USAID's Acquisition and Assistance Strategy

The Policy:

In early March 2023, USAID launched its updated Acquisition and Assistance (A&A) Strategy. This document is the first update to the original A&A strategy that was published in 2018. As USAID notes, the Agency's operating environment has shifted rapidly since 2018. USAID has weathered a global pandemic and hiring freezes, welcomed a new administration and vision for global development, and completed a major reorganization of the Agency. The newly published A&A strategy reflects this context and outlines steps it will take to operationalize Administrator Power's vision for global development. The new strategy was developed with input from more than 300 A&A professionals and stakeholders across the Agency, and revolves around the following three objectives:

Objective 1: A&A workforce enabled, equipped, and empowered to further USAID's development and humanitarian assistance mission.

Objective 2: Streamlined and effective A&A integrated throughout the Agency's development approach.

Objective 3: A more diverse set of partners engaged to implement locally led development solutions.

Alongside the official strategy, USAID also released an Implementation Plan for the A&A strategy. This plan covers the first year of the strategy's implementation, with M/OAA responsible for evaluating progress. According to USAID, this evaluation will review "what actions have been taken, barriers to those that have not, and whether the actions are having the intended impact on the culture and business processes of USAID related to A&A, the staffing levels of the A&A workforce, streamlining of systems, and the ultimate goal of sustainable lasting development."

Why it Matters:

Acquisition and assistance mechanisms such as grants, cooperative agreements, and contracts make up more than 85% of USAID's work. Therefore, this strategy will direct how the Agency employs most of its funding to implement development programming. Significantly, the strategy's goal is to "enable sustainable, inclusive, and locally led development results through acquisition and assistance." While the 2018 strategy referenced the empowerment of local actors under the Journey to Self-Reliance, this one is more explicitly grounded in the movement for equitable, locally-led development. The strategy therefore has broad implications for both the way USAID operates, and how myriad INGOs and local partners receive funding from the Agency.

What is Noteworthy:

A major area of focus throughout the A&A strategy is how it contributes to the Agency's overarching localization objectives. While objectives 1 and 2 of the strategy do not exclusively focus on locally led development, the sub-points that do relate to the Agency's localization work are of note.

Objective 1: A&A workforce enabled, equipped, and empowered to further USAID's development and humanitarian assistance mission.

The first objective addresses the staffing crisis USAID has faced during recent years, with low hiring levels leading to a 38% increase in the workload of an individual Contracting Officer since 2015. In a long overdue move, USAID has proposed increased authorities for the Agency's existing foreign service nationals (FSNs) and cooperating country nationals (CCNs), as well as additional hiring of these professionals. Out of the current 350 FSN/CCN professionals, only 36 are warranted to sign grants and contracts. By warranting more of these professionals, USAID seeks to address its shortage of A&A professionals and give more authority to FSNs/CCNs that are based in the localities where USAID operates.

While this is an important action for USAID to take, the hiring of more FSNs/CCNs and other A&A professionals will not alone resolve the Agency's staffing crisis. Reflecting the tension between the Agency's 'burden-busting' objectives and localization, new policies have significantly increased the workload of A&A staff. The strategy indicates that in FY 2022, co-creation was included in 35% of all new awards, and the number of partner organizations increased by 336 from FY 2021. While these statistics are indicative of progress on localization objectives, it is unclear how USAID will be able to scale up its efforts with limited staff and no additional funding from Congress for its operations. One solution the strategy proposes is additional training for A&A staff, with an emphasis on localization.

Objective 2: Streamlined and effective A&A integrated throughout the Agency's development approach.

Objective 2 proposes the improved integration of A&A and the Program Cycle through increased collaboration between A&A and technical staff at every stage of the cycle. According to the strategy, this integration will better position the Agency to achieve its localization objectives by better articulating the role of A&A in achieving development outcomes.

The second objective also explores the use of digital tools to achieve Agency localization objectives. In alignment with the Agency's Artificial Intelligence (AI) Action Plan, USAID is exploring how these tools can help capture data about partnerships, which is crucial to measuring progress of the Agency's localization objectives. In addition, M/OAA is exploring automating the Negotiated Indirect Cost Rate Agreement (NICRA) process, which would improve efficiency for A&A staff and implementing partners alike. More information about this process is needed to determine the full impact on implementing partners—both international and local.

Finally, USAID has announced its intent to streamline several administrative processes for A&A staff. Important examples include "reducing the number of post-award approvals, Third Country National waivers for consultants, and subaward approval requests." To prevent increased risk on the part of A&A staff in implementing these streamlined processes, M/OAA will collaborate with Missions to "incorporate risk mitigation within opportunities for efficiency, innovation, and local adaptation."

Objective 3: A more diverse set of partners engaged to implement locally led development solutions.

Objective 3 most explicitly addresses the role of A&A in achieving USAID's localization objectives. This section highlights the Agency's launch of the virtual Work with USAID Platform, which prepares new and local partners to do business with the Agency. Significantly, objective 3 also directs A&A staff within a Mission to "proactively seek diverse prospective partners, consider the benefits of making awards to new and local partners, and work to lower barriers through flexible A&A approaches." Some examples of these flexible A&A approaches are as follows:

- The use of complementary analyses, co-creation, or stakeholder consultations in an activity design;
- Increased use of simplified grants, fixed amount awards, and renewal awards;
- Openness to collaborative approaches, including the use of concept notes prior to an application;
- The use of hybrid approaches within a single assistance award and built in opportunities to pivot quickly.

