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FURTHERING LOCALIZATION THROUGH INSTRUMENT SELECTION

A brief guide to choosing the appropriate instrument to support localization through increased capacity and impact of new and non-traditional actors.


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INTRODUCTION

USAID’s commitment to advancing localization means maximizing more leadership, ownership, and implementation by local actors. This includes not only increasing the number of direct awards and percentage of overall funding going to local actors, but also ensuring locally led co-design, priority setting, implementation, and evaluation.

Local actors include local private sector actors, NGOs, and community organizations, and it’s important to keep in mind their diverse interests in engaging with USAID when considering how to support localization efforts in your mission, bureau, or independent office. Are they selling products or services? Are they looking for funding to expand their models or innovate new interventions that could contribute to development outcomes? Part of planning for a new program or set of activities is understanding the pool of local actors, along with their interests and capabilities. Resulting strategies may include acquisition, assistance, or both, through separate but complementary actions. Each action will depend on the specific activity, the nature of the relationship between USAID and the local actor, USAID’s development objectives, and local actors’ interest and capacities. It is also critical to consider bandwidth and whether USAID staff are equipped to manage multiple local and potentially new partners.

It is important to note that most USAID A&A actions are already open to local partners, but our choices of solicitations, how they are publicized, and the processes we define can all impact the level of engagement, breadth and depth of participation and ultimately, the leadership and ownership of local actors. Collaborative management and building strong relationships are essential for success. Choosing the "best fit" instrument for the activity, and for the partner, can enable USAID to do this.



Most USAID A&A actions are already open to local partners, but the “best fit” for use with local actors, especially those new to USAID, will depend on factors discussed in further depth in this guide

Navigating This Guide

This guide focuses on the instruments that may be most appealing or feasible for local actors, particularly those that are new to USAID, to implement. This guide is designed to provide an overview of assistance and acquisition instrument choices and the ways in which each instrument can be used with local partners and provides information that can be helpful to those selecting the most appropriate instrument for awards. Technical staff are reminded that they must work with their CO/AO, who has the authority to select the appropriate instrument (see [ADS 304, Selecting the Appropriate Acquisition and Assistance Instrument](#)).





INSTRUMENTS FOR LOCAL ACTORS

There are several instruments that are suitable for direct award to local actors. Instrument choice depends on the context, but regardless of the selection, localization requires a shift in traditional roles and thinking for many staff at the Mission level. Authentic localization – locally-led and locally-driven development – requires taking risks and letting go of some control, allowing local actors to drive priority setting, activity implementation, and evaluation.

Assistance Instruments

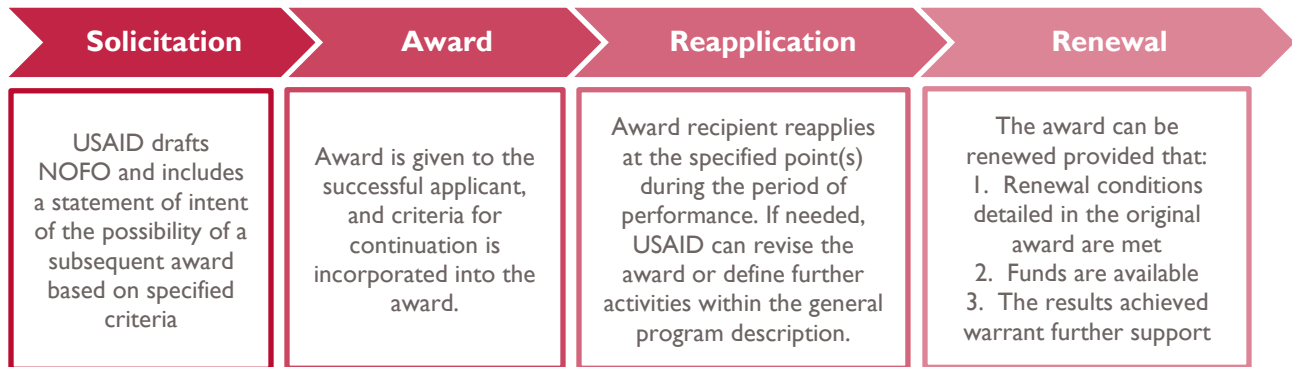
Assistance instruments are often the most appropriate choice in the spirit of partnership and enabling and empowering local actors to take the lead in development. Assistance instruments can also put local actors in the driver’s seat by allowing them to dedicate funds towards their capacity strengthening as it fits their vision, rather than just focusing on strengthening areas that USAID feels are priorities.

