lessons learned as it scales up localization—particularly as the agency launches a similar initiative in Africa.

METRICS

I very much appreciate that Administrator Power is specific about metrics to measure progress on localization. Metrics focus the mind and create urgency and accountability. But good metrics require good definitions, and in this case, that means a good metric for localization requires a good definition of “local.” The aid effectiveness coalition I co-chair, the Modernizing Foreign Assistance Network (<https://www.modernizeaid.net/>), is concerned that the definition of local organization, and thus the measurement methodology for the localization metric announced by USAID, only considers place of incorporation, physical address, and place of contract activity. This methodology is practical because the data are readily available. But the choice casts too wide a net for what are truly local actors and motivates international companies—who are still eligible for up to 75 percent of USAID funding—to set up “locally established partners” that can crowd out national actors. I will note that USAID’s methodology benefits organizations like mine, but it is not aligned with the Administrator’s vision for localization, and it could limit or delay localization’s expected results around sustainability and effectiveness. Employing a sharper definition of ‘local’ and using publicly available data to measure the baseline, and track the progress, for the 25 percent target is essential to hold USAID accountable for shifting significant funding to local entities, and thus to incentivize the necessary culture shift within the agency to advance these reforms. I draw your attention to recent research by Publish What You Fund (PWYF) (<https://www.publishwhatyoufund.org/>), which proposes an alternate, independently replicable methodology for measuring the local funding share that employs USAID’s own public data. The baseline estimated using the PWYF methodology for the 10 countries studied are notably lower than USAID’s methodology suggests. A measurement choice overstating the share of funding going to local partners severely weakens the impact of Administrator Power’s pledge to commit 25 percent of USAID funding directly to local actors by 2025.

THE BIGGER CHALLENGES

The changes I’ve outlined are challenging but within the power of USAID. Other changes will be harder (and also take longer) to implement and are not fully in USAID’s control. For example, the budget process—including the role of directives and the negotiations for allocating appropriations by country and program—often results in delaying or obstructing U.S. assistance program responsiveness to country stakeholder priorities and impeding the ability to adjust to changing country and program circumstances. Addressing these issues is much more challenging.

I want to make one final observation to highlight the challenges of localization. Localization is ultimately about enabling local voices and local knowledge to influence how development and humanitarian assistance is allocated. But all too often authoritarian governments silence the voices of the marginalized populations in the countries we assist. How our government in general and USAID in particular elevates local voices has implications far beyond influence on any one particular program and could exacerbate domestic tensions. This challenge is not a reason to resist localization, but rather a call to invest in learning so that we do it well.

CONCLUSION

Localization must be a priority if we value sustainability. It must be a priority if we want to be responsible stewards of U.S. taxpayers’ money. We need to deeply understand the contexts within which localization will yield the desired results. I stress again the importance of sufficient investments in research and evaluation to learn where, when, and how localization practices and approaches can shape effective and sustainable outcomes.

ARTICLE TITLED, “METRICS MATTER: HOW USAID COUNTS ‘LOCAL’ WILL HAVE A BIG IMPACT ON FUNDING FOR LOCAL PARTNERS,” BY PUBLISH WHAT YOU FUND, DATED MARCH 2023

Publish WhatYouFund
The Global Campaign for Aid and Development Transparency

HIGHLIGHTS

METRICS MATTER

How USAID counts “local” will have a big impact on funding for local partners

March 2023

Supported by:

