



INCENTIVIZING PERFORMANCE:

USAID/Kosovo's Transparent, Effective and Accountable Municipalities (Team) Program

OVERVIEW

USAID/Kosovo's Transparent, Effective and Accountable Municipalities (TEAM) program is a five-year (2017-2022), \$11.9 million contract designed to facilitate adaptive management and local ownership of the activity.¹ TEAM's main objectives are to strengthen the ongoing efforts of Kosovo's government institutions, improve public services, decrease corruption and enhance public trust, especially at the municipal level. The three main components of the activity involve:

1. Developing, refining, and rolling out models for transparent and accountable municipalities. TEAM provides training and material support to improve procurement effectiveness in five municipalities. As these first five municipalities "graduate" from TEAM assistance, the project selects a new group of focus municipalities to support.
2. Engaging the central government to address effectiveness and transparency in the municipal procurement process. TEAM engages with various agencies in Kosovo's central government as partners.
3. Improving civil society monitoring and oversight. TEAM works with CSOs in all 38 municipalities to enable them to be more engaged in anti-corruption efforts.

TEAM AT A GLANCE

- TEAM is a five-year (2017-2022) Cost Plus Award Fee (CPAF) contract being implemented by DAI Global LLC.
- Language in the solicitation (in Sections C, L & M) explicitly encouraged adaptive management, and offerors were required to submit an Adaptive Management Plan.
- Adaptation is one of the evaluation criteria for the award fee periods.
- Local ownership was fostered through subcontracts and a Grants Under Contracts (GUC) mechanism.
- The integrated activity team (IAT) held a dry run of the award fee evaluation process for DAI soon after the contract was awarded to ensure clarity in the expectations and logistics.

¹ The TEAM program's contract number is AID-I67-C-17-00001.

HOW DID THE SOLICITATION BUILD IN OPPORTUNITIES TO BE ADAPTIVE?

USAID/Kosovo is using a cost plus award fee (CPAF) contract for TEAM. This type of mechanism offers the Mission the opportunity to reward the implementing partner (IP), DAI Global LLC, with a percent of an award fee pool, which is allocated according to USAID’s performance evaluation. The TEAM solicitation required offerors to specify the amount of the award fee pool and propose a way to allocate that amount across the 10 six-month award periods of the contract. The solicitation also included an **amendment** that provided guidelines, including evaluation criteria, for how the award fee component would be calculated every six months.

The award fee criteria and weights differ for the first two award fee periods compared to the remaining eight. Of particular note is the inclusion of "adaptation" as an explicit evaluation factor in award fee periods 8–10, as depicted in the following chart, adapted from Attachment I of the contract:

Award Fee Evaluation Criteria

FACTORS	Assigned Weight — Periods 1–2	Assigned Weight — Periods 3–10
Mobilization: The ability of the contractor to quickly mobilize the field staff/team, especially the key personnel, and effectively position the project to ensure that planned activities are completed without delay.	50%	0%
Quality: The quality of the contractor's deliverables and interventions and how much they move the project toward meeting the objectives.	30%	50%
Adaptation: The degree to which the contractor proposes (without technical direction from USAID) and implements effective adaptive programming in response to changing political circumstances and emerging challenges and opportunities.	0%	30%
Management: How responsive and effective is the relationship between the contractor’s personnel and USAID.	20%	20%

In addition to the award fee structure of the contract, the solicitation included explicit language that encouraged adaptive management. For example, in the Statement of Work (Section C) section, the solicitation stated:

“The Contractor must have a robust collaborating, learning, and adapting approach which actively incorporates Adaptive Management Principles such as:

- translating new learning and shifts in context into iterative course correction in strategy and implementation to achieve components (through improved review processes and other ways to solicit and use input from stakeholders beyond USAID and Implementing Partners);
- managing performance to reward candid knowledge sharing, leadership of/participation in collaborative learning efforts;
- remembering the difference between targets and results;
- putting in place incentives for collaborating, learning, and adapting;
- planning for generating, capturing, sharing, and applying knowledge;
- making sure that findings are shared widely, and processes emphasize analyzing and applying them for a more effective program.”

The explicit emphasis on adaptive management in this section was reinforced in Section L of the solicitation, which stated that offerors were required to submit an Adaptive Management Plan as part of their proposal. The solicitation also included a proposal evaluation factor on adaptive management in Section M.

In addition to adaptive management, the TEAM solicitation also emphasized the importance of fostering local ownership through the program’s activities. Subcontracts and a Grants Under Contracts (GUC) mechanism were identified as ways to support local governments and non-government organizations (NGOs), thereby promoting TEAM’s sustainability.

