

Localization of Development Assistance and the Implications for USAID Programming

UAA Development Issues Committee, January 26, 2022

Development Issues Committee Co-Chair Steve Haykin welcomed participants to the meeting. He noted the many aspects of the meeting topic, localization. (USAID developed a proposed Local Capacity Development Policy in 2021 and published a draft version (version 8) for comment by January 31, 2022. The published version is available at https://www.usaid.gov/sites/default/files/documents/LCD_Policy_-_FORMATTED_508_01-11.pdf.)

Steve then introduced the three guest discussion leaders:

- Ambassador Donald Steinberg, Expert Adviser to the USAID Administrator;
- Natalie Africa, Chief of Staff to the Africa Director, Gates Foundation; and
- Betty Wilkinson, Chief Executive Officer of Financial Sector Deepening Zambia.

Biographical summaries for the three discussion leaders are available at <https://usaidalumni.org/speaker-bios-development-issues-committee-january-26-2022>.

Steve invited Ambassador Steinberg to make opening comments.

Ambassador Steinberg recalled that Administrator Power wanted a comprehensive approach to localization. He said she is thinking of the idea advanced by USAID Forward and also by the Journey to Self-Reliance: increased programming by accountable local organizations and community groups. She has announced that ¼ of USAID programming would be carried out by local actors over the next four years and that a target has been set that by the end of the decade 50% of programming will place local actors in the lead to co-design, set priorities, drive implementation, and evaluate program effectiveness. Examples of ways to advance this objective include the creation of a fund for use only by local actors.

But even more important, Administrator Power wants to change the power dynamic so as to ensure a seat at the table for local actors, with emphasis on marginalized actors, including ethnic and religious minorities, women, LGBTQ persons, people with disabilities, and youth, who have not had a major voice in the past.

He recalled that the USAID Local Systems Framework (available at <https://www.usaid.gov/policy/local-systems-framework>) was adopted in 2014, with an intention to identify drivers of change. But a recent review has found that this approach was not being fully implemented, partly due to complications of earmarks and compulsory programming constraints. USAID is now working with the OECD to find common ground with other donors on the principles and practice of localization.

At present, USAID is looking at many aspects of localization, beyond procurement, policy, and programming. It is awaiting final comments on the draft policy document and plans to issue a vision statement as well. USAID wants to reach out to stakeholders in the countries where it operates, using various networks. As a positive outcome of this dialogue, USAID just received a letter from 1,300 NGOs endorsing USAID's localization approach.

USAID sees a changing environment in the US development community. with MFAN, the Professional Services Council's Council of International Development Companies, and others offering support. He mentioned the paper by Larry Cooley, Jean Gilson, and Indira Ahluwalia, "Perspectives on Localization," available at <https://www.pscouncil.org/p/cr/r/Perspectives%20Download.aspx>. MFAN's statement welcoming Administrator Power's new vision placing locals in the lead is available at <http://modernizeaid.net/2021/11/mfan-welcomes-usaid-administrator-new-vision>.

He also called attention to Congressional support for the Centroamérica Local initiative, which includes availability of funds for five years, mostly frontloaded for the first year, and increased allocation of funds for operating expenses. Congress has also allowed this initiative to proceed without regard to otherwise applicable limitations on the use of USAID funds. The Administrator wants the new approach to be extended to the entire range of USAID programming.

Betty Wilkinson, speaking from Zambia, expressed happiness to see what USAID is doing. She recalled that she has worked with USAID programs and activities in various places, now in Zambia for the past six years. Her organization is highly rated. She has observed how program design has been shifted to contractors in recent years, with USAID staff largely confined to their offices. There is currently no system for trying to learn how various local organizations and actors interact. She has several recommendations:

1. Get to know local organizations and other donors.
2. Engage with local firms, accountants, and other implementers.
3. Engage with potential local collaborators on ways to work with USAID.
4. Try to do smaller programs with a longer time frame.
5. Consider core funding for promising local organizations.
6. Talk to donors such as Canada and Sweden who have successfully used smaller and longer-term programming. Also engage those on the ground who work with other USG agencies.

Natalie Africa, speaking from South Africa, expressed appreciation of the points made by other speakers. Her organization (Gates Foundation) speaks of partnerships rather than localization. The Foundation was launched in 2000 and now has several overseas offices – in China, India, and Africa. The Africa-based staff has increased substantially in recent years and that process is expected to continue.