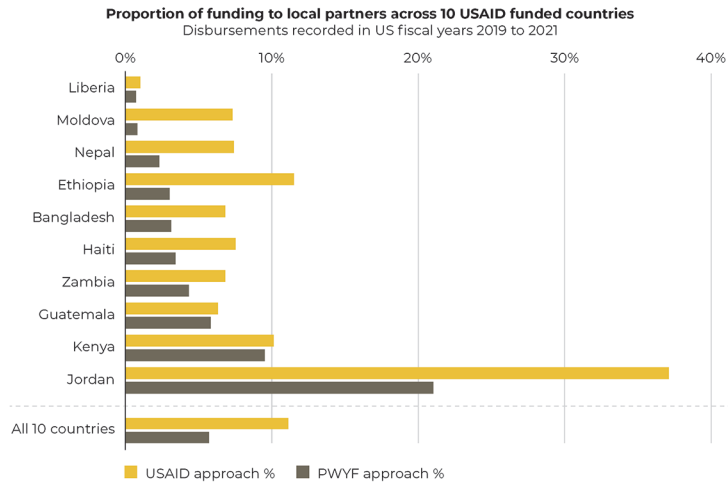


INTRODUCTION

On November 4, 2021, the United States Agency for International Development (USAID) Administrator Samantha Power set out her vision to make aid more accessible, equitable, and responsive, including a key metric that 25% of USAID's funding will go to local partners by 2025.¹ Shifting to local ownership would start to change the landscape of USAID aid implementation, which has long been dominated by large U.S. consulting firms, intergovernmental organizations, and international NGOs. Local ownership is widely seen as a more sustainable and efficient way to deliver aid that utilizes local knowledge and helps to strengthen local capacity.

With other development partners,² Publish What You Fund has undertaken detailed research into the 25% local partner funding goal to establish an independent, credible, and replicable baseline to measure and track funding for local partners.³ Using a sample of ten countries where USAID works, Publish What You Fund calculated the current proportion of USAID funds received by local organizations. We compared two separate approaches – USAID's announced measurement approach that looks at a narrow set of funding and uses simple criteria to identify local organizations, and our own approach that includes more project funding and uses detailed criteria to identify local organizations.

The outcome of our analysis illustrates how differences in measurement approaches change the funding amounts USAID will need to provide local organizations to reach the 25% target.



¹ USAID has stated that the 25% is a global goal. Eventually, it intends to set percentage goals for each mission and those targets and existing funding levels should likewise be publicly available.
² List of supporters group: Save the Children US, Care USA, Catholic Relief Services, FHI 360, Oxfam America, Global Communities, NKO Strategies, MFAN.
³ For more detail on the methodology, the country selection process, and definitions of numerators and denominators, see our full research paper here: <https://bit.ly/metricsmatterreport>

RESULTS

Using the ten sample countries and applying both USAID's and Publish What You Fund's measurement approaches, USAID's approach nearly doubles the percentage counted as going to local organizations:

- USAID's local funding proportion is 11.1%
- Publish What You Fund's local funding proportion is 5.7%

ANALYSIS

USAID's approach to measurement results in a higher percentage of funding counted as "local." This has two primary impacts: (1) the baseline will not align with USAID's own definition and all future measurements will likewise be flawed, overestimating the actual funding being provided to local partners; and (2) because of this overestimation, USAID will not be sufficiently incentivized to undertake the reforms needed to significantly expand its work with truly local organizations. For example, if Locally Established Partners of U.S. consultancies and INGOs are allowed to count as local, this could create perverse incentives for U.S. organizations to set up local offices and pass these off as "local".

LOCAL FUNDING AMOUNTS

The different measurement approaches have an impact on the dollar amounts of funding that will need to go to local organizations to meet the 25% target:

- Under USAID's approach, an estimated \$612m went to local partners for FY19-21. To reach 25%, USAID would have needed to channel an additional \$769m to local organizations.
- Using Publish What You Fund's approach, an estimated \$445m went to local partners. To reach 25% USAID would have needed to channel an additional \$1.50bn to local organizations.

Publish What You Fund estimates that when the funding differences are scaled-up to all of the countries where USAID operates, USAID's measurement approach would under fund local partners by *\$1.43bn per year*.⁴ USAID has argued that it is constrained by burden reduction mandates that prevent it from taking a more nuanced approach to the 25% measurement.

MEASUREMENT APPROACHES

- We have used USAID's International Aid Transparency Initiative (IATI) data as the starting point and then applied a series of secondary characteristics of implementing partners. This is publicly available data that will allow for independent replication. USAID is using internal data sources (SAM and GLAAS) that are not available to the public.
- Setting a replicable, accurate baseline at the outset is critical to track progress against the 25% goal. If the baseline is flawed or inflated, subsequent tracking will be problematic.
- To be considered "local" based on Publish What You Fund's approach, an organization must be governed and staffed by local people and must not be a subsidiary of an international organization or brand.⁵ This aligns with USAID's *definition* contained in ADS 303. However, USAID's approach to *measuring* what is local misses these key characteristics.
- We calculate the local share as a proportion of all funding that has the potential to go to local organizations such as projects delivered by UN agencies and other multilaterals. USAID's approach takes this funding out of the equation.

⁴ We based this estimate on a simple extrapolation, scaling up the shortfall proportional to the share of USAID's annual expenditure in the ten case study countries.

