

Effective Partnering and Procurement Reform External Listening Tour Summary Report

Background

To launch Effective Partnering and Procurement Reform (EPPR), the U.S. Agency for International Development (USAID) engaged in an external listening tour (ELT) with a diverse range of external stakeholders, and also consulted with our own staff. The goal of the ELT was to consult with our implementing partners and other experts from across the development spectrum to receive and incorporate into the reforms lessons learned and recommendations related to USAID's design and procurement processes. No previous attempt to change the way USAID does its core business has solicited, and received, more input.

The purpose of the ELT, which this report summarized, was to gain insights from the experience of our partners. This report does provide USAID's response, analysis, or clarification regarding the partner perspectives on USAID's policies and practices. The summary of feedback provided below consists of perceptions by participants, and does not necessarily represent established facts. These perspectives reflect the timing and context of when they were collected, and USAID presents them with no editorial input. We note that we also collected a tremendous amount of other feedback from our employees through the Listening Tour and direct engagements, other reports from external stakeholders, recommendations from the General Accountability Office and USAID's Office of the Inspector General, and which will also shape USAID's thinking. Ultimately, all of these contributions will allow USAID to make the best procurement reforms for our vision, national security, and taxpayers.

The ELT consisted of 19 individual discussions with organizations, and 8 meetings with partner associations/platforms. In total, the Agency met with more than 250 individuals between January and May 2018. The groups with which USAID met included small, medium, and large non-governmental organizations (NGOs), businesses, think-tanks, faith-based organizations, and private-sector firms. Nearly all of the groups had some level of experience in working with USAID. The EPPR team, working under USAID's Transformation, was keen to gain initial insights from those organizations that have successfully worked with the Agency. However, EPPR plans to engage separately with development organizations that have not succeeded in competing for funding with us, or perhaps not pursued a relationship with the Agency for a number of reasons.

We believe that many of these recommendations in the ELT will directly influence the recommendations the EPPR team is developing, but we do not endorse, agree, or plan to adopt every idea. We are prioritizing specific recommendations such as developing better policy, selecting acquisition and assistance instruments, and bringing more consistency to our procurement processes.

Listening Tour Questions

In each session, USAID provided the following overview and questions:

The Administrator has shared his vision that the goal of foreign assistance should be to end the need for foreign assistance over the long-term, and increase host country capacity and self-reliance. Please keep these goals in mind when answering the following questions.

1. What are the top three challenges that you see in USAID's current program design and procurement approaches to reaching this vision, and steps to address those challenges?
2. What are promising models of program design and procurement that emphasize a field-driven focus?
3. What are promising models of program design and procurement that are more results-driven?
4. What are promising models of program design and procurement that strengthen local capacity?
5. What are promising models of program design and procurement that would allow USAID become more effective in fragile states or non-permissive environments?
6. How do you suggest that USAID better work with the private sector and leverage private-sector resources, and what are some successful examples/models the Agency should examine?

FINDINGS

Challenges

What are the top three challenges that you see in USAID's current program design and procurement approaches to reaching this vision, and steps to address those challenges?

While organizations noted that there are a variety of challenges to working with USAID, previous reform efforts have made progress. In particular, the improvements to the Agency's Business Forecast, shift towards working with local organizations, Country Development Cooperation Strategies (CDCS), increased engagement with assistance and acquisition partners, and efforts to reduce the amount of time required to make awards.

However, a number of challenges were brought up repeatedly in the listening tour. The top five issues were:

1. Use of Broad Agency Announcements
2. Selection of Acquisition vs. Assistance Instruments
3. Prescriptive Nature of USAID Programs
4. Amount of Time from Design to Award
5. Lack of Consistent USAID Operations

Outlined below are a variety of the issues that were raised, including the top five challenges.

USE OF BROAD AGENCY ANNOUNCEMENTS

In nearly every meeting, the use of co-creation and collaboration was highlighted as a best practice for a more field driven and results-driven approach. Also, in almost every meeting the Agency's use of Broad Agency Announcements (BAA) was raised as a significant concern. Partners noted that they have seen an increased use of BAAs within the Agency and consider this as a negative trend. One individual commented that they have been "a miserable failure." Another commented that it is "frustrating" to participate in a BAA. While they agree with the theory of the co-creation with USAID, they have issues with the way that BAAs are currently being managed, and believe that the negatives outweigh the positives.

On the positive side, partners agree that BAAs provide an opportunity for new ideas and bring potential new partners and individuals with a wide-range of experience together. They often look at a country's or region's cultures and contexts, which can lead to better solutions. Organizations generally welcome the opportunity to co-create new and innovative solutions with USAID.

However, the challenges they cite are often in the execution of BAAs.

Many partners believe that USAID's use of BAAs extends far beyond what would be considered research and development as outlined in the Federal Acquisition Regulation (FAR).

One of the most pressing challenges highlighted is the **lack of clarity around funding**. Many organizations underscored that budgets for BAAs are either unknown or too vague. Without information on potential funding available, organizations struggle with how to design activities. Multiple organizations noted that through the BAA process, activities were developed only to find out that funding available was nowhere near what would be needed to implement the approach. For example, one organization shared that in a BAA, a \$10 million activity was co-designed. At the end of the BAA process however, it was discovered that only \$500,000 was available for the activity, and was to be split among multiple organizations. Another organization highlighted that they designed a \$4 million activity, only to find that \$400,000 was available.