The Africa team practice is to seek out strong local partners and work with them. In the past year, this approach has been more broadly adopted by the entire Foundation. The key objective is to achieve greater impact and sustainability. The Foundation has begun to require action plans with increased funding to local partners. There are issues of definition, but generally, the Africa team is seeking to increase local organization funding from 30 to 40 percent this year. It is also seeking to adapt its internal attitudes and practices. It is also giving increased attention to gender issues as it seeks to engage grassroots organizations.

She offered an anecdote to illustrate the point that superior knowledge by those who don't own the program is not a way to achieve progress. ("Even though you have the ability to ride my horse with great skill, it is still my horse, and its performance will depend on how well I can ride it.")

Committee Co-Chair Steve Giddings took the lead on questions from those in attendance:

What is the role of universities in this USAID initiative?

Don Steinberg said that universities would be among the local institutions that were capable of carrying out roles previously carried out by US entities.

Natalie Africa interjected that her group might be a valuable partner for USAID. Don Steinberg responded that USAID was in discussions with the Gates Foundation, but there is a need to ensure direct engagement with local actors. He also called attention to the experience of MCC in working with local groups that were independent of and more accountable than some local governments. He noted that USAID can't adequately manage directly large numbers of small grants to local organizations.

That discussion elicited a question about the role of the international NGOs. Don responded that the Council of International Development Contractors (CIDC) and Interaction have endorsed the USAID approach. In particular, InterAction acknowledged that the local branches of its member organizations should not be considered local organizations because they were controlled from a US headquarters. (The CIDC paper is linked above; the InterAction statement welcoming Administrator Power's commitments to make aid more accessible, equitable, and responsive is available at <https://www.interaction.org/blog/statement-welcoming-usaids-commitment-to-inclusive-development>.)

At the same time, USAID wants to rely on contractors and INGOs to help by changing their own relationships with local actors.

A question arose about government-to-government relations. Don clarified that grants to governments, e.g., budget support to Jordan, should not be counted in computing progress in localization. However, if a local government entity receives funds as part of a project, it might appropriately be considered a local entity.

Natalie added that her team provided only small amounts to local governments and Gates identifies those amounts as local partner allocations. Sometimes those government entities are valuable intermediaries. Her team is trying to influence how those intermediaries can best operate so that they are empowering local actors.

Betty Wilkinson also provided an example of a grant through a local government entity, for example, a community development agency that reports to a ministry. If her organization is working at the ground level, as with local chiefs, that should count as localization.

On the question of accountability, the traditional USAID Inspector General system doesn't fit well with decentralization to local entities, Don Steinberg noted that the local entities traditionally were thought of as being more risky than large international organizations or US contractors. That is not necessarily the case. Accountability and the Inspector General role remain important, but there is also a need to simplify the demands and barriers to engagement imposed on small local partners.

He added mention of his concern that a few inevitable mistakes in implementing the localization initiative might give rise to political reactions and exposure for staff trying to work in new ways to improve development impact. Initial discussions with the Inspector General are exploring how collaboration with local entities can be implemented with appropriate accountability but without impeding localization objectives or leaving staff vulnerable to unfair criticism.

Responding to a question about FSNs, Don noted their importance, although they too may have their own biases. Getting them, as well as the Americans, out of the Mission was part of the empowerment needed to be effective. One possibility is to give FSNs warrant authority to act for and commit the Agency.

More broadly, USAID is trying to identify the obstacles in current laws, practices, and regulations to see if there is room for improving USAID's effectiveness by modifying or eliminating self-imposed impediments.

A question of participant training to build local capacity was raised. Betty Wilkinson suggested that increasingly needed local capacity can be found in country, so there was less need now to build local capacity by sending people to the United States for training.

Tom Staal addressed the situation in East Africa. Much progress was being made in Kenya, even though needed increased staff could not easily be accommodated within the physical space limits of the US embassy. In addition, US contractors and INGOs often have substantial local experience and can offer knowledge to help USAID reach local partners.

Final thoughts:

Don Steinberg noted that recently appointed Deputy Administrator Paloma Adams Allen, a former director of the Inter-American Foundation with experience in working with local NGOs is now heading a group including Ruth Buckley, Tiip Walker, Michele Sumilas, Adam Phillips and himself, informally called the “Quad,” to help oversee and coordinate USAID’s localization policy and offered to be an intermediary for discussions about possible support from UAA. Steve Haykin welcomed the opportunity to follow up with Don Steinberg about how UAA might be helpful.

Betty Wilkinson confirmed the view that retired USAID staff are a resource. Many of her local counterparts hope to see USAID return to prominence as a development agency.

Natalie Africa said her team’s challenge was to change the mindset. She wanted to encourage USAID’s efforts moving in a similar direction.