Statement for the Record of
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"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 <u>just</u> 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 released in November 2022 by the Share Trust and the Warande Advisory Centre suggests that local implementers are 32% 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 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 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:

1. **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 of "local organization/local entity" is less precise than the one PEPFAR 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 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 ten 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%). That translates into a $732 million difference over three 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* 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.***

2. **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 two 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 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 five-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.***

3. **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.***

4. **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.

5. 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 five 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.***

6. 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.***

7. 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 number 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 cade 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 three 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.***