The second most common issue raised was the **cost of participating in a BAA**. Nearly every organization said that it is more expensive to participate in a BAA than a standard request for proposals (RFP). While BAAs only require a concept paper or expression of interest (EOI) up front to be invited to a co-creation session, organizations shared that as a part of their due diligence, concept papers go through their usual proposal development process, such as identifying key staff, developing budgets, etc. With the additional cost of co-creation workshops and paying staff to participate, BAAs cost significantly more. One organization estimated that it costs more than \$150,000 per BAA to participate. Organizations also noted that these costs are eventually charged back to USAID through their indirect cost rates.

Partners shared that in many cases they do not like the **pairing of organizations** during co-creation workshops. Ambiguity around outcomes prevents partners from providing real input. Organizations may hold back their best ideas and wait for others to share. There is often a disparity among who organizations send - some sending low-level staff, while others sending senior employees. Ultimately, the BAA is a competition for funding, and the USAID role in facilitating the pairing of organizations into proposal partners is not always productive from the partners' perspective. One organization phrased it as "we are competitors in love."

There were many concerns raised about **sharing intellectual property or sharing organizational technical approaches**. Several examples were highlighted where one organization's approach was selected through the BAA process, but the award went to another organization. Several other large organizations shared how their institutional approach was "stolen" by smaller/newer partners of USAID and used in another context. One partner commented that it seems like "USAID is taking our ideas and not paying us for them."

Concerns were raised about the **process and timing of BAAs**. Most organizations find that a BAA takes significantly longer than the standard RFP process. Partners also commented that every BAA is different and there seems to be no standard, resulting in confusion about the BAA process. Note: A few partners reported that they appreciated cases in which the BAA process was adapted and contextualized to the challenge or opportunity at hand.

Many of the larger, more established partners with USAID have advised their staff members to avoid participating in BAAs, as they feel it wastes their time and money.

Several partners noted that they understand one of the intentions of the BAAs is to bring in new partners, which initially it seems to have done. However, some partners believe that the BAA will ultimately discourage new partners from participating with USAID. The **process is not clear, costs significantly more money**, and organizations often conclude the BAA process discouraged and disillusioned about working with USAID.

Most organizations believe the co-creation and collaboration that USAID is looking to do with its partners can be achieved through the use of traditional solicitation methods. The use of an Annual Program Statement (APS), or a two-step solicitation under assistance or acquisition, was often highlighted as a better approach to bringing in new partners and encouraging new and innovative ideas.

Recommendations from Partners:

- Define what USAID considers research and development.
- Refine or standardize the USAID role in facilitating award consortia under BAAs
- Communicate available funding early in the process.
- Develop approaches to co-create without the potential loss of intellectual property

SELECTION OF ACQUISITION VS. ASSISTANCE INSTRUMENTS

In more than half our the external listening tour meetings, selection of instrument was raised as a significant issue. Several organizations noted that it is a grey area that seems undefined by the Agency, and, as a result, is personality-driven. Partners believe that, because of issues related to procurement action lead time (PALT), Agency staff will look at the time they have to make an award to decide the instrument they will use. Or, Agency staff will write a scope of work tailored to use their preferred acquisition or assistance instrument. Many organizations also feel that USAID is not always following federal regulations.

Partners noted that USAID updated ADS 304, and drafted amplifying guidance, but felt that neither document provided clarity to the issue. If anything, these updates may have resulted in more confusion or uncertainty about the selection of instrument.

With the updates to the Business Forecast and the quarterly conference calls that M/OAA hosts, it was noted that selection of instrument issues have improved, providing more advanced notice and clarity ahead of a planned solicitation.

Recommendations from Partners:

- Develop updated SOI guidance that provides clear direction for Agency staff.
 - Include the level of management required for the award in SOI decisions.
 - Provide clarity on USAID's relationship with organizations on the ground.
- Develop training that improves the current SOI decision process.
- Consider putting targets on the types of mechanisms being used.
- Make the SOI decision memos public.
- Develop a more effective and centralized way to challenge SOI decisions.
- Consider building both acquisition and assistance components for activities.

PRESCRIPTIVE NATURE OF USAID PROGRAMS

The third most frequent issue raised in the external listening tour was the prescriptive nature of USAID's activities and the increase of regulations that must be followed. This was also raised in more than half of the meetings and was raised concerning questions on being more results-driven and building local capacity.

Several partners noted that they believe USAID's design abilities have degraded and become more prescriptive over time, while the Agency's control and reporting requirements have increased. Agency staff have become more risk-averse, playing more the role of "police" in oversight. This has resulted in a disconnect between what is happening on the ground and the requirements in the award.

Partners cited many consequences as a result of the prescriptive nature of USAID's programs:

- Inability to adapt to changes on the ground.
- Less incentive to propose innovative solutions or locally driven solutions, because the likelihood of winning the award is low.
- Local organizations are unable to work with USAID because they cannot meet all of the targets.
- Partners track outputs, and not monitoring outcomes.
- Increase role in USAID's oversight and management has increased, resulting in less time focused on doing "real work."