⁵ We based our approach on an aggregate of definitions put forth by a range of credible stakeholders, including IASC, NEAR, and USAID's own ADS 303 definition.

- USAID’s approach looks at three data points to identify local organizations – place of incorporation, physical address, and place of contract activity – and calculates the percentage based on a smaller subset of project funding.
- The funding we analyzed includes US foreign assistance (including President’s Emergency Plan for AIDS Relief funding) and humanitarian assistance. Government-to-government (G2G) funding is not included but is separately analyzed in our full research paper.⁶

<p>Publish What You Fund approach:</p> <p><i>Detailed local criteria</i></p> <p><i>All project funding (excl. G2G)</i></p>	<p>USAID approach:</p> <p><i>Simple local criteria</i></p> <p><i>Project funding to NGOs, academia and private sector only</i></p>
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DASHBOARD

Publish What You Fund has created a dashboard⁷ which allows users to pick their own local characteristics, individual countries out of the 10 sampled, commitments or disbursements, and to visualize the different outcomes between USAID’s and Publish What You Fund’s approaches.

The dashboard screenshot shows the following structure:

- Title:** USAID local partner funding dashboard
- Sub-header:** How much does USAID channel to local organizations across 10 countries.
- Introductory text:** On November 4th 2021 USAID’s Administrator Samantha Power set out her vision to make aid more accessible, equitable and responsive. A key part of this vision was an ambitious commitment to the “localization” agenda: by 2025, 25% of USAID’s funding will go to local partners.
- Context:** Publish What You Fund has analyzed data from USAID receiver organizations in 10 countries across the years 2019-2021 in order to establish a baseline for this target. The analysis also takes into consideration what USAID funding the target’s focused on as well as the various approaches used by USAID and others to define a local organization.
- STEP ONE:** Use the following filters on the right to filter across countries, transaction types, years and disbursements. Note: these filters apply to the whole dashboard.
 - Recipient Country: [Dropdown]
 - Transaction Type: [Dropdown]
 - Years filter: [Calendar 2019-21]
- STEP TWO:** Compare the definition of local. Use the differences in the way in which local organizations are defined and identified (the numerator in the 25% calculation). (Note: USAID has a detailed definition of local organizations, the approach to measuring local partner funding is used)

USAID transfer approach	Alternative minimal approach
Organizations are identified as “local” when:	Organizations are identified as “local” when:
<ul style="list-style-type: none"> Headquartered in the recipient country Contract activity takes place in the recipient country 	<ul style="list-style-type: none"> Headquartered in the recipient country Contract activity takes place in the recipient country
- STEP THREE:** Create your own definition of a local entity using the entity characteristics below to filter the data and compare to the pre-defined local definition.
 - Receiver entity’s principal place of business/location of HQ: [Dropdown]
 - Receiver entity HQ locations: [Table with 2 columns: Location, %]

RECOMMENDATIONS

Publish What You Fund suggests the following to improve tracking of funding:⁸

- USAID should reconsider its measurement approach and create a credible, replicable process that aligns with its definition of local funding and eliminates adverse incentives.
- USAID definitions and measurement approaches should be made fully transparent and should use publicly available data, such as IATI data, for independent verification.
- USAID should publish individual country targets and progress towards those targets when these are established.

⁶ See: <https://bit.ly/metricsmatterreport> for government-to-government funding analysis.
⁷ Link to the dashboard: <https://bit.ly/metricsmatterdashboard>
⁸ For more detail on the recommendations, see: <https://bit.ly/metricsmatterreport>

PREPARED STATEMENT OF DAVID J. BERTEAU,
PRESIDENT AND CEO OF THE PROFESSIONAL SERVICES COUNCIL

Chairman Cardin and Ranking Member Hagerty: The Professional Services Council (PSC)¹ represents more than 440 U.S. Government contractors providing critical technology and professional services to every federal agency. PSC's Council of International Development Companies (CIDC)² represents those PSC member companies that work with the U.S. Agency for International Development (USAID) and the U.S. Department of State to support effective U.S. foreign assistance programs around the world.

PSC commends the Senate Foreign Relations Committee (SFRC) for its continued support for and oversight of these programs, including the policies, processes, and resources required to provide timely, needed assistance that is aligned with U.S. national interests. This hearing provides an excellent opportunity for this committee to examine ways to help ensure that communities receiving assistance both want the aid and are able to implement development programs in a manner consistent with U.S. legislation and procurement regulations. I thank you for the opportunity to provide PSC's comments and suggestions in this regard.

