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COLUMNIST: RAJ KUMAR

## For implementers, 3 implications of USAID Forward

By Raj Kumar on 28 May 2012

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USAID Administrator Rajiv Shah in a town hall meeting in Geneva. Photo by: [Eric Bridiers for U.S. Mission Geneva](#) / CC BY-NC-SA

Donor agency reform has become such a ubiquitous refrain around the world that I sense a kind of "reform-fatigue" has set in. In just the past two years, Australia, Germany, Japan, and the United Kingdom have all undertaken major reforms. Some colleagues in the development community seem to have tuned out and assume it's all part of a long-term evolutionary change, not something to pay much attention to in the short term.

But the U.S. Agency for International Development's reform agenda – formally titled USAID Forward – is one of a few important exceptions. Many had the initial impression that this reform agenda was all about reining in large contractors – in part because of ill-considered rhetoric from USAID that served to overshadow the full nature of the reforms. Now that changes are being implemented, it's clear that the reality is more nuanced than that. While many details remain uncertain, I see three themes stemming from USAID Forward that could have a lasting impact on the way nongovernmental organizations and development consultancies do business with the agency.

### More strategy

Taking a page from other bilateral and multilateral donors, USAID is now preparing country strategies for all of the 70 or so countries where it operates. Around a dozen have been approved so far and the plan is to have strategies for all countries where USAID operates by the end of fiscal 2013. (Although public versions are supposed to be made available, they aren't yet easy to find on the USAID website, so we've compiled a list [here](#).)

The strategies are meant to be more than just perfunctory; USAID intends to make them central to its planning function. They are designed to be the blueprint for development activities in each country, with projects flowing from the strategy. They also will be the development component of the so-called "integrated country strategies" that are being prepared by U.S. embassies under the direction of the U.S. State Department.

This could have real implications for the organizations that do the on-the-ground work and have spent decades learning to read the tea leaves at USAID. In time, there may be less to gain from trying to understand what a particular mission director is thinking in order to prepare for upcoming solicitations. A careful analysis of the country strategy document may instead yield clues to the areas of focus and type of programs USAID plans to launch in the country. (Note that Devex will soon begin publishing analyses of each USAID country strategy.)

### More design

Over the past two decades, an increasingly understaffed USAID became known for bidding out individual contracts that are large and general. USAID looked to implementing partners to both define the problems and also provide the solutions. This approach required close partnership with the biggest implementing organizations who built up internal capacity to design and manage programs across a range of geographies and sectors.

But as part of its reform agenda, over the past few years USAID has hired hundreds of new staff and trained them to design and manage projects. These new staff will increasingly write more specific requests for proposals based upon more detailed up-front project design work. That project design may be done by small firms and independent consultants, much like the World Bank uses consultants to help design its projects before procurements are issued for international competitive bidding. And the scope of design work may increase as it will include analyzing the capacity of partner government systems (part of USAID Forward's emphasis on using country systems) and integrating science and technology-based innovations into project design.

This new approach may result, over time, in segregating project design from implementation, with larger NGOs and implementers bidding on well-defined contracts while smaller organizations and individual consultants work on project design. This also has the potential for reducing the up-front costs of preparing a proposal, an additional factor that could lead to more competition for the USAID contracts and grants I describe below.

### More competition

In the past, the term "project" in the USAID context would generally refer to an activity approval document and the individual request for applications (for grants) or request for proposals (for contracts) which flowed from it. Now, USAID has redefined the term "project" to entail an integrated approach to solving a development problem, including direct agreements with governments, direct procurement through local organizations, funding for other bilateral aid agencies and [international organizations](#), as well as more traditional direct procurements. As a result, these new projects which flow from country strategies will increasingly be larger and more fully designed.

But although projects are getting bigger, individual procurements are likely to get smaller and more numerous: smaller because more funds will flow through local organizations, international organizations, and governments, so less funding will be left for direct procurement; and more numerous because they will be more specific in nature and more of them will be designed for local organizations. That's because a key element of USAID Forward is a push to do more contracting at the local level, fostering competition for direct awards to local firms. In the past and today, local firms were able to receive USAID funding, but generally only through subcontracts or "grants under contracts" mechanisms run by larger USAID contractors.

So the new project concept, more funding going through governments and other agencies, and more local contracting could, taken together, lead to a larger number of contracts overall and many more small and mid-sized contracts as opposed to the mega contracts of the past. With more focus on pushing aid through government systems and international organizations, the total amount of funding available to contractors may – over time – go down. And those trends together may well lead to a more competitive bidding environment.