One partner noted that more than 20 percent of funding is going into compliance with regulations and following the requirements outlined in an award. Once security costs are included in some countries, significantly less funding is going into programming.

Related to the prescriptive nature of awards and selection of instrument issues, many organizations noted that cooperative agreements (CAs) and contracts are being used interchangeably. Organizations that work under CAs have pointed out that USAID is managing CAs more and more like contracts. USAID is often applying FAR regulations, such as approval for foreign travel, and salary approvals in the management of CAs. These organizations have raised the issue of the prescriptive nature of CAs and have then seen the follow-on programs, turned into contracts on subsequent awards.

Recommendations from Partners:

- Update AIDAR to reflect current realities and reduce the burden and cost of unnecessary compliance.
- See Results-Driven section for more information related to this challenge.

AMOUNT OF TIME FROM TO DESIGN TO AWARD

In nearly half of the meetings, issues of timing were raised. Partners talked about procurement action lead time (PALT), as well as pre-PALT as a significant challenge. Everyone noted that it takes too long to design an activity and make an award. If the Agency wants to become more results driven and end the need for its existence, it must find a way to design activities and award them more quickly.

Inefficiency in the design to award phase has negative consequences that were raised by partners.

- Hurts the Agency's ability to bring in non-traditional actors, such as the private sector.
- Costs the Agency money, as it requires a significant investment from a partner to maintain the teaming arrangements, which is added to an organization's cost proposal.
- Greatly restricts local or smaller U.S. organizations from working with USAID.
- Coupled with prescriptive awards, activities are often overtaken by events by the time a partner gets on the ground.

Recommendations from Partners:

- Set targets from initial concept to award.
 - Fragile states: three to six months.
 - Development Programs: 18 months.
- Develop a broader (or new) definition of PALT that includes measuring the time required for the design, not just the award, for program activities.

LACK OF CONSISTENT USAID OPERATIONS

The fifth most common theme from the external listening tour discussions was the lack of consistent operations within the Agency. Procedures often vary by individual and by organizational unit. Several partners commented, "it feels like you we are working with 80 different organizations." There are no universal applications or standards of doing business. As a

result, the Agency's operations are personality-driven and, as USAID staff changes, so do operations.

With the lack of standard interpretations of rules and regulations, the administration of awards becomes more complicated than necessary. There are increased compliance costs, more audits, more issues with disallowed costs, and higher risks for the Agency.

Recommendations from Partners:

- Develop standard operating procedures for the design to procurement process.
- Establish an entity within USAID to develop and enforce standards.
- Rewrite AIDAR focus on the limitation of cost without interpretative references to Department of State regulations and remove outdated compliance requirements.
- Develop a public access forum for the standard interpretation of regulations, Q&A, and online training.
- Create an internal audit team trained in implementing mechanisms, relevant regulations, etc.

OTHER USAID PARTNERING CHALLENGES

A variety of other challenges were raised in the external listening tour, which are outlined below.

Business Model of Awarding to Lowest Price versus Most Effective

When discussing how the Agency can be more results-driven, the issue of USAID looking for the lowest price in an award was identified as one of the significant challenges for the Agency. To be competitive for an activity, organizations are forced to price proposals to win, not necessarily to most effectively implement an activity. This business model diminishes approaches that are innovative or different than what USAID invites in the solicitation.

Several partners noted that this is an unstable business model that hurts local, new, small, and medium-sized organizations, as it often lacks a cost realism. New organizations will receive awards and be unable to achieve expected outcomes, hurting their ability to work with USAID in the future or leading to the end of their organization.

Funding from Congress Needs to Enable Consistent, More Flexible Operations

Several organizations commented that USAID's funding structures from Congress create many challenges for the Agency.

The lack of predictable funding undermines the Agency's ability to work with new partners and non-traditional organizations, such as the private sector. Without the assurance of receiving promised funding, partners often consider it a risk to work with USAID. Additionally, funding uncertainty hurts USAID's ability to build local partner capacity at a time when strategic intent is

to support partner countries' journey to self-reliance. With more stable funding, organizations would be more likely to leverage their resources and networks.

The Office of Foreign Disaster Assistance (OFDA) has authority with its funding that the rest of the Agency does not. It was recommended that the Agency review OFDA's funding authorities and consider pitching Congress on how they could be used by other parts of the Agency.

Finally, partners noted issues with earmarks from Congress. The lack of flexibility prevents the Agency from developing the solutions needed on the ground. The Agency cannot easily adapt because of these requirements. Multiple partners noted that USAID should pursue earmark relief from Congress. One partner said that USAID should "consider pitching to Congress piloting an earmark-free country to see how USAID could operate."

Size of Awards is Growing and the Partner Base is Shrinking

Partners consistently noted their perception that USAID's awards have increased in size and scope over the last decade. The Agency needs to move away from large, bundled procurements.

The result of these large awards is that the Agency has decreased its potential partner base. Only a small number of organizations have teams large enough to develop a proposal for the Agency based on current approaches. Also, few organizations can manage the size and scope of awards.