Fixed Amount Awards. Fixed amount awards are grants or cooperative agreements under which USAID provides a specified level of funding with payment based on the achievement of pre-determined milestones. Fixed amount awards stress achieving programmatic outputs, rather than inputs or “effort” of a grantee. The bulk of the work with fixed amount awards is at the outset, carefully defining and pricing these milestones. A challenge for fixed amount awards is the need to have clear information about what it will take to achieve milestones at the outset, even as conditions may change. There are, however, options to build in some flexibility, and variety of options for incentivizing performance of the awardee, detailed in the table below.

Incrementally Funded	Modular	Phased	Renewable
<ul style="list-style-type: none"> • Funded at a percentage of estimated price • Funding % increased if milestones are achieved faster or better 	<ul style="list-style-type: none"> • Separate sequences of FAAs are mapped out based on differentiating criteria like geographic region • Achievements under one FAA could unlock funding under a sequential FAA 	<ul style="list-style-type: none"> • Multiple phases under a specific scope are mapped out • If phase 1 is successful, phase 2 is funded and so on 	<ul style="list-style-type: none"> • Criteria for renewing the FAA is established based on performance • Possibility of continued funding serves as performance incentive

Use with Local Actors. Due to their milestone-based nature, new local partners may find managing a fixed amount award to be less administratively burdensome when compared to cost-reimbursable options. Special accounting systems are not necessary to manage the financial compliance aspects of the award, and in the case of local private sector actors, milestone-based payments are often familiar concepts that align with how they usually conduct business. Fixed amount awards can also be less risky, depending on the overall value, from USAID’s point of view when compared to cost-reimbursable awards, as the approaches in the graphic above allow new partners to demonstrate their capacity to manage the award and accomplish milestones prior to increasing funding or awarding additional phases. Fixed amount awards can also shift power dynamics away from the typical donor/contractor relationship, as they allow USAID and the recipient to agree on what will be accomplished but give the recipient some autonomy to determine the “how” of accomplishing the scope. This is further discussed on page 9 under Designing Fixed Milestones.




Renewal Awards. Renewal Awards, also known as continuation grants, are grants or cooperative agreements that give USAID the flexibility to respond to changing contexts, lessons learned, and performance of the awardee. This is achieved by providing a stated level of support during an initial performance period or for the completion or achievement of initial activities or milestones, “with a statement of intent in the NOFO of the possibility of a subsequent award to provide additional support for the project for succeeding periods, activities, or milestones” (ADS Chapter 303). The continuation of the award must not exceed the total period of performance in the original award but can allow for the continuation beyond initial activities or initial milestones. The graphic below describes the general process and requirements for awarding and renewing the award.



Use with Local Actors. Renewal Awards lower the risk to USAID and awardees by breaking a larger scope into manageable portions and allowing flexibility for changing circumstances outside of the awardees’ control. Renewal awards also clearly lay out the criteria for success – completion of certain activities or achievement of certain milestones – and incentivize performance by providing the opportunity for additional funding. This allows local actors to demonstrate their ability in a “trial period” and build a track record of success to increase their funding and/or scope.

 *Under both fixed amount awards and Renewal Awards, USAID can provide technical assistance and capacity-strengthening support to the local actor to address any gaps in ability to manage the award prior to providing additional funding, increasing scope, or awarding additional phases.*

Transition Awards. A transition award is an assistance award to a local entity or locally established partner (collectively referred to as local subrecipients) that is, or has been a subrecipient under a USAID assistance award. A transition award can only be made when the following conditions have been met:

-  The recipient of the transition award is a local subrecipient that has not previously received a direct award from USAID
-  The initial award required the recipient to develop the capacity of the local subrecipient(s) to become more capable of receiving a direct award from USAID or other donors
-  The initial award recipient recommended the local subrecipient for a potential transition award based on explicit criteria contained in the initial award

Transition awards provide a dedicated pathway for local actors to grow their capacity to manage USAID awards, relying on technical teams to include components for capacity strengthening in initial awards and shifting the responsibility for carrying out these components to the initial award recipient.