What does all this mean for USAID's long-time implementing partners? Many of the largest contractors and NGOs see USAID Forward and the related trends around untied aid and country systems as a challenge. And some are responding by expanding internationally through mergers and acquisitions to become global development solutions providers that can work across agencies and geographies. ([A Devex feature story published today explores this trend.](#))

Others, particularly those who are smaller, may find more opportunities as a result of these changes, in particular in the areas of project design, IPR (implementation and procurement reform), and monitoring and evaluation.

Of course, for all the energy behind USAID Forward, there remain reasons to believe this ambitious reform agenda won't be entirely successful. Much depends on the agency's new staff and their ability to manage a larger volume of smaller contracts. If Congress were to significantly cut USAID's operating budget, it would slow these reforms to a crawl, since so much is predicated on USAID taking on management, planning, and design functions that they have contracted-out in the past. Much also depends on the Policy, Planning, and Learning Bureau and its role in ensuring country strategies don't become competitive to broader thematic priorities like Feed the Future and the Global Health Initiative but rather integrate with them. If country strategies become just another report that collects dust on a shelf in the Reagan building, everyone will soon go back to the old way of doing things.

A new administration or even a new secretary of state in a second Obama administration could certainly slow down or alter these reforms but the fundamental shifts are likely to persist in the coming years since they are tied to global trends furthered at Busan and coordinated with other donor nations. Perhaps the biggest threat to USAID Forward is a black swan event: a dramatic case of corruption or waste that creates a political backlash to pushing more aid through foreign governments and local companies. A decade or two ago, that risk would likely have been higher, but after untold cases of corruption in connection with the wars in Afghanistan and Iraq, it may take a [GSA-style case](#) to draw enough political heat to topple USAID Forward. So these three implications – more strategy, more design, and more competition – are likely to have legs to some degree, even after President Barack Obama, Secretary of State Hillary Clinton, and USAID Administrator Rajiv Shah have left the stage.

In the end, development work is done by NGOs, development implementing firms, and aid workers. Funding organizations like USAID will continue to rely on the organizations that actually implement development projects, which is, after all, where most of the world's development expertise lives. But the reforms that flow from USAID Forward could have a big impact on the way USAID engages with its partners which could, in turn, have a big impact on the thousands of organizations and professionals who ultimately do the work on the ground level. It's a trend we at Devex will continue to cover.

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**Raj Kumar**

I am the president of Devex. Thanks for visiting Devex.com - the most popular international development website in the world. My professional experience includes social entrepreneurship, election monitoring & political consulting, and online business. I have worked and traveled in more than 50 countries where I have had the pleasure to meet many of the aid workers and development professionals who are part of the Devex community.

10 comments

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**Carl Maxwell** · University of Portland

Corruption will be a big problem in many countries. Contractor/s most likely will have to pay bribes to the host government official to get a contract. This will be difficult to monitor. End result--mediocre implementation to none.

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**Barney P. Popkin** · Water & Wastewater Management Specialist at Poyry IDP Consult

The previous and current situations are not all that different from "end result - mediocre implementation to none!"

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**Arshad Khan** · Hazara university Mansehra

sir , here in pakistan we applied but nothing can got even if i submit a wining proposal to usaid we in swat district recently effected by flood but not get yet a usaid fund because there are some agents in islamabad

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**Craig Williams** · Pinetown Boys' High School

Reading the country specific development agenda it seems out of place that USAID is not building the country development strategy inline with the UN's Development assistance framework (UNDAF) which is agreed to and signed off by the local government- This is the 5 year plan for the work the UN will carry out in country. Although there are overlaps they are still two different strategies. Aid reform was meant to align donors not have them build their own version of how the country should be assisted.

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**Claudio Lema Pose** · Works at United Nations

Interesting.

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**Ramesh Deshpande** · Mumbai, Maharashtra, India

This is an excellent article...finally USAID is moving toward funding development projects in countries assisted that are rooted in a longer term strategy agreed with local governments -- and not on the basis of predominantly political considerations as has been the case. We only hope that this approach is sustained and effectively implemented.

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**Tony Barclay** · Yale University

Excellent analysis - Raj offers some very good insights and draws plausible conclusions about the pace and direction of changes at USAID and other donors.

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**Sam Voorhies**

it is a great resource keep up the good work.

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