Small and medium-sized organizations are often unable to compete for awards. As a result the Agency is less able to tap into non-traditional and potentially more nimble partners, including small-faith based and community organizations.

While the Agency has increased its focus on working with local partners, it has concurrently prevented some local partners from working with USAID because of award size. One well-established medium-sized organization shared that it no longer submits proposals for USAID awards, outside of Food for Peace, because of size and scope.

In addition to decreasing the Agency's partner base, the scope of awards prevents the Agency from being more adaptive. USAID has locked funding and approaches into the hands of a small number of organizations through fewer instruments.

Engaging with Partners to Enable Participation

While many partners noted that USAID had made progress in how it engages with partners, there still needs to be a significant improvement.

Organizations noted that USAID promotes partnership, but seems to lack trust in its partners. Partners often feel like they are held at arm's length from USAID personnel who could enable

engagement or better understanding of USAID's processes. There are limited ways to consult with USAID meaningfully. For example, during the development of a CDCS, it was noted that Missions “shut down” and do not engage, but this is one of the most critical times to be actively involved with partners.

Partners noted that the Agency needs to find ways to incentivize staff to engage with partners. Currently, incentives are to check boxes and hold people accountable for the process, not results. Partners want to engage with the Agency in a way that produces better results.

Raising Issues with USAID

Partners noted that they feel there are few practical ways to engage with the Agency when there are issues. With rules and regulations inconsistently applied, challenges arise on a variety of topics. For example, multiple organizations shared problems with unallowed costs and with non-disclosure agreements not being enforced.

Organizations noted that they have repeatedly raised issues with the Ombudsman, without adequate response or resolution. Organizations are afraid to push too hard when problems arise because they worry about getting future awards.

Field-Driven

What are promising models of program design and procurement that emphasize a field-driven focus?

With the free-flowing nature of each external listening tour meeting, responses to questions often overlapped. In particular, answers to this question were often closely linked to responses for a more results-driven approach. Highlighted below are some responses that were most directly related to more a more field-driven approach.

Country Development Cooperation Strategies

Many partners expressed their appreciation for the CDCS. The CDCS helps partners understand the context of USAID's programs, which results in better-designed proposals. One partner noted, "The better the CDCS, the better the proposals USAID will get." Universally, partners want to see country-level strategic planning through the CDCS continued.

Presence of Contracting Officers in the Field

Having strong Contracting Officers (COs) in Missions is necessary to have more field-driven approaches. COs in the field can respond more quickly and have a better understanding of the activities taking place, resulting in the improved implementation of activities.

Business Forecast

Several partners encouraged USAID to continue its work with the Business Forecast. With the number of Missions, it is challenging for organizations to know what is happening all over the world. The improvements to the Business Forecast and quarterly conference calls organized by the Management Bureau's Office of Acquisition and Assistance (M/OAA) have helped to ensure that partners have the latest information from the field.

Engaging at the Mission Level

USAID needs to engage partners at all stages of the process in the field, including strategy, program design, and procurement. Partners believe that the more engagement that takes place in the field, the more field-driven solutions will be developed. One partner noted that "collaboration and co-creation in the field is a must."

Another partner made the recommendation that USAID establish an advisory board or consultative body at each Mission to solicit a wide-range of input on its programs and activities.

Analysis of Organizations Working in Country

Several organizations recommended that USAID do a landscape analysis to determine which organizations are working in a country and the sectors in which they are working.

Several small and medium organizations, including faith-based and community organizations, noted that USAID seems unaware and uninterested in learning about the work they are doing in a country even though there are overlaps with private development assistance efforts.

Tapping into Existing Partner Activities

If USAID can identify organizations working on the ground, then USAID can tap into those resources and networks. Many NGOs highlighted that they have reliable networks of local organizations that USAID overlooks by not tapping into existing activities, often funded by American private or other official donor assistance.

The Focus of USAID's Procurements

Partners shared that to have a more field-driven focus, more procurements need to take place in the field. Large global awards rarely provide funding at the community level. Mission-based procurements are more inclusive of local stakeholders and are more tailored to the local context.

One partner noted that USAID is often focused either globally or locally. The Agency often fails to develop regional procurements. Partners encouraged USAID to be thinking more regionally about activities.

Host Government-Driven Strategies

For USAID's programs to be more field-driven, the strategies and activities need to be driven by or developed in collaboration with host governments. One partner noted that in several countries USAID's CDCS and the host government's strategy were formed separately from each other and had different priorities. These strategies should be more closely aligned to develop field-driven results.

Less than Full Proposals

With USAID's strict requirements associated with full technical and cost proposals, it is often challenging to develop innovative or field-driven proposals. The Agency was encouraged to request more concept notes, i.e. less than full proposals up front, which would incentivize more field-driven proposals from a broader base of potential partners.

Local Competition Plans

Several partners asked that USAID make local compensation plans available for partners for each Mission.

Results-Driven

What are promising models of program design and procurement that are more results-driven?

More feedback was given on this question than any other subject on the external listening tour.

