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The Bureau for Management Local Capacity Strengthening Implementation Plan

I. Local Capacity Strengthening is an M Bureau Priority

The Bureau for Management (M) oversees centralized business operations to enable the delivery of USAID's development and humanitarian assistance programs in over 80 countries worldwide. The M Bureau is responsible for procurement; finance; enterprise risk management (ERM); information technology (IT); Mission operations and management; as well as Agency management policy, budget, and performance. As the Bureau that maintains the operational structure essential to executing the Agency's programs, M is in a unique position to help local actors move from compliance with Agency requirements to resilience in their organizations.

Working across the M offices and three foreign service staffing backstops that serve in USAID Missions and in Washington (USAID/W), the M Bureau can help strengthen local capacity through systemic approaches in the following areas:

- The Office of Acquisition and Assistance (M/OAA) provides stewardship of U.S. taxpayer funds via the management, evaluation/audit, and awarding of USAID's contracts, grants, and cooperative agreements. Contracting and Agreement Officers (CO/AOs) and Foreign Service National/Cooperating Country National (FSN/CCN) acquisition and assistance (A&A) staff, in particular, play a central role in the design, negotiation, and oversight of A&A awards around the world.
- The Office of the Chief Financial Officer (M/CFO), led by the Agency CFO, oversees Controllers, Financial Management Officers, Financial Analysts, Accountants, and Voucher Examiners who perform financial management (FM) functions in Missions and USAID/W. The Office, which serves as the ERM Secretariat as defined under the Agency's ERM Governance structure, is essential in coordinating and facilitating risk management and internal control (IC) activities for the Agency in accordance with the Office of Management and Budget (OMB) Circular A-123.
- The Office of Management Services (M/MS) supports Executive Officers (EXOs) who lead Mission staff in managing computer administration, logistics, human resources, travel, and security functions to ensure efficient, cost-effective, and administratively sound Mission operations and management. EXOs also facilitate essential host government transactions on behalf of, and in coordination with, implementing partners.

The strategic goals of M/OAA, M/CFO, and M/MS demonstrate the Bureau's ongoing commitment to local capacity strengthening and align with the seven principles of the USAID [Local Capacity Strengthening \(LCS\) Policy](#):

- **Start with the local system** by ensuring that investments in capacity strengthening are appropriately planned and budgeted to bring about sustainable change;
- **Strengthen diverse capacities through diverse approaches** by developing the skills, knowledge, and resources for Mission staff to provide support to local actors through a variety of methods including coaching, technical assistance, assessment and prioritization, and training;
- **Plan for and measure performance improvement in collaboration with local partners** by assisting in the collection and tracking of local capacity strengthening measurements;
- **Align capacity strengthening with local priorities** by supporting partner development beyond award-specific requirements and by coordinating with, and drawing upon the expertise of, all Mission backstops;
- **Appreciate and build on existing capacities** by reducing regulatory and policy barriers for partner engagement and using an all-of-Mission approach to strengthen capacity and collaborate with a wide range of local stakeholders;
- **Be mindful of and mitigate the unintended consequences of our support for local capacity strengthening** by considering the full spectrum of opportunities, threats, risks, and complexities (such as conflict and social division in program areas) that partners may face when working or associating with USAID; and,
- **Practice mutuality with local partners** by helping to hold the Agency accountable for delivering on our promises and encouraging mutual learning with local actors.

These principles are integrated into many key practices and policies throughout the M Bureau, including strategic plans and Automated Directives System (ADS) chapters.

Acquisition and Assistance: M/OAA is reducing bureaucratic burdens throughout the A&A lifecycle and ensuring that A&A expertise informs the development of Agency policies and programs so partnerships are inclusive, agile, and contribute to sustainable development outcomes. From co-creation and pre-award assessments to explaining award terms and providing guidance to support compliance during implementation, A&A staff are critical to direct engagement and communication with local partners. The [Acquisition and Assistance Strategy](#) (A&A Strategy) and its associated implementation plan, help guide USAID's overall partnership approach with a focus on lowering barriers; investing in the capacity of new, local, and nontraditional partners; and diversifying USAID's partner base, all in support of the Agency's localization and procurement equity goals. To operationalize the A&A Strategy, M/OAA has committed to three objectives:

- A&A workforce enabled, equipped, and empowered to further USAID's development and humanitarian assistance mission;
- Streamlined, flexible, and effective A&A integrated throughout the Agency's development approach; and,
- A more diverse set of partners engaged to implement locally led development solutions.

By simplifying A&A processes where possible, A&A staff will have more time to understand and support local partners in defining their own vision for success and increase the durability of development gains.

Financial Management: M/CFO continues to nurture a culture of operational excellence by standardizing, making more transparent, and automating financial processes throughout Missions worldwide. Leveraging its evolving IT capabilities, M/CFO seeks to exceed its current processing standards, adding efficiencies to FM system capabilities to quickly and effortlessly transfer, manage, and transact from as many locations as possible.