Acquisition Instruments

Though assistance instruments allow for more of a “partnership” relationship with the local actor, and acquisition can not generally include any capacity strengthening elements, there are still multiple acquisition instruments that are viable options for award to local actors. While cost-type contracts can be suitable for use with experienced implementers, their use is not recommended with new partners who have not acquired new systems or adapted their current systems to working with USAID due to their administrative and management complexity – cost-type contracts are not discussed in depth in this guide for that reason.

Commercial Services and Products Contracts. These contracts are for the purchase of products or services “of a type offered and sold competitively in substantial quantities in the commercial marketplace” (FAR 2.101).

Use with Local Actors. A large proportion of local actors that might receive direct funding from USAID are part of the local private sector. Using commercial contracts can make it easier to contract local actors that are familiar with these types of contracts, which are common in the private sector. These enable quicker contracting, when prices are established in the market, and offer a contracting mechanism with limited reporting and compliance requirements that local private sector actors may find easier to manage. Commercial contracts can work well for advanced market commitments and/or to support local actors expanding into new markets, which can contribute to development outcomes by expanding access to products and services among underserved communities while demand grows and a sustainable commercial market is established.

Performance-Based Fixed Price Contracts.

Performance-based Fixed Price Contracts involve structuring the acquisition of services around the results to be achieved rather than the manner by which the work is to be performed (FAR 2.101). To be a suitable option, the scope of work, expected results, and acceptance criteria must be well-defined and priced with certainty. These types of contracts allow USAID to structure performance-based payments and progress payments to reward faster or better performance, while lowering the administration burden for USAID and the contractor and shifting the responsibility of cost effectiveness and efficiency to the contractor.

Use with Local Actors. Performance-based Fixed Price Contracts allows local actors to determine how to achieve agreed-upon outcomes, rewarding performance results rather than methods and outputs. They can also have fewer compliance requirements when compared to other acquisition instruments

ACQUISITION INNOVATION IN MALAWI

In Malawi, USAID sought to increase uptake of agricultural technologies to improve farm outcomes and increase farmer income. USAID chose to work through a network of local input and technology providers called Farmer's World. Initially, engagement was based on a contract providing subsidies for agricultural technologies, with FW passing those subsidies on to farmers while USAID funded them. Pausing and reflecting on progress, USAID and FW jointly recognized that the subsidies may not be the most effective way to support uptake in the long term. FW outlets had several ideas of different ways to engage farmers and increase their interest in agricultural technologies - through special promotions, events, and demonstration plots. USAID changed the contract with FW to a Fixed Price Contract, with payment for results. The amount was equivalent to the subsidies, but incentivized FW to meet sales targets and enabled them to innovate the best ways to grow their market sustainably, rather than through time-bound subsidies, and increase farmer uptake.

(but higher than assistance instruments). Tying payment to performance also lowers risk for USAID when contracting new partners, as non-performance is not rewarded.



SELECTING THE “BEST FIT” INSTRUMENT

There is no single right answer when selecting an award mechanism for use with local actors; rather, the selection is often based on the “best fit,” which will depend on the activity and nature of the relationship between USAID and the local actor, USAID’s development objectives and bandwidth to manage different types of awards, and local actors’ interest and capacities. Below we discuss these key considerations when reviewing the range of instruments to use with a local actor. Key decision points are summarized by the decision tree on the final page of the guide.

Goals and Objectives of the Activity

These factors are important to consider throughout the activity planning process, as they create more rigid pathways leading towards or away from certain instruments.

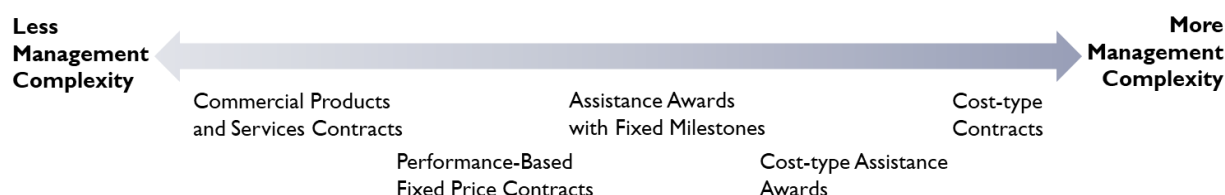
Assistance vs. Acquisition. The relationship between USAID and the potential awardee will determine whether acquisition or assistance options are appropriate. Is USAID acquiring goods and services for its own use or benefit, or is USAID supporting an organization to carry out a project that benefits the community and contributes to USAID’s development outcomes? See [ADS 304](#) for further guidance when considering this choice.