Promising Models Within USAID

The Office of Transition Initiative (OTI), the Office of Foreign Disaster Assistance (OFDA), and Food for Peace (FFP) were all noted as models within the Agency for results-driven approaches.

OFDA's flexibility, speed, and engagement with partners was highlighted as a model for the Agency. One organization commented that the rest of USAID should operate like OFDA.

OTI's model of flexibility and collaboration was also highlighted as a promising approach. Within OTI's work, organizations are often asked to submit case studies, rather than full proposals. After case studies have been submitted, then partners work directly with OTI to design the activity. The activity is never locked in, as OTI gives organizations the ability to adapt to changes on the ground. Additionally, partners noted that the staff within OTI seem to be more open to taking risks, which has had a positive impact on their work. Finally, OTI's SWIFT 3 is a good example of co-creation approaches used within an IDIQ.

Food for Peace's theory of change behind its program model was highlighted as a best practice, allowing organizations to refine the technical approach to activities once an award has been made. Also, FFP's model allows for flexibility in the approach and activities that are undertaken. For example, one partner commented that FFP's approach has allowed them to integrate social behavior change as a critical driver of program outcomes. Another partner said that, with FFP, they have been "set-up for success like never before."

Design and Perform

One of the models for more results-driven approaches that was repeatedly raised is Design and Perform. Similar approaches are also referred to as Refine and Implement, Inception Phase, or Staged Award. More than two-thirds of organizations said that this was a best practice that they would like to see USAID utilize.

The United Kingdom's Department for International Development (DFID) follows this approach, as does Food for Peace. Several organizations noted that USAID frequently used this approach in the 1980s and early in the 1990s, but the contracting officers who promoted this approach left the Agency.

Within the approach, organizations submit something less than a full proposal. An organization is selected for the award based on their past performance and concept note submitted. After the award has been made, the partner and USAID would work together for a specified period to fully design the activity and develop outcomes. Once the activity has been redesigned, early learning applied, and refined outcomes agreed upon, the partner fully implements the activity.

This approach was highlighted as a best practice for a variety of reasons. First, it is difficult for USAID or the partner address all questions at the proposal stage. Second, this approach allows for collaboration and co-creation, one-on-one with a partner. Third, it provides an opportunity to work together to set benchmarks and the approach. Finally, it can also reduce the amount of time it takes to design an activity, respond to a solicitation, and make the award.

Adaptive Approaches to Implementation

In nearly every meeting, partners shared the desire to be more adaptive when implementing USAID awards. As projects evolve and new evidence is generated, the implementation approach needs to adapt to meet challenges and opportunities on the ground.

One of the challenges highlighted is that procurement is often managed as a linear process, while development is not. For the Agency to be successful, it needs to add flexibility and adaptability into more of its awards. Procurement approaches need to account for the non-linear process of development.

Partners noted that USAID's current culture of compliance, low tolerance for risk, and overly prescriptive awards prevent adaptive approaches taking hold within the Agency. They also shared that there is often a conflict between rigorous program design and adaptive management. However, that should not be the case.

The Collaborate, Learn, Adapt (CLA) approach that has been developed as part of the revised program management cycle is a model that should be used in all awards.

Most everyone agreed that USAID has the authorities it needs within its existing mechanisms and structure to be adaptive. It just is not using those authorities. A cultural shift needs to happen to make the Agency more flexible and adaptive, both through training and the empowerment of staff in adaptive management. One partner commented that USAID contracting staff with a background at the Department of Defense seem to be less adaptive than others.

In addition to a cultural shift, partners recommended building adaptive approaches into all USAID awards. Several partners noted that nearly every award USAID makes should have a crisis modifier included in it. Partners that responded to the Ebola crisis shared that, because of the lack of crisis modifiers, they often felt like the Agency was shoehorning solutions into awards which ultimately hurt the response.

Using more third-party monitors was also recommended as a best practice for helping both the Agency and its partners collaborate, learn, and adapt. One partner noted the Eval ME IDIQ with small businesses, and the impact that it has had on numerous awards helping organizations learn and adapt.

Another partner shared that to be more field-driven, evaluation reports and work plans (with required outcomes) should become like living documents, which are updated and adapted as the award is implemented.

It was also suggested that the Agency needs to give organizations the flexibility in funding to implement activities.

Co-Creation and Collaboration

Co-Creation and Collaboration were identified as promising approaches for more results-driven programming in nearly every meeting. Partners expressed their support for Administrator Green's remarks about the need for increased collaboration and co-creation with partners.

While this is considered a promising model for more results-oriented approaches, many concerns, as highlighted above, were raised around the Agency's use of Broad Agency Announcements. One of the main points raised is that the Agency has a variety of ways to co-create outside of the BAA, and it should not limit its definition of co-creation to just this approach.

Partners shared that many of the Agency's traditional approaches, such as draft scopes of work, requests for information (RFIs), annual program statements (APSs), or statement of objectives (SOOs), can lead to productive engagement.

RFIs are helpful because they provide insight to partners on USAID's plans in advance of a solicitation. They also offer an opportunity for organizations to share their ideas on approaches without the concern of sharing organizational approaches with other partners. Partners also shared that releasing of RFIs helps to lower the financial investment of responding to a solicitations and produces higher-quality proposals.