M/CFO is transforming the FM workforce to a more proactive role as trusted business advisors and risk managers. M/CFO is strengthening the capacity of partner governments through Government-to-Government (G2G) Assistance (as a co-owner of [ADS Chapter 220](#)), providing contributions to G2G Risk Management training development, and continuing to apply ERM principles through technical assistance focused on localization. As a critical component of USAID's overall effort to achieve effective ERM, the [USAID Risk Appetite Statement \(RAS\)](#) provides broad-based guidance on the level and type of risk the Agency is willing to accept—based on an evaluation of opportunities and threats—to achieve the Agency's mission and objectives. An additional guidance document, the USAID CFO Financial Management Strategic Plan 2022-2027, presents a five-year roadmap for:

- Establishing a culture of operational excellence, including developing and implementing IT solutions to centralize management and reporting processes at the local level;
- Becoming a trusted and valued strategic advisor, partner, and service provider, to include local capacity strengthening; and,
- Enhancing ERM and IC performance, including providing meaningful data to support decision-making at the local level.

Mission Operations and Management: Through recruitment and training of all staff, M/MS and EXOs are creating a workforce that is responsive, enabled, equipped, and empowered to further USAID's local capacity strengthening goals. M/MS and EXOs identify and leverage the skills of all colleagues to contribute to our development and humanitarian mission, directly engaging partners to strengthen their resilience, encouraging them to independently identify and implement locally led development solutions. Working with strengthened and resilient partners advances Agency goals by reducing management burdens—in a steady state, during times of crisis and conflict, and when transitioning from USAID support—and extends the USAID investment by improving partners' ability to independently achieve development objectives.

II. Immediate Entry Points to Advance Local Capacity Strengthening

Within each of the M Bureau functional areas described above, there are several immediate actions Missions can take to strengthen local actors.

Acquisition and Assistance: M/OAA, working with technical offices, will diversify the Agency's partner base and support achievement of the 25 percent target for the Direct Local Funding indicator, a key metric measuring the Agency's progress on localization reform initiatives. In addition, the Office will support activities that center local priority-setting, solutions development, and capacity strengthening by taking the following actions:

- Continue to encourage local partners to take the Pre-Engagement Assessment available via the [Work with USAID](#) website, while enhancing the platform's functionality and language accessibility so prospective partners can both identify key areas for improvement and leverage the available capacity strengthening resources;
- Enhance staff expertise related to the use of co-creation approaches throughout the A&A lifecycle as a means of encouraging greater incorporation of capacity strengthening activities and goals within awards that reflect local priorities and solutions;
- Revise the Non-U.S. Organization Pre-Award Survey (NUPAS) to streamline requirements, reduce administrative burdens, and better support the identification of capacity strengthening opportunities tailored to specific recipients and awards;
- Continue efforts to increase Agency awareness and use of existing A&A instruments that integrate capacity strengthening elements into program design and award requirements (e.g., renewal awards, the transition award process/transition awards, and fixed amount awards with allocated funding for, and milestones associated with, defined capacity improvements, etc.);
- Initiate a series of Federal Executive Institute Leadership Program courses strengthening the leadership capacity of FSN/CCN A&A Specialists who are on the front lines of engagement with, and capacity strengthening of, local organizations and members of the local community;
- Address gaps in knowledge and expectations for Activity Planners and Design Teams from other offices—M/OAA's Professional Development and Training Division (M/OAA/ACTS/PDT) and the Bureau for Policy, Planning and Learning (PPL) will work together to align, update, and broadly disseminate existing guidance and training, including opportunities for strengthening local capacity; and,
- Generate guidance for five of the 14 best practices that are part of the Locally Led Development indicator—including practices that directly relate to local capacity strengthening (e.g., using descriptive vs. prescriptive awards with local partners, maximizing local subawards, ensuring full cost recovery, leveraging the transition award process, and engaging in award co-creation)—and support ongoing evaluation of Agency progress against this indicator.

Financial Management: M/CFO will expand and build on its expertise and partnerships to increase external engagement in key areas by:

- Developing surge capacity for the FM workforce, thus helping to ensure diverse capacities through diverse approaches;
- Improving FM processes and assisting in the tracking and utilization of data related to local capacity strengthening;
- Working with local actors to help enhance their risk management and IC review;
- Supporting local applicants and partners to understand audit requirements well in advance, and provide capacity strengthening support for gaps in this area;
- Training and assisting staff in ERM, G2G Risk Management, and Public Financial Management strengthening; and,
- Leveraging the memorandum of understanding (MOU) signed with the Government Accountability Office (GAO) Center for Audit Excellence (CAE). The MOU allows for the CAE, on behalf of USAID, to help Supreme Audit Institutions (SAIs) and other accountability organizations increase their capacity and improve their performance. Quality support from SAIs is essential in the local context to identify and deter corruption and to help hold governments accountable for using public funds efficiently and effectively.