Need for Flexibility. How dynamic is the local context, and what level of flexibility is needed during implementation? Instruments like fixed amount awards and Performance-based Fixed Price contracts require expected milestones be defined and priced with certainty, along with methods for verification; if that is not possible, they are likely not suitable instruments. Assistance instruments like Renewal Awards can allow for flexibility by addressing changing contexts when renewing the award. If a fixed amount award is the desired instrument, it can provide flexibility when structured as modular or phased.

Key Considerations for Local Actors

Capacity and Desire to Manage a Direct Award. Each instrument carries varying levels of administrative burden, including compliance, accounting, and reporting requirements. Does the actor have the appropriate systems in place for the requirements laid out in the award? If not, are they willing and able to invest in them? In the case of the local private sector, partners may prefer to focus on their core business and leave award management to a more traditional implementer. Cost-type assistance and acquisition awards are typically the most administratively burdensome. If a cost-type assistance or acquisition instrument is planned, consider whether local actors have proper systems in place to manage it. A transition award could be considered for strengthening the capacity of local actors to later receive direct cost-type awards. The below graphic visualizes the administrative burden that a local actor may feel while implementing each award, noting that individual contexts and details in awards may raise or lower their administrative burden in practice.

Figure 1. Spectrum of management complexity for local partners



Risk Appetite. Directly managing an award also carries varying levels of risk. Cost-type assistance mechanisms are typically the lowest risk to the implementer, as they are reimbursed for costs incurred during implementation on a best effort basis. Cost-type contracts are riskier in comparison – though implementers are reimbursed for cost, there are more audit and compliance controls in place that must be followed. Awards that are not cost reimbursable place even more financial risk on the awardee, as they are responsible for controlling costs and meeting targets within the agreed upon milestone or fixed price, even in the event of changing prices or circumstances within the market they operate in. Performance-based contracts are often the riskiest, as payment is tied to performance targets rather than outputs. Less experienced implementers may be averse to taking on these varying levels of risk while they are also growing in their capacity to directly manage compliance and programmatic aspects of an award. The below graphic visualizes the general level of risk that a local recipient may incur while implementing different instruments, noting that individual contexts and details in awards may raise or lower their risk in practice

Figure 2. Spectrum of risk for local partners

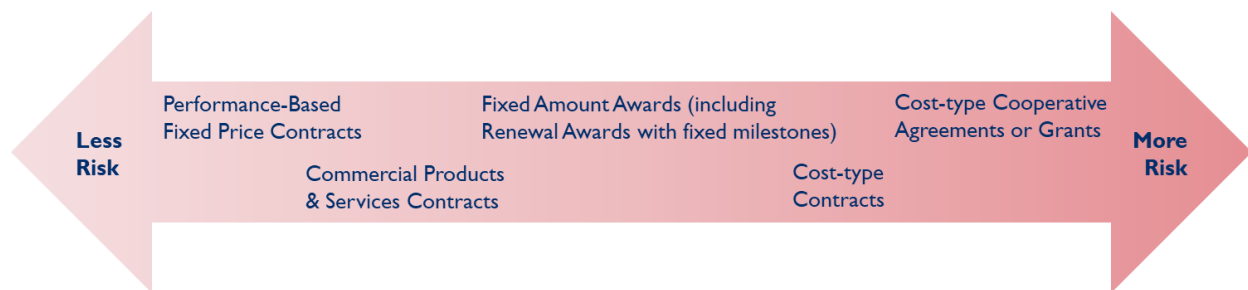


Key Considerations for USAID Staff

Staff Bandwidth and Desired Level of Involvement. Depending on the instrument, the experience of the partner, and the number of awards, the administrative burden on USAID staff can be substantial. The administrative burden may be heavier during the planning and solicitation phase and ease up during implementation, like with fixed amount awards or Performance-based Fixed Price Contracts, or it may be more sustained throughout the award, especially when managing performance under cost-based contracts or cooperative agreements, and with innovative approaches like phased or modular fixed amount awards or navigating the re-application phase of Renewal Awards.