HOW IS USAID/KOSOVO’S TEAM ACTIVITY BEING MANAGED ADAPTIVELY?

USAID/Kosovo’s Office of Democracy and Governance put together an integrated activity team (IAT) to oversee the formulation of the TEAM solicitation. The IAT worked closely with Office of Acquisition and Assistance (OAA) to ensure that the solicitation was written clearly and expectations were communicated effectively on all sides. Further, IAT is managing the activity currently underway.

Since the award fee process was new to the Mission, within a month of the award of the TEAM contract to DAI, the IAT held a two-hour, dry-run session (distinct from the award kick-off meeting) with DAI to familiarize all with the logistics and expectations for the award fee evaluation process. Given how new the CPAF mechanism is to many Missions and IPs, Missions considering this type of contract may consider holding both a pre-solicitation conference for IPs as well as a dry-run session once the contract is awarded.

As the TEAM program has just started, assessing how DAI and the Mission staff feel about the award fee process has not yet been determined. In particular, it will be interesting to learn whether DAI and the Mission staff view their CPAF contract as a valuable way to facilitate adaptive management.

USAID/Kosovo Award Fee Procurement Case Study to report on activity implementation. USAID/Kosovo has now completed two award fee evaluations. The following chart provides key takeaways from the first year of implementation, which include input from USAID/Kosovo and the contractor.

	AWARD FEE PERIOD 1	AWARD FEE PERIOD 2
ACTIVITY STATUS	Began full implementation after initial mobilization recruiting issues	Continued implementation of all contract components
AWARD FEE EVALUATION PROCESS	<ul style="list-style-type: none"> — CO had minimal administrative work due to quality documents produced by award fee board, contracting officer's representative (COR), and contractor. — COR had more administrative work in preparing analysis for the award fee board. — Evaluation was not a surprise to the contractor as a result of constant feedback from the COR. — Self-assessments based on the award fee criteria were a useful part of quarterly reports. — Self-assessments were a minor administrative burden on the contractor. 	<ul style="list-style-type: none"> — With increased familiarity of the award fee process, AFB can more easily reach a consensus regarding the rating and AFB report. The COR's report was extremely helpful and comprehensive, facilitating straightforward discussions of the AFB. — Determining how many points to give the contractor under each section proved challenging as sections are not necessarily mutually exclusive. Therefore, the AFB needs to ensure that the contractor gets "dinged" in only one area for the same issue. For example, poor quality reports could be recorded under "Quality" OR "Management" depending on whether management is reviewing reports before they are sent to the COR. — Challenges may arise when developing a CPAR. How might the COR's and AFB opinions and ratings be consolidated in the event they differ? — For some factors, such as "Quality," the contractor did not fully understand the rationale for some deductions. Therefore, a more detailed rationale when AFB deducts points would enhance contractor learning through the process.
COMPARISON TO COST PLUS FIXED FEE	<ul style="list-style-type: none"> — USAID/Kosovo and Contractor agreed it was too early to discern additional benefit of the award fee process. — The award fee structure did not increase incentive for effective performance by contractor staff when compared to other awards. — The award fee process does not seem appropriate for lower dollar-value contracts at the Mission. 	<ul style="list-style-type: none"> — Compared to the first period, the contractor has improved performance and was awarded a reasonable award fee. For the cost plus fixed fee (CPFF) contract, the contractor will receive the negotiated fee regardless of performance. — From the COR's perspective it is difficult to discern whether performance improved during this evaluation period as a result of the award fee structure alone or to what extent the award fee contributed to improved performance compared to other factors such as the contractor's willingness to improve, mission management of the activity and the CPAR evaluation. — While the contractor is already incentivized to deliver quality services for clients through existing mechanisms, the AFB determination was useful by providing written feedback on the Mission's priorities and perceptions of activity strengths and weaknesses.
CONCERNS FOR NEXT AWARD FEE PERIOD	<ul style="list-style-type: none"> — Evaluation for the next award fee period may prove more difficult as it will involve more complicated tasks such as interactions with municipalities and quality of trainings. — It is unclear how adaptive management is connected to the award fee process. 	<ul style="list-style-type: none"> — In the next period, evaluation factors will change from "mobilization" to "adaptation" which may be challenging not only for the contractor, but the COR and AFB. — If the contractor is evaluated on whether it is employing adaptive management, it should be clear that adaptive management does not necessarily require expanding the scope of work/level of effort without a concomitant increase in the ceiling price. — The Mission has developed an "Areas of Emphasis" document that serves as the basis of evaluation in each of the three broad categories of mobilization/adaptation, quality and management. The contractor recommends the Mission solicit input from the contractor and agree on these "areas of emphasis" prior to implementing them.