Objective 3 also provides a more in-depth outline of USAID's target for local leadership in 50% of all programming by 2030, which will employ good practices that "will encompass not only local entities as lead implementers of USAID activities, but also approaches to co-design in the program cycle, co-creation, implementation, and evaluation driven by the whole community of local actors whom the project will affect."

Many operational barriers to locally-led development still exist within the Agency. The strategy acknowledges some of these, including:

- The lack of Congressional appropriation for longer-term funding and funding earmarked for localization;
- Regulatory requirements found in 2 CFR 200.111 that require applications to be submitted in English;
- Continued necessity of sophisticated financial management and reporting systems.

The Agency commits to addressing the legislative and regulatory challenges through its own advocacy initiatives. Regarding the challenges with reporting, USAID proposes solutions such as "seeking blanket statutory authority to limit competition to local partners without a financial cap, allowing local partners to use international accounting standards for reporting, and exploring ways to help more local partners better recover administrative and indirect costs." The Agency is also exploring increased use of capacity strengthening for those receiving cost-reimbursable awards, as well as the use of pay for results awards to reduce reporting requirements.

None of these proposed solutions can be implemented unless USAID moves from a risk averse to a risk aware approach. The Agency therefore will "focus on exercising sound business judgement, solving problems, seeking opportunities to co-create solutions and co-design activities that address threats to progress, and encouraging creative local solutions to development challenges." The strategy points to the Agency's updated Risk Appetite Statement (RAS) as the operational document to propel this new approach forward, although the RAS itself provides limited information on how USAID plans to operationalize its approach to risk.

The Implementation Plan

The implementation plan provides additional detail on many of the proposed solutions outlined in the strategy. The following chart outlines those that are most directly linked to the Agency's localization agenda:

Objective	Proposed Action
1.1 A&A professional staff crisis resolved through hiring and retaining a diverse and inclusive workforce,and creating pathways to career growth.	**Increase opportunities for FSN/CCN A&A Specialists** by creating positions with higher salary and responsibility levels.
1.1	**Update the FSN/CCN administrative warrant program** to streamline the process and expand FSN/CCN Administrative CO/AOs' responsibilities in line with the new USAID Risk Appetite Statement.
2.1 A&A strategic thinking integrated throughout the program cycle.	**Align Agency policies** related to planning, delivering, assessing, and adapting development programming **(ADS 201)** and A&A policy **(ADS 300 series).**
2.3 Improved efficiencies through strategic A&A planning and reduced administrative burdens.	Explore revision of ADS 302 to streamline the Grants Under Contract approval process.
2.3	Issue and share widely with CO/AOs **updated guidance and best practices for limiting requests for financial documentation** to what is strictly required and avoiding unnecessary cost analysis.
2.3	**Establish Regional Indirect Cost and Closeout Support Units** that will specialize in full-cost recovery and will be housed in regional missions.

3.1 Flexible and adaptable approaches mainstreamed to collaborate with a broad range of stakeholders when designing and implementing new activities.	**Update the Non-U.S. Organization Pre-Award Survey (NUPAS)** to align with the new Risk Appetite Statement and the Local Capacity Strengthening Policy, clarifying that the NUPAS should not be used as a pass/fail test, but as a tool to help AOs make informed decisions about partnership and enhance the ability of the partner to implement the activity
3.1	**Explore simplifying or clarifying the renewal award process** (e.g., "risk assessment requirements" waived for the renewal years).
3.1	**Reduce pre-award risk assessment requirements** for Simplified Grants (up to $250,000) to be similar to the process for Fixed Amount Awards.
3.1	Adapt training and remind staff of actions that can be taken to reduce burdensome requirements. Examples include using **Phased Assistance/Acquisition** and **requiring only concept papers upfront** to reduce the time and effort required from partners during initial stages of an application/proposal; **simplifying or reducing the number of evaluation or merit review criteria** to make it easier for partners to address all criteria; and **designing engagements with partners in ways that minimize costs**.
3.2 Localization goals advanced through reduced barriers and A&A best practices.	**Strengthen the Agency's capacity to make pay-for-results awards**, including educating all USAID staff, not just the A&A workforce, on when a "pay-for-results" model is appropriate and how to create flexible awards with appropriate milestones.
3.2	Provide tools to A&A staff and Activity Planners to **operationalize the 50 percent local voices metric**. Examples may include contributions to the Localization Playbook, guidance on issuing requests for information (RFIs) and holding Industry Days, co-designing with local partners, and guidance on inviting local actors to sit on the Technical Evaluation Committee as non-voting members.
3.2	**Expand exceptions to delay or adjust requirements and/or provide assistance to prospective partners to register on SAM.gov**.
3.2	Improve local partners' ability to **recover their full costs of implementing awards** by expanding existing and introducing new indirect cost recovery options. • Pursue an **increase to the current "de minimis"** rate for assistance awards in order to better meet local partners' cost recovery requirements. • **Introduce a "de minimis" rate for acquisition awards** similar to the existing 10 percent rate authorized for assistance. • **Expand the use of advance agreements to negotiate fixed amounts for indirect costs** under cost-reimbursement acquisition mechanisms (and in alignment with the existing flexibility available under assistance).
3.2	Expand Mission efforts **to translate assistance solicitations into local languages** (as a courtesy with English versions controlling). Explore options to assist local partners in translating applications from local languages to English.
3.2	Improve the Agency's ability to **track subawards and subcontracts** and increase fulfillment of prime partner applications and proposals related to their commitments to prospective subrecipients and subcontractors.
3.2	**Develop new procurement action lead time (PALT) metrics** for awards targeting local organizations, and broadly communicate the revised metrics across the Agency.