Mission Operations and Management: M/MS will support engagement with a wider array of new and local partners by:

- Expanding the role of EXOs in the NUPAS process;
- Identifying EXO duties, best practices, and engagement opportunities for strengthening local actor capacity during both the NUPAS process and codesign;
- Assisting M/OAA in providing resources for local actors and partners (e.g., translation for those who communicate most effectively in a language other than English);
- Formalizing communication to guide EXOs in assessing gaps in the capacity of current staff to engage on foundational organizational structures, documents, policies, and procedures;
- Enhancing and coordinating staff training and development to help improve capacity strengthening with local actors (including and beyond those receiving direct awards) in the areas of information technology, cyber security, human resources, management and administration; and,
- Considering hiring needs and recruitment plans to staff appropriately by size and mechanism.

III. Long-term Initiatives to Enhance Local Capacity Strengthening

Additional actions related to capacity strengthening require longer-term planning and discussions. Over the next year, the M Bureau will work on the following activities:

Acquisition and Assistance: M/OAA will focus on enhancing the ability of local partners to recover their full costs by improving Agency staff and partner understanding of the various indirect cost recovery options currently available. Through guidance and training development, M/OAA will make it easier for A&A staff to identify and employ the right instruments and pricing methodologies for the situation and partner; this includes more support for options such as fixed amount awards, the [de minimis rate](#), and fixed amounts for estimated indirect costs (assistance), as well as time-and-material (T&M), firm fixed price, and commercial pricing (acquisition). Full cost recovery, including all allowable direct and indirect costs, allows local organizations to make the necessary investments in their own organizations to become more effective and sustainable drivers of successful development outcomes.

In addition, Agency efforts to reduce barriers to partnership for local organizations, such as increasingly providing courtesy translations of A&A documents, and reducing burdens in the award making process through automation and by requesting short concept notes instead of lengthy application and proposals, allow local organizations the time and energy to develop their own capacity.

Financial Management: M/CFO will continue to bolster financial management expertise and operationalize ERM and IC through the coordination of risk management activities and the elimination of silos by operating in a cross-functional approach. M/CFO efforts will also:

- Continue to enhance communication and socialization of ERM and IC management importance and integration across the Agency;
- Modernize governance, risk and compliance (GRC) processes by embedding risk management into the Agency's daily work, enabling leadership members to make better-informed decisions, alleviate threats and unintended consequences, and identify opportunities; and,
- Transition the partner engagement approach to one that identifies, and has the adaptive capability to act on, opportunities and seeks to understand and learn from lack of engagement in specific areas.

For example, studies and surveys by the World Bank, the Public Expenditure and Financial Accountability program, and the International Organization of Supreme Audit Institutions show that enhancing audit quality and coverage, particularly implementing international audit standards, is a major long term strategic challenge for low-income countries.

Mission Operations and Management: M/MS will identify ways for EXOs to participate in the existing and evolving design, partner evaluation, and implementation review process that align with the [Local Capacity Strengthening \(LCS\) Policy](#); assess the capacity of and empower EXO staff to serve as subject matter experts, supporting an Agency- and Mission-wide approach to local capacity strengthening through improved professional capacity development for staff; build awareness of EXO staff expertise through developing mutual understandings of the local environment and context (internally and

externally); define the role, and promote the inclusion, of EXO staff on site visits and in activity evaluations, and continue to seek opportunities to insert EXO staff into forums like the A&A Labs, thereby promoting innovation and knowledge sharing among all of the M Bureau workforce; consider a monitoring mechanism to track ongoing needs against current staff capacity; and expand support beyond the A&A and FM focus on core capacities to assist partners toward operational, administrative, fiduciary, and strategic independence.

IV. Next Steps for Capacity Strengthening in the M Bureau

The M Bureau will use a change management approach in our strategy to implement local capacity strengthening principles into more of our work.

We will encourage Bureau-wide and role-specific engagement and collaboration through ongoing lines of communication (e.g., M Bureau Town Halls, backstop calls, newsletters, and Agency Notices) as well as through webinars, regional meetings and training sessions, and by working with each backstop's Community of Practice. Following the Local Capacity Strengthening Learning and Feedback Forum, M will hold a Bureau-wide meeting to discuss our implementation process and formalize next steps for:

- Gathering and incorporating learning and feedback (internal and external) into our process;
- Monitoring and measuring success;
- Communicating externally, as appropriate, with implementing partners and others;
- Considering additional M Bureau workstreams that can contribute to capacity strengthening; and,
- Identifying the resources needed, including funding to further operationalize the A&A Labs, training development, and staffing resources to be able to effectively support local capacity strengthening in a Mission.

By February 1, 2024, the Bureau will develop implementation guidance, including key activities, milestones and metrics for first-year success, that support M Bureau objectives and the Agency's implementation plan for the [Local Capacity Strengthening \(LCS\) Policy](#). We expect that our process will evolve as we consider the most effective ways to ensure capacity strengthening principles are integrated into M Backstop work along with the knowledge, skills, and attitudes that M Backstop staff need to successfully implement local capacity strengthening.

