



Humentum Comments on USAID’s Draft Local Capacity Development Policy

Humentum is the leading global nonprofit working with humanitarian and development organizations to improve how they operate and make the sector more equitable, accountable, and resilient. Together with our over 270 member organizations, we create and advocate for data-driven policies and standards that address sector-wide challenges. To this end, Humentum has been an active and constructive participant in US Government executive branch policymaking for over 30 years.

Humentum appreciates the opportunity to submit these comments in response to USAID’s draft Local Capacity Development (LCD) Policy, which the Agency opened for public comment through January 31, 2022. In its request for comments, USAID asked the public to identify the sections or statements that it deems essential to the policy; where clarification is needed; and any major gaps or inaccuracies. Humentum has divided its comments accordingly.

Sections or Statements Essential to the Policy.

Humentum applauds USAID’s efforts to undertake broad-reaching engagement of key stakeholders in the development of this draft policy. The inclusion of perspectives and voices from across the globe is reflected in the policy’s encompassing definition of local capacity development, as well as the overarching principles guiding it.

Humentum endorses those aspects of the draft policy which emphasize wholistic approaches to LCD, including integrating systems analysis and selection of approach into any LCD assessment and plan, as well as the emphasis on mutuality and accountability of all actors in programming. (p 18). Humentum also endorses USAID’s analysis, outlined on page 8, that “effective capacity development programming requires intentionality, resources, and longer time horizons.”

By acknowledging and integrating the “connection between capacity and sustainable change at the systems level” throughout USAID’s approach to capacity development, it supports more locally led development and undergirds local ecosystems that own and advance development over the longer-term.

USAID endorses the evolving role of donors and traditional implementing partners (IPs) as facilitators “serving as ‘a guide on the side and not as a sage on the stage’” (p 27). By insisting on “equal value partnerships through which benefit accrues to all parties through long-term, sustainable relationships built on trust,” USAID signals its intent to reorganize power dynamics and incentives to favor local ownership of development outcomes. To this end, USAID assesses that effective and sustainable local capacity development requires a “best fit”, rather than a “best

practice” approach. Such an approach enables local actors to be more creative and seek solutions that are appropriate to the nuances of their communities.

We are further encouraged by USAID’s acknowledgement of the need to re-examine the way the Agency approaches and analyzes risk. Of note, on page 11, USAID states that “[i]n keeping with this programmatic approach, financial and management risk associated with a local award must be evaluated in the context of the overall programmatic logic. This means that USAID needs to take a holistic approach to risk that weighs fiduciary and management risk alongside programmatic, reputational, and other considerations of risk.” Humentum supports USAID’s determination that a reduction in fiduciary risk and building local capacity are not the same thing (p 11).

Similarly, Humentum agrees with USAID’s analysis that “short budget cycles and risk aversion can skew local capacity development towards developing skills for the short-term, such as donor-specific financial management or branding and marketing. While implementation of official development assistance often requires risk mitigation activities, which are important to our work and stewardship of resources, support for the development of these skills should not be construed as local capacity development that supports longer-term social change in local systems. In actuality, an over-emphasis on compliance or on the ability to deliver short-term results can have distorting effects and may increase international donor dependency and weaken resilience by stifling local revenue generation. Over time such support can undermine the mission of local organizations.” (p 15).

Finally, USAID outlines reasonable and time-bound next steps to operationalize this policy, including launching the LCD Leadership Committee, continuing procurement reform, drafting implementing guidance, developing qualitative and quantitative metrics in addition to the CBLD-9 indicator, and evaluating the Agency’s Enterprise Risk Management (ERM) policy (pp 23-5). Humentum generally agrees that such steps, among others, will prove fundamental. Humentum offers its experience and expertise to the Leadership Committee in support of these objectives.

Major Gaps or Inaccuracies.

Despite its various strengths, the draft policy at times reads more as conceptual aspiration than a recipe for practical application. While it identifies the fundamental components of LCD, it does not adequately set forth expectations for how its aspirational statements can be made a reality, leaving much of that to be decided upon after the policy is approved.