By way of background, our members listened with great interest to USAID Administrator Samantha Power's November 4, 2021, speech at Georgetown University, in which she stated:

"[I]n addition to a 25 percent target of our assistance going to local partners, today I'm announcing that by the end of the decade, 50 percent of our programming, at least half of every dollar we spend, will need to place local communities in the lead to either co-design a project, set priorities, drive implementation, or evaluate the impact of our programs."³

As development professionals, some with more than four decades of experience working for USAID, CIDC members fully embrace this call for improved local engagement and participation. Their experience has taught them that without significant local partner engagement in project development and implementation, the achievement of long-term sustainable goals is virtually impossible. In recognition of this reality, almost all of USAID's solicitations have for years now required significant, explicit local engagement requirements and metrics.

In support of these requirements, PSC shared with USAID officials two CIDC white papers⁴ with insights on USAID's locally-led development agenda and recommendations for ways in which the Agency can better track and report support for local stakeholders. The papers showcased how USAID implementing partners, including CIDC members, have accelerated the Agency's progress in support of locally-led development over recent decades. These implementing partners are already doing much to reach Administrator Power's stated goals.

Since submitting these papers to the Agency, our members have had numerous conversations with officials regarding on-the-ground experiences, suggestions, and other feedback. PSC applauds the Agency for this outreach and engagement, and our members plan to continue sharing insights on localization issues with USAID officials.

At the same time, we believe the Agency must examine closely those structures, procedures, and requirements that create significant dampening effects on potential new entrants into the international development ecosystem. These requirements erect barriers to entry that deter not only potential new local partners, but also American ones as well, particularly small businesses.

Administrator Power has made "Bureaucratic Burden Busting" a key driver in her reform efforts. As she noted at the swearing in of a senior USAID official in October 2022:

"[T]hese major reform priorities depend upon our ability to cut the time our staff spends filling out paperwork, increasing the time they're able to spend in the field and with our partner organizations. And so we will look to Clinton to help spearhead our bureaucracy busting initiative, with the goal of saving our Agency staff members millions of hours collectively. Our Agency already tackles

¹ http://www.pscouncil.org/print_friendly/___p/ca/Print_Friendly.aspx

² https://www.pscouncil.org/psc/Councils/c/___p/cc/CID.aspx?hkey=b852cdab-b041-47ed-902d-52026e032e16

³ <https://www.usaid.gov/news-information/speeches/nov-4-2021-administrator-samantha-power-new-vision-global-development>

⁴ https://www.pscouncil.org/a/Resources/2021/Perspectives_On_Localization.aspx
https://www.pscouncil.org/a/Resources/2022/Grants_Under_Contract_Help_Meet_USAID_s_Local_Spending_Goals.aspx

the world's toughest challenges. Needless bureaucracy should not be one of them.”⁵

Her remarks highlight the fact that, given the complexities of the U.S. Government procurement process and rules, too often only those entities with significant, demonstrated and documented past performance implementing USAID programs—and with abundant legal, accounting, and other specialized back-office staff—are able to meet U.S. Government requirements and compete successfully in the current federal marketplace. Reporting requirements consume countless staff hours and company resources even as they enable American implementing partners to account for every penny in order to ensure Congress and the American people that their generosity is accounted for. For localization to realize increased success, USAID will need to determine on a country-by-country, program-by-program basis whether local firms have the capacity to meet these requirements. We believe these determinations should be of particular interest to Congress.

Administrator Power recognized this in her 2021 Georgetown address:

“[W]orking with local partners, it turns out, is more difficult, time-consuming, and it’s riskier. Local partners often lack the internal accounting expertise our contracts require, or they might lack the legal counsel needed to shape their contracts, many of which can run hundreds of pages long.”⁶

PSC suggests that the Committee consider directing a Government Accountability Office study to explore the impact of these constraints on potential contracting partners—both American and local. Such an assessment could help enumerate and illustrate these barriers more clearly and set the stage for potential actions to reduce, as appropriate, overly burdensome and unnecessary requirements. Such actions could not only support localization efforts, they could lead to better outcomes as well.