The APS was highlighted as one of the best alternatives to BAAs. Within an APS, organizations can submit concept notes to USAID and co-create solutions if the Agency likes the concept note. The APS was also highlighted as a reliable approach for bringing in new partners and innovative ideas as organizations are not competing against each other, and they typically require less than a full proposal.

The Design and Implement approach was frequently highlighted as a promising model of co-creation and collaboration, as were oral presentations of proposals. Partners recommended that the proposed Chief of Party be required to give an oral presentation. They also suggested that proposed local partners be included in oral presentations.

One concern raised with co-creation was the need to balance speed and the design of an activity. If the Agency continues to use co-creation in its current business model, then it will likely take longer than traditional approaches to awards. However, if the Agency rethinks its program design and procurement approaches, then partners believe that co-creation can lead to quicker results on the ground.

Framework Agreements

One partner encouraged USAID to learn about Framework Agreements used by the Canadian Government, DFID, and other European aid agencies. They noted that there is a remarkable amount of collaboration around shared priorities within framework agreements.

The agreements start by the donors identifying their priorities, then organizations look at their capabilities and propose areas of collaboration to the donor.

The framework agreements take about six months to get setup and last for approximately five years. They provide significant resources, and latitude for a partner to implement activities. Also, because organizations have guaranteed funding within the agreement, they are incentivized to bring in non-traditional partners to test out innovative approaches.

Length of Awards

Many organizations commented that there is a tension between achieving results and the amount of time expect to deliver results. Three to five years is too short to achieve meaningful results. As the world has become increasingly more complex, so have USAID's requirements. If USAID wants to deliver lasting results, then programs need to be given more time to succeed. One partner noted that when he worked with the Agency in the 1980s the majority of the Agency's awards were eight to 10 years in length (and significantly lower in dollar amounts).

Another organization noted that research and learning activities, like mapping beneficiaries, doing data analysis, or working with research organizations to develop innovative solutions, cannot happen because of the shortened timelines of awards. Several organizations also noted that with the high dollar amount of awards, and shortened timeframe to implement programs, organizations are often more focused on burn rates than proper development.

Partners recommend that the Agency revisit its standard of three to five-year awards.

Length of Strategies

Partners also recommend that USAID consider developing 10 to 20-year strategies to build a long-term plan for moving a country along the journey to self-reliance. By establishing this long-term strategy, the Agency can then develop CDCS's that are three to five years in length, that are focused on incremental steps towards achieving long-term goals.

Performance-Based Awards

Universally, organizations want USAID to focus more time on results, and less on compliance and how the results are achieved. Partners commented that USAID often acts like auditors, not partners in the process of managing awards.

Multiple organizations shared good and bad experiences with performance-based awards. Among those sharing negative experiences, one organization said working under a performance-based award made them "feel like a poor performing employee that was on a performance improvement plan." Another organization commented that performance-based awards undermine motivation, openness, and learning.

Other partners shared that performance-based awards should be considered a best practice within the Agency and used more. They noted that good performance-based awards are focused on realistic results, with indicators that are jointly developed with the partner.

Questions were raised about the management and oversight required in a performance-based award. Depending on organizations' experiences with the management approach used for a performance-based award, they had positive or negative feedback to share. Some organizations shared that they are overly burdensome, while organizations that liked these types of awards said that the "shared ownership" of the activity led to meaningful results.

Related to performance-based awards, organizations commented that, if a partner is not achieving expected outcomes within a specified period, USAID should terminate the award. On the flip side, if an organization is achieving outcomes, then the Agency should develop an approach for continuing the partnership after the initial award is over.

Related to performance-based awards, USAID was encouraged to review its models for cost plus fixed fee (CPFF) and cost plus award fee (CPAF). Several partners noted that USAID seems to be using a hybrid of the two, which they shared has not been a positive experience.

Use of Indefinite Delivery Indefinite Quantity (IDIQs) and Leader With Associates (LWAs)

The Agency's use of IDIQ contracts and LWA awards were raised in several meetings. Some partners shared that USAID needs to get rid of IDIQs and LWAs. However, they noted that such mechanisms need to exist in the current environment in which USAID operates in order to obligate funds quickly.

Rather than using IDIQs and LWAs, the Agency should consider creating a series of schedules similar to the General Services Administration (GSA). These schedules would allow for on- and off-ramps for poor performing companies and new ideas. They would also shorten the amount of time it takes to make awards, as organizations will have been vetted before competition.

Length of Time for Solicitations

Several partners noted that the length of time for responding to solicitations is too short for organizations to develop meaningful proposals. At a minimum, all solicitations should be open for at least 45 days.

Information Available in Solicitations

USAID was encouraged to provide as much background information as possible in solicitations. For example, partners would like for USAID to include links to evidence related to the activity, assessments, information generated from previous awards, or research generated by the Agency. While this information is often available in USAID's Development Experience Clearinghouse (DEC), partners have a difficult time locating the information, or even knowing what information is available.

Use of Evidence

One partner noted that they would like to see increased use of evidence from the Agency. They shared that "all awards need to be either evidence-driven or evidence-gathering." Solicitations should demonstrate evidence that is available or note the evidence that needs to be generated.