At a general level, the risk and accountability language of the policy is inadequate. While we fully endorse the spirit of the language on risk, it remains unclear what process, and at what stage of program design, the Agency will undertake for weighing the financial, reputational, and other risks v. reward of programmatic approach and how that will impact the funding cycle.

Similarly, there is sparse mention of accountability beyond the concept of mutuality. What concrete mechanisms will USAID adopt to facilitate multi-stakeholder accountability to local partners and their communities?

Furthermore, it is unclear how non-traditional actors fit into the systems analysis and approach decision-making model for funding determinations. How do community-based organizations,

social movements, and other key stakeholders of systemic change figure into USAID's policy – if not as funding recipients, then as stakeholders to whom USAID is directly accountable?

Humentum believes that LLD and LCD will continue to run into myriad operational and scale-up challenges if there are not substantive changes to USG/USAID rules and regulations to streamline and simplify their requirements.

Finally, the draft policy would be strengthened by creating a more overt linkage between this policy and the Agency's overarching locally led development, civil society strengthening, and democracy, rights, and governance programming objectives.

Sections or statements where clarification is needed.

On page 4, the definition of Local Capacity Development states that its impact produces “valued development outcomes.” Building local capacity is also a critical component of humanitarian responses, including in the initial response stages, early recovery, and risk reduction. Could this definition be revised to also include humanitarian outcomes (particularly as this policy applies in both humanitarian and development scenarios)?

USAID recognizes the power asymmetries that may exist among local actors, but it does not fully recognize the power asymmetry that USAID brings once it is at the table with global and local actors alike, including how such asymmetry can weaken USAID's principle of mutual accountability. How was this considered as a part of the policy development?

We appreciate USAID's recognition that: functional and relational skills—leadership, problem-solving, social capital and adaptive capacities—are critical to creating systemic and social change; capacity development is deeply related to power; and that long-term, sustainable relationships built on trust are key to “thinking and working politically.” (pp 26-7). However, the policy would be stronger if it directly explained how such recognitions should and will impact its funding decisions.

On page 14, under “Effective management of financial resources is a vital capacity”, it appears that USAID is conflating financial management and internal controls with the financial stability of an organization. Having one does not mean that you have the other; while strong financial management is necessary as a part of sustaining development outcomes, if funding is not available to support sustainable development, it will not matter how strong internal financial management systems are. Local actors often seek both support in strengthening their financial management, as well as additional funding to sustain them into the future.

While we appreciate the emphasis on the engagement of local actors, and the section on “nothing about us without us” (p 14), USAID typically reaches out more to formal stakeholders (government, national NGOs, private sector) and less to the community-based organizations and grassroots movements that represent the marginalized and excluded communities that development assistance most aims to support. The document recognizes power asymmetries in local actors but does not discuss how USAID will use its influence to ensure local actors with more power are held accountable to building capacity and empowering organizations and social

movements that are often disadvantaged by the “invisible forms of power in the local system” (p 17). How will USAID ensure that local capacity development does not get monopolized by local actors who are already the most privileged and included?

In Section IV (change management process for putting the framework into practice), USAID has not said how it will hold itself accountable to the local actors this policy aims to benefit. What mechanisms will USAID put in place to gather feedback from local actors to govern how investments are made and give them more voice in determining what kind of capacity strengthening is a priority? What metrics will be used to measure whether this policy is being effectively implemented, from the perspective of local actors?

As stated previously, Humentum appreciates USAID’s recognition that strengthening capacity must be a long-term endeavor, not specifically linked to ensuring capacity to implement a donor funded project. (p 15). In addition to adaptive management, what steps will USAID take to better balance compliance requirements with the recognition that local actors should not be primarily building capacity to comply with USG regulations?

For local capacity development initiatives to be successful, many have argued that local partners need to be allocated unrestricted resources (e.g., “core support/funding”) to have the flexibility to deftly address the needs of their constituencies while maintaining institutional integrity. How does USAID intend to integrate flexibility into its compliance and procurement models for greater local decision-making?