In addition, PSC believes a key impediment to the most efficient, effective implementation of USAID programs, including localization efforts, has historically been the absence of a sufficient number of trained, experienced contracting officers tasked with reviewing, evaluating, and awarding projects that are vital to delivering assistance. We call attention to Administrator Power’s cogent expression of this point in 2021 congressional testimony, in which she highlighted the disparity in USAID and Department of Defense workload:

“Over the last two decades, the funding levels and complexity of our programs has expanded at a rate that significantly outpaces our staffing. *For instance, each USAID contracting officer . . . has managed over \$65 million annually over the past four years, more than four times the workload of their colleagues at the Department of Defense who manage an average of about \$15 million.* Moving forward, we are seeking not a return to the previous status quo, but to work with members of Congress to increase our number of direct hires, while maintaining a strong focus on creating a more diverse, equitable, and inclusive Agency. With your support, USAID will move aggressively to tackle the world’s toughest challenges in order to build a more stable and prosperous future for us all.”⁷ (emphasis added)

PSC urges the Committee to continue to provide USAID with both the funding and the hiring flexibility to provide, as appropriate, a sufficient number of contracting officers needed to implement the required workload.

In summary, success in localization hinges on local capability to comply with U.S. procurement regulations and the ability of USAID officials to obligate needed funding under contracts. Thank you for the opportunity to submit this written statement, and we at PSC welcome any further engagement and dialogue with the committee on these key issues.

PREPARED STATEMENT OF ALLASSANE DRABO,
SEARCH FOR COMMON GROUND

Chairman Cardin, Ranking Member Hagerty, distinguished members of the Senate Foreign Relations Committee, thank you for convening this timely and impor-

⁵ <https://www.usaid.gov/news-information/speeches/oct-04-2022-administrator-power-at-the-swearing-in-ceremony-for-counselor-clinton-white>

⁶ See footnote 2 above.

⁷ <https://www.usaid.gov/news-information/congressional-testimony/jul-14-2021-administrator-samantha-power-fy2022-budget-sfr>

tant hearing to focus on the challenges, opportunities, and next steps to ensure that U.S. Foreign Assistance can best support localization. I commend the Administration and Congress for the commitment to expanding support to local capacity development and its partnerships with local institutions.

My name is Allassane Drabo. I was born in Burkina Faso and have spent most of my life bringing people together, from all backgrounds and perspectives, to jointly address problems and find locally-led solutions to the development and political challenges facing our region. I am currently West Africa Regional Director for Search for Common Ground, where I lead a team of 250 West African peacebuilders across Burkina Faso, Mali, Niger, and Nigeria and support partnerships with dozens of civil society, media, government, faith, and academic partners. Search for Common Ground is the largest peacebuilding organization, running locally-led and internationally-networked programs. We work with USAID through grants, contracts and cooperative agreements, although the majority of our support comes from other governments, UN agencies and private donations. My testimony is informed by my experience at Search for Common Ground and other organizations in the development sector, as well as the experiences of my colleagues and partners in the region, but the views I express are my own.

I am deeply appreciative of U.S. assistance to this region. Every day, I see the results of efforts that range from urgent responses that prevent atrocities and upholding human rights amidst the crisis in Niger, Mali and Burkina Faso, to the decades-long investment that USAID—and civil society groups like us—have made in supporting the Nigerian people and institutions as they have transitioned away from military rule to lay strong foundations for Africa’s largest democracy.

I know that external support is most effective when it is informed by lived experience, and solutions are more sustainable when they are crafted by those most affected by the problem. USAID’s focus on localization creates an opportunity to radically reshape American assistance to be even more effective and sustainable, and I welcome the opportunity to share a few pieces of reflection and recommendations.

PUTTING PEOPLE & POWER AT THE CENTER OF ASSISTANCE

There is no standard definition across government and philanthropic donors on what is meant by “localization.” Here at Search for Common Ground, we define localization as efforts where people affected by a problem have power over how (1) priorities are set; (2) programs are designed and run; (3) resources are allocated; and (4) success is defined and measured.

Localization must result in more financial investment in individuals, organizations, and institutions from developing societies. It also requires better investment, by shifting the processes and culture of how donors work and relate to the individuals and societies that they are supporting.

In many places, the development sector has developed complex international bureaucracies and systems of middlemen, often built around satisfying donor agencies’ procedures and accountability structures. These are ineffective. Localization efforts that focus on moving money around—but not shifting accountability structures and power—risk to simply shift resources from American middlemen to Nigerian or Malian middlemen, rather than augmenting the power and agency of the people being served. We have an opportunity to build efficient and responsive accountability structures.

