

USAID's Local Capacity Strengthening Policy

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The Policy

On October 19, 2022, USAID released its [Local Capacity Strengthening \(LCS\) Policy](#), which is revised from the December 2021 Local Capacity Development Policy draft. USAID updated the policy based [on nearly 600 pages of public comments and consultation with local actors](#). According to USAID, the policy represents an “opportunity for the Agency to reexamine its capacity strengthening practices in light of the principles of locally-led development, as well as systems thinking and practice, to be a more equitable and effective partner.” It sets forth the Agency’s overall vision and seven principles for effective programming and equitable partnerships.

Why it Matters

As USAID’s first dedicated policy to local capacity strengthening, it will inform when, why, and how the Agency engages in capacity strengthening activities. The policy’s principles for equitable partnerships have implications for all of USAID’s programming, especially its efforts towards locally-led, inclusive development and humanitarian assistance. By implementing these principles, USAID can transform how it partners with local actors and organizations. The policy’s final section, “Institutionalizing Change” outlines bold policy changes to operationalize the vision for effective, equitable capacity strengthening and partnerships. The extent to which USAID implements these changes will determine the impact and success of the LCS policy relative to USAID’s vision for locally-led development.

What is Noteworthy

A major difference between the original draft and the final version of the LCS policy is the shift from the language of capacity *development* to capacity *strengthening*. This language change acknowledges the existing capacity that local organizations bring to the table and better aligns with USAID’s principle of appreciating and building on existing capacities. The revised version of the policy also separates the original seven principles into two distinct categories: principles for capacity strengthening and principles for equitable partnerships. While all the principles inform both capacity

strengthening and partnerships, the inclusion of distinct equitable partnership principles has broad implications for the Agency's programming and approach overall.

The policy also adopts a more expansive definition of capacity than traditionally used. In addition to knowledge and skills, USAID recognizes motivations and relationships as forms of capacity. Its definition of capacity strengthening places emphasis on the process of partnering with local organizations, in addition to outcomes. This definition guides USAID's approach; capacity strengthening is no longer an exercise in USAID readiness and compliance. Instead, the LCS policy focuses on local priorities and moves beyond training as the main modality of capacity strengthening. USAID's explicit acknowledgment of its power and colonial legacy further informs its approach to partnership.

Finally, in a significant shift from the draft policy, the LCS policy outlines plans and policy changes to support implementation. Among these are calls for more flexible funding, accountability mechanisms for local actors, and changes to USAID's Program Cycle. While the policy overall represents a shift in culture and approach for USAID, the policy's success hinges on the implementation of these and other proposed plans.

Actions for Implementation

In concert with our members, Humentum has identified several areas where USAID can take swift action to implement the LCS policy and integrate its principles across Agency operations.

- Provide ample time for co-creation and collaboration when awarding grants and contracts.
- Ensure that all budgets include designated funding for capacity strengthening.
- Clarify the role of INGOs and other intermediaries in implementing the LCS policy.
- Issue guidance on LCS in humanitarian contexts.
- Push for international alignment on capacity strengthening approaches.
- Develop metrics for measuring progress that move beyond capturing value-for-money and readiness to receive USAID funding
- Align risk and compliance approaches with the equitable partnership principles by increasing direct funding to local partners and reducing compliance burdens.
- Collaborate with local partners when developing the implementation guidance for the LCS policy.

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