Risk Appetite. USAID incurs risk when working with new partners, as their ability to implement and reach targets has not yet been demonstrated. With cost-type awards, USAID incurs risk because they are awarded on a “best effort” basis, and payment is made based on costs incurred, rather than being tied to performance. That said, USAID has a high risk appetite for programs “promoting sustainability through local ownership and resource mobilization,” noting that the potential opportunities can outweigh potential threats. Thorough due diligence is important when considering partnering with new actors, and creative structuring of awards can limit risk by tying payments to performance targets. Missions can take a portfolio approach to spread risk, with some more established partners and some with less experience or untested ideas. The graphic on the following page visualizes the general risk level for USAID with each instrument, noting that individual contexts and details in awards may raise or lower their risk in practice.

Figure 3. Spectrum of risk for USAID



TECHNIQUES FOR INCREASING LOCAL OWNERSHIP AND CAPACITY TO DIRECTLY MANAGE AWARDS

Regardless of the chosen instrument, local leadership and ownership of the activities can boost the impact and sustainability. This is important to consider at all stages of the program cycle, from allowing local actors to provide input pre-solicitation and solicitation process to ensuring new local actors are supported throughout implementation. Inclusive and supportive actions throughout the program cycle allow local actors to collaborate with USAID to drive the development agenda in their geographies.

Inclusive Approaches for Outreach and Solicitations

The key to getting broad participation and input is to make the process as accessible and as manageable as possible for prospective local partners, who may be new to working with USAID or may not be proactively seeking to collaborate.

Conduct Broad, Inclusive Outreach. Seek the input of local actors early in the planning process and do so in a manner that reaches groups that are traditionally not included in outreach and communication efforts. Go beyond traditional means of seeking input like RFIs and pre-proposal conferences and hold regular OAA events to familiarize the local actors with USAID, involving COs and AOs throughout the process. Ensure that local actors are aware of resources available like workwithusaid.gov and have access to materials in the local language.

Carefully Choose Solicitation Methods. Recognize that solicitations can often dictate to what extent local actors are able to lead and own activities. In using RFAs and RFPs, USAID is often telling potential applicants what the problem is and how the Agency thinks it should be solved. Less prescriptive processes like the Annual Program Statement (APS), conversely, allow USAID to focus on broad development outcomes and give applicants the opportunity to describe challenges and propose how to address them. Local actors have unique insights into the dynamics surrounding development challenges, and open-ended solicitations can allow them to propose the most contextually-appropriate solutions.

Provide Opportunities for Learning and Feedback. Consider meetings with potential partners to discuss concepts, enabling a conversation rather than just a submission. If parameters are set, and meetings are structured and consistent, teams can avoid issues of competition and procurement sensitivity. When receiving concepts or applications, provide timely, actionable feedback for prospective partners, allowing them to improve future submissions and better understand how to work with USAID.

The textbox to the right provides activities that USAID/Colombia held to support local partners during their APS process.

Consider Local Partner Needs and Preferences when Structuring Co-creation. Co-creation with local actors can take many forms – these include multi-day/multi-stakeholder workshops, one-on-one meetings, and asynchronous information exchange, among others. The right fit depends on your mission’s goals, and partner preferences. Find more tips on effective co-creation with a broad range of partners in USAID’s [Co-creation Guide](#).

Consider conducting co-creation in local languages, hosting it in the location of the local actor’s choice, and paying special attention to dynamics like age or gender when setting the time and place for co-creation.

Capacity Strengthening During Implementation

Missions should ensure new local partners are set up for success during implementation of their awards. This can be accomplished through parameters set forth in the award itself, by establishing a community for learning and developing, and leveraging the knowledge of existing implementing partners.

Designing Milestones. When designing fixed amount milestones, avoid only tying milestones only to typical USAID performance indicators. Allow local actors to weigh in on what success looks like and consider sustainability of interventions. Milestones may include organizational capacity goals, like sustainable resource generation, to support the organization’s continued ability to perform a function in the local system promoting improved development outcomes in the long term.

CLA and Learning. Consider bringing together multiple local awardees throughout implementation for Pause and Reflect or other learning events. Creating local support networks for new partners allows for opportunities to learn from each other’s challenges and successes and creates a robust local development community.

Leveraging other IPs. Similar to transition awards, established implementing partners can leverage their knowledge of working with USAID through dedicated capacity strengthening awards that target many local actors who are interested in working with USAID. This is an excellent option for missions that may not have the bandwidth to conduct in-depth capacity strengthening activities themselves with multiple new local partners.