OPPORTUNITIES TO ADVANCE FURTHER THIS VISION

USAID leadership—both in Washington and in our region—has prioritized local partnership in improving inclusivity, equity, and locally-led development. Change requires a detailed and what Americans might call “wonky” approach to systems of strategic planning, procurement, and accountabilities outside of the funding cycle. Practical changes—supported by Congress—can further strengthen the commitment to shift power to local actors.

Local ownership cannot only be top-down and should match more resources with easier management. There is a tendency in localization processes to give an overwhelming amount of conversation about who donors give money to—and this is very important—but must be accompanied by the structures and approaches that shift how that money is used and how to the people most affected by the problem are shaping the solution.

Effective localization means meeting the institutions being supported “where they are.” That means loosening restrictions and red tape, ensuring adequate staffing for USAID missions, easing two-way communication, and choosing the right funding modality to fit the work being done. For different types of projects, in different regions, localization can look differently: in many places, direct funding for national

civil society organizations is an effective way to invest. But in others, supporting smaller local organizations to meet rigid federal standards creates inefficiencies that are hard for the organization to sustain over time. Sometimes areas, funding an international management agent to manage passthrough grant funds for local groups is a solution; in others, supporting direct program implementation with community-based organizations is more appropriate and effective.

As the world is simultaneously local and global, we need a stronger definition of local. We know that issues affecting communities are no longer simply local, but spillover effects are regional and even global. As such, there is still a strong need for regional or cross-national interventions at a systems level. There is a place for a variety of business approaches to support locally-led development.

- We suggest that local civil society needs to be recognized in all of its complexities, including international civil society—where it is locally embedded—with a focus on equitable resourcing. A locally-established office of an international organization comprising of 100 percent local staff with local leadership demonstrates a long term commitment that a 5-year pop-up project office—or one where leadership is foreign and locals are “support staff” does not.
- There is an opportunity to elevate regional or south-south capacities, which is largely missing from the local capacity building policy. For example, a well-resourced Nigerian civil society organization building its capacity to work in the Sahel is a strong example of local capacity development that embeds decision making and leadership in the region.

Consultations to inform design are important, and ongoing follow-up is critical. Capturing and integrating different perspectives means listening to and hearing a diversity of local voices. Receiving conflicting perspectives can be overwhelming and lead to the assumption that progress is impossible without agreement. But what I have found is that different perspectives help us to see the multiple sides of an issue and uncover diverse existing forces for change. Through the hundreds of programs I have worked on in my career, I see that the more people are involved in a design process, the richer the program.

This also requires robust communication to the public, to non-recipient organizations outside of the grant cycles. USAID missions as well as Congressional Delegations and other officials could adopt a culture of public communications about their priorities and plans. This should engage more public reporting and open dialogue, not only with grantee or partner organizations, but with the wider community of stakeholders.

Measure for impact simply, consistently and comparably. In highly dynamic and fragile environments, we have begun to use the Peace Impact Framework, which contains just 10 simple indicators and is increasingly accepted by multiple donors, civil society groups and national government institutions to simplify reporting and measure collective impact. We have also started using much more locally-embedded models for measuring impact such as the Grounded Accountability Model, engages communities at the core of the problem and allows them to define everyday indicators of key concepts (such as peace, empowerment, justice) that guide the program, and our Embedded Observer Approach piloted this in South Sudan and eastern Democratic Republic of Congo, two locations that are volatile and hard to access. We identify and coach people within the communities to identify conflict issues, give them a smartphone, and we have a form for them to send information back to Search every week. This is data that we can use against our simple measurement structure.

Procurement changes are vital. In procurement processes, USAID needs to undertake a procurement review and reform process to:

- Review the use of Cooperative Agreements vs. Grants among assistance awards. While Cooperative Agreements are appropriate to highly sensitive and coordinated projects, they place a higher burden on both USAID and recipient staff and can exclude some organizations.
- Reduce the administrative burden to local direct recipients of USG funding and increase the number of direct local entities and locally-established recipients rather than only ‘passing through’ local funding through U.S. implementers. That should include encouraging applications supporting non-American grantees, sub-grantees to establish Negotiated Indirect Cost Rate Agreements within their awards to adequately reflect costs.
- Review and eliminate the “Chief of Party” and other key personnel staffing model which largely exclude the opportunity for representative local leadership. USAID should consider eliminating proposal evaluation criteria that incentivize

highly-compensated non-local staff, and study how other donors ensure competent local staffing without being overly prescriptive.