Responses to solicitations should be rated on evidence, and past performance should be based on how evidence is being used.

Holistic Approaches to Development

Several partners commented that USAID's approach to working in individual sectors is hurting its ability to deliver results. The Agency needs to think more holistically across sectors when designing programs.

Food for Peace was highlighted as a model within USAID for integrated multi-sectoral work.

Expanded Partner Base

Some organizations agreed that the Agency needs to expand its partner base to be more effective and diversify its approaches. Small and medium-sized organizations, including many faith-based and community organizations, often have different approaches to development that the Agency can leverage - in particular when working at the community level. They also have financial resources and networks that can be leveraged for achieving results.

It was also recommended that USAID consider doing more work with research organizations to help generate evidence that can be built into USAID's work.

As a part of expanding the Agency's partner base, it was recommended that USAID develop a policy for USAID's relationship with U.S. civil society organizations. These organizations are often seen as grantees, but not as advocates or constituents. By developing a formal policy outlining the Agency's relationship with U.S. civil society, it can help leverage their resources and networks.

Scoring of Proposals

To help organizations develop their capacity, it was recommended that USAID allow partners to see their scores on applications. The Global Fund, DFID, and other donors allow partners to see this information. Partners have found greater awareness of proposal quality to be helpful in learning and developing more results-driven approaches.

Acquisition vs. Assistance Approaches

During the listening tour, organizations argued whether acquisition or assistance approaches are better for results-driven programming.

Contractors shared that using contracts enables the Agency to get in and out of countries. Organizations operating under grants and cooperative agreements often stay in a country for too long creating dependencies. Contracts also allow for the precise implementation of USAID's vision. Assistance awardees often bring their own interests and objectives into the work.

Organizations that receive assistance awards shared that contractors do not know local actors and are unwilling to take risks because of the nature of contract instruments. USAID should require cost sharing from all of its partners. If organizations are only getting their money from USAID, then they are merely an extension of USAID rather than a resource multiplier, leveraging resources or the talent pool. These organizations also shared that USAID should not allow organizations to make a profit off of the work.

Local Capacity

What are promising models of program design and procurement that strengthen local capacity?

Partners all agreed that building local capacity is an integral part of the Agency's ability to work itself out of a job. While they noted that they were frustrated by the initial rhetoric of the past Implementation and Procurement Reform effort (which evolved into the narrower Local Solutions agenda), they believe it was a significant shift for the Agency. Part of the frustration was that USAID did not recognize that many of the Agency's partners had been building local capacity long before USAID made a strategic shift, but partner methods were ignored or discounted.

Most of the interviewed partners concluded the Agency made progress through the Local Solutions efforts. They commented that the Local Systems Framework was a good resource. While the specific targets initially set for direct assistance to local organizations had some negative consequences, it was a significant strategic shift for the Agency. However, partners recommended focusing in the future not on delivering some percentage of USAID direct funding to local organizations, but to think more broadly and holistically about building local capacity.

Define Local Capacity

Partners encourage USAID to define what it means to build local capacity. Under previous reform efforts, with the push for more direct assistance to local organizations, building local capacity often meant setting up organizations that were able to receive funding from USAID.

Many partners challenged that building local capacity does not mean organizations should or can receive funding directly from USAID. They noted that if USAID is working itself out of business, then organizations need to be sustainable without support from USAID. Partners also noted that it is a significant lift to get an organization in the position to work with USAID.

As a part of defining what it means to build local capacity, USAID should develop metrics to help understand and define capacity development.

Approaches to Build Local Capacity

There were somewhat contradictory viewpoints on approaches that work to build local capacity. Some partners noted that there is little evidence on what works, while others noted that they have substantial evidence. It was recommended that USAID build a toolkit with a variety of resources and best practices for approaches to building capacity.

Importantly, multiple partners noted that USAID needs to focus beyond specific projects when building local capacity. Support for collective efforts to strengthen the enabling environment for local capacity development, for example, represents a key contribution USAID can make.

Partners talked about the importance of a layered approach to building local capacity by engaging with the local government, civil society, private sector, etc. Capacity building needs to include both top-down and bottom-up approaches to be successful.

A fundamental approach to building local capacity that was repeatedly highlighted was the need to work with local governments. The Cash on Delivery approach in Liberia, called FARA, was highlighted as a good example. Within the agreement, funds from USAID are disbursed based on verified outcomes. It has helped to incentivize the government to own its development work. It was noted that this model works well with countries with a high level of commitment. It was also noted that this approach works well with the health and education sector.

One partner recommended USAID play a connecting role, helping host governments connect to the local private sector and local philanthropists. Additionally, it was recommended that USAID work with local governments to help develop markets for microentrepreneurs, which will play a role in helping to create funding streams and sustainability in the long-run.

USAID was also encouraged to develop networks in country and in the region with local organizations that can learn from each other.

Budgeting and Programming for Local Capacity

Multiple partners noted that there is often a disconnect between activities, programmatic objectives, and budget and the goals of building local capacity. It often seems like an afterthought or a one-off activity of program design and budget. If strengthening local capacity is a priority, then the Agency needs to dedicate money and specific targets to building local capacity.