CREATING AN OPEN AND TRANSPARENT SOLICITATION PROCESS IN COLOMBIA

When USAID/Colombia released addenda to the Global Development Alliance APS in 2018 and 2020, the mission invested significant resources in ensuring potential local partners understood the application, co-creation, and overall procurement process before requesting full applications. They also assigned potential partners an internal technical champion who could provide guidance throughout the process. Later when proceeding with full applications, they held a workshop that they called a “marketplace” where the mission brought together 10 applicants to share information on developing communications plans, including gender and inclusion perspectives, and budgeting for the full application, ensuring applicants had the resources they needed to develop a technically strong and compliant application.

Localization Resources

[Localization at USAID](#)

[New Partnerships Initiative](#)

[Local Capacity Strengthening Policy](#)

[Locally Led Development Initiatives](#)

[Local Systems: A framework for supporting sustained development](#)

[Unsolicited Solutions for Locally Led Development](#)

PDT's Innovators Asynchronous Trainings in FAI CSOD

[USAID 104: Introduction to Pay-for-Results \(4 CLPs\)](#)

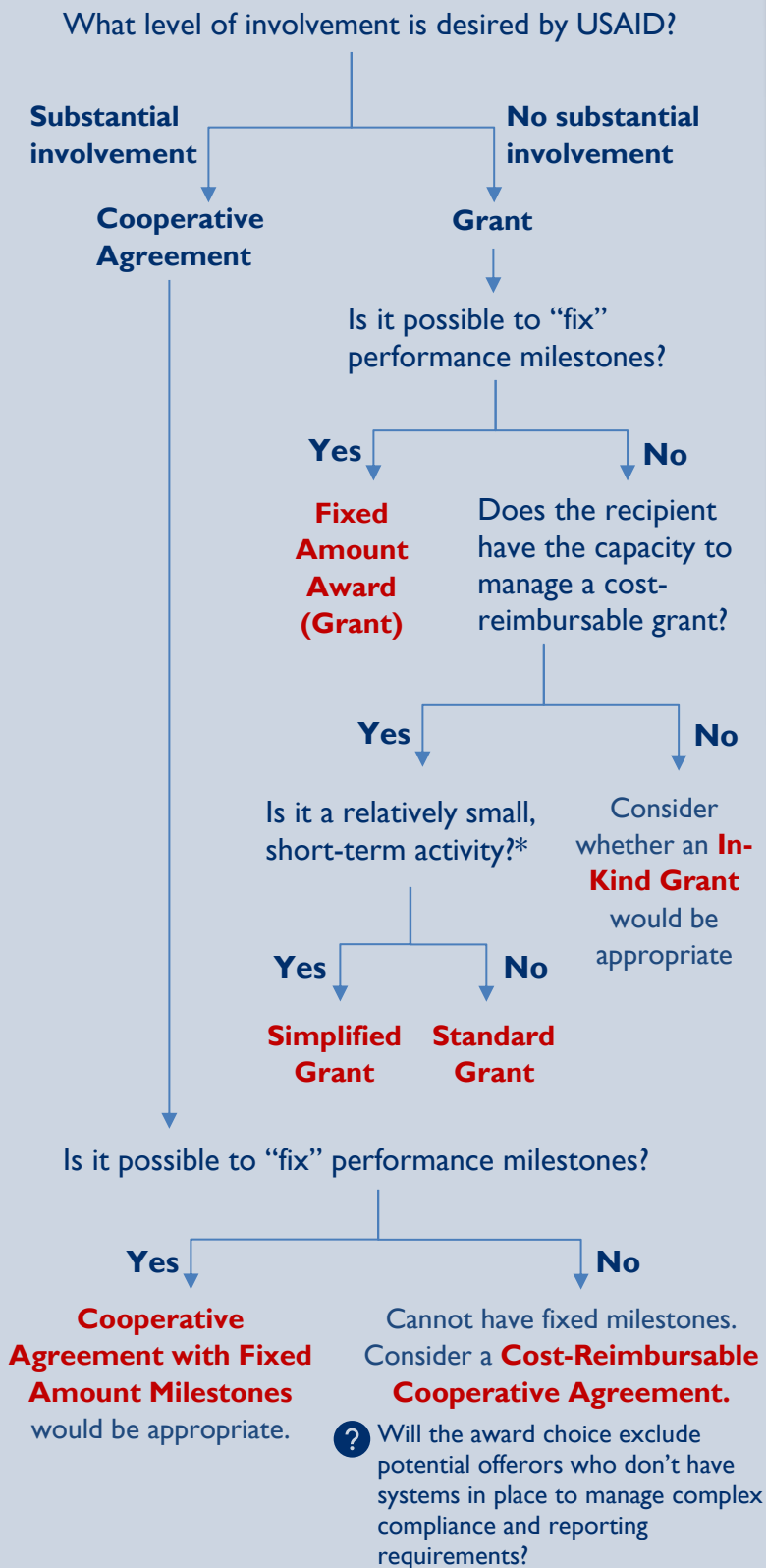
[USAID 105: Prizes Overview \(4 CLPs\)](#)