- Recognize that about half of USAID funds go directly to the multilateral system in assessed and voluntary contributions.¹ USAID has little control over the local granting schemes of the various multilateral agencies, which groups are prioritized, and whether the funds adhere to strong principles of equity and diversity at the local level.

Review how risk is assessed. USAID should ask applicants to declare their funding from outside federal sources in the proposal evaluation process. USG places a high value on those who are specialized in receiving USG funds and considers them low-risk entities. However, other donors take the exact opposite approach and perceive a reliance on their funds as a high-risk factor because it reduces the ability to sustain beyond the program cycle. An entity receiving funding from a local mayor's office or local foundation would likely be considered high-risk by USAID, but in reality, the non-USAID funds with local ties ensure sustainability after USAID programming concludes. USAID should weigh the diversity of an organization's funding sources as a positive proposal evaluation criteria. Partners with funding from a variety of donors should be seen as an asset as USAID seeks to develop diverse capacities and strengthen a diverse coalition of actors. USAID should incorporate a "value for money" methodology in the evaluation of cost proposals where financial proposals are evaluated based on efficiency, economy, efficacy and equity. Methods for approaching capacity building and the ways in which money moves are inevitably different and vary from sector to sector. It is appropriate for USAID to be differential in the evaluation of partners across industries and issue areas; however, USAID should review financial proposals and operational structures through a value for money lens that emphasizes equity.

USAID has set forth that they *envision* "expanding the share of its programs that are locally led, in which a diverse group of local actors define priorities, design projects, drive implementation, measure and evaluate results, and more fully own and sustain efforts to save lives, reduce poverty, strengthen democratic governance, reduce corruption, address climate change, work to prevent conflicts, respond to global pandemics, and emerge from humanitarian crises."²

RECOMMENDATIONS

We encourage the U.S. Congress to support USAID and monitor progress against the goal of greater local agency and good stewardship of U.S. taxpayer funds allocated to development programming through the following ways:

- Continue robust dialogue between Congress and USAID on reforms to procurement and reporting, to reduce barriers to local partnership. Congress can look for statistics on the number of women, young people, and national staff in leadership positions for USAID programs and how evaluation criteria for awards prioritize diversity and locally-led development. Congress can continue the dialogue that is beginning here between implementers, USAID staff and Congressional experts to sustain energy and focus on the myriad of specific policy changes.
- Ensure that the definitions of "local" submitted by the USAID Administrator in the Localization Report takes the full civic architecture into account. This may include underutilized partners, locally registered entities, as well as locally established partners that are fully local and embedded branches tied to regional and global structures. Congress reporting by USAID of how many local entities they already directly and indirectly support financially through their awards can take of how many local entities are benefiting from USAID money through current awards and understand the diversity of those entities.
- Provide resources towards development assistance that fosters innovation. We know that change takes a generation. Yet, within USAID's long-term commitments to developing contexts, testing programming approaches and models is really important, especially in fragile or fast moving contexts. We need to understand what works, where, and why. We support long-term funding commitments that allow for innovation and testing a wide range of approaches.
- Invest in research and development that improves USAID support to local actors and affected communities. Allocate funding towards improving the systems

¹Congressional Research Service. (Jan 2023) United Nations Issue: U.S. Funding to the U.N. System.

²USAID (Aug 2022). Localization at USAID: The Vision and Approach. https://www.usaid.gov/sites/default/files/2022-12/USAIDs_Localization_Vision-508.pdf.

of research, learning, and adaptation that best support locally-led development. Invest in peacebuilding and development “R&D” and require an Impact Framework to report on critical measures of success or failure in terms of levels of violence, polarization, institutional legitimacy, and human agency and which can be shared with other donors, national institutions, and civic groups to streamline reporting. Support initiatives to build the evidence base, break down silos of information, and expand learning and cross-fertilization.

- Ensure that commitment to localization is adequately resourced and integrated into other USAID strategies submitted for congressional review, such as Women, Peace, and Security and Global Fragility Act country and regional plans. Ensure that these plans mandate moments of meaningful reflection with local actors and create incentives and safety for implementers to share in a transparent manner lessons learned and best practices.