[USAID 108: Introduction to PSE for A&A Professionals \(4 CLPs\)](#)

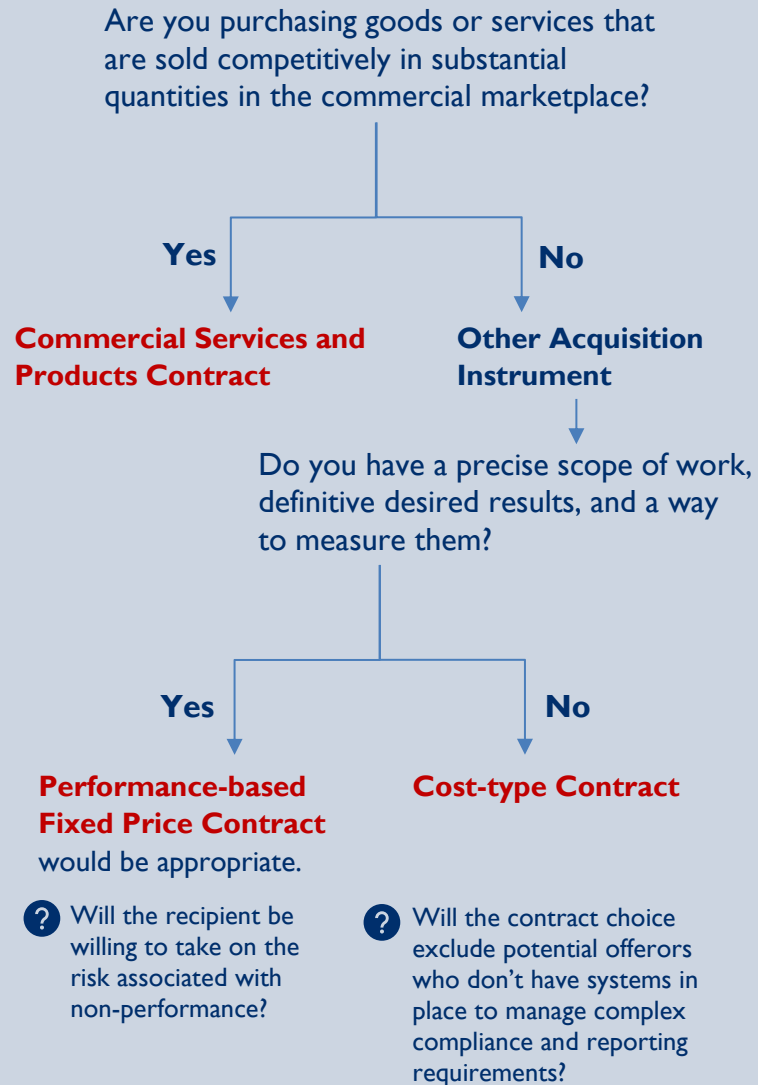
[USAID 112: Pay-for-Results- Performance-Based Awards \(4 CLPs\)](#)

[USAID 113: Overview of Development Impact Bonds \(4 CLPs\)](#)

Assistance



Acquisition



Note: This is illustrative, broad guidance only. Specific situations will require different solutions, and you should refer to the relevant federal regulations and USAID policies depending on the instrument(s) you are considering.

Want to learn more? PSECC provides training in PSE for Acquisition and Assistance (A&A) Professionals across the Agency to support the A&A workforce to become more confident and capable of easily engaging the private sector in all aspects of the A&A process through a variety of methods. PSECC offers a four-module training series with a focus on operationalizing PSE strategies from outreach, through solicitation and award, as well as on-demand technical assistance to Missions. Please search for “PDT Innovators” in CSOD for courses or contact COR Ashlee Tuck for more information – atuck@usaid.gov.