In particular, USAID was encouraged to prioritize local capacity development in solicitations through budgets, objectives, and key personnel. One partner made the recommendation of including a position in key personnel on local capacity building.

Many partners commented that funding incentives are not there for traditional partners to work with local organizations. It is high risk for traditional partners to bring on local partners.

One partner commented that USAID should mandate in every award that organizations work with local organizations or they must transition work to a local organization over the life of an award.

Finally, within each activity, it was recommended that USAID should outline/decide what will be "left behind" at the end of an award.

Timing to Build Local Capacity

One of the most frequent comments from partners on building local capacity was related to timing. Partners that have extensive experience in developing local capacity shared that USAID's awards for building capacity are often too short. To develop local capacity, it must be done gradually over time, not over a three-year period. Partners encouraged USAID to create more extended awards for capacity development.

Engaging with Local Partners

Multiple partners discussed the importance of engaging with partners outside of specific projects.

An essential part of building local capacity is learning to develop long-term plans. As USAID develops its CDCS, local partners should be engaged in this process to understand how it is done. USAID was encouraged to consider collaboration and co-creation at every stage of the planning and procurement cycle.

While organizations are learning how to do this themselves, they also want to help USAID to identify challenges and mobilize existing and potentially unrecognized assets to create local opportunity for strengthening capacity or commitment.

Procurement Approaches and Mechanisms

A variety of procurement approaches and mechanisms were highlighted as challenges and best practices. Some organizations highlighted that using grants was the best approach and USAID should consider developing "block grants" for building local capacity. Having long-term funding available would help partners leverage resources and networks to build capacity. Additionally, Grants Under Contracts (GUCs) were highlighted by multiple organizations as an excellent tool for helping to build local capacity. Multiple partners recommended that USAID eliminate or more systematically enable waivers on the \$100,000 cap currently on GUCs.

Compliance Requirements for Local Partners

One of the main challenges identified for local organizations working with USAID is compliance requirements. It was recommended that USAID develop new compliance requirements for local partners that are less stringent.

Role of Faith-Based Organizations

Faith-based organizations stressed the importance of behavior change in building local capacity. Local Capacity is much more than developing a set of hard skills. It needs to focus on changes in behavior. Behavior change takes place through relationships, not projects, they emphasized.

One faith-based organization discussed the importance of hope and the need to monitor how it takes root. Faith-based NGOs have been working in a novel way to help define hope as a development objective. USAID design to procurement planning should account for hope, or empowered worldview as a factor for local development actors to change their future for the better.

Working with Subs

Partners commented that USAID is too focused on working exclusively through relationships with prime awardees. While recognizing that especially under contracts this is a requirement, partners still argued for creating flexibility. An important part of building local capacity may often be USAID engaging local sub-awardees. This will help build more capacity and expand the partner base while retaining experienced prime partners

Following Proposed Partnering Structures

It was noted that as a part of responses to solicitations, organizations would propose partnering arrangements with small and local organizations. However, once an award begins, partners often do not follow the proposed partnering arrangements. It was recommended that the Agency do a better job of holding partners accountable for working with the sub-partners they propose.

Small Businesses in Building Local Capacity

Small Businesses have a useful framework for building local capacity - they understand what it means to build and set-up a sustainable organization.

Fragile States & Non-Permissive Environments

What are promising models of program design and procurement that would allow USAID become more effective in fragile states or non-permissive environments?

Of the six questions included in the listening tour, this question on promising models for working in fragile states and non-permissive environments received the least amount of input from the partners. This is because not all organizations working with USAID operate in fragile states and non-permissive environments.

The Office of Transition Initiative (OTI) and the Office of Foreign Disaster Assistance (OFDA) were regularly highlighted as excellent models for effectively working in fragile states. Partners highlighted OTI's and OFDA's ability to program quickly, be flexible in their activities, focus on results, not management, and engage co-creatively with partners using program models that the rest of the Agency could adapt and follow. However, not all partners agreed that OTI and OFDA program models fit in addressing longer term stabilization or recovery/transition program requirements addressing fragility. Some partners see major gaps for USAID in planning, design, and procurement for this area of complex crisis programming. Among the challenges cited is the narrow partnering approach -- almost exclusively contractors used by OTI, and mainly grantees (NGOs) used by OFDA, which in turn often makes NGOs unavailable to implement for USAID when non-humanitarian, i.e. recovery / transition programs, are required concurrently.

Layered Approaches

The most consistent theme from partners engaged in fragile contexts was the need to have a layered approach to programming in non-permissive and fragile states, keeping long-term development in mind while responding to the immediate needs on the ground. Numerous partners highlighted gaps between humanitarian assistance and long-term development funding and programming. Programming for immediate and long-term should be developed jointly, to ensure that there can be a transition if/when a country or specific area of a country is ready.

In particular, USAID was encouraged to focus on helping markets develop and integrating job creation and livelihoods in programs, particularly for youth/adolescents. Many partners said USAID should continue efforts to develop relationships with host governments and communities.

Crisis Modifiers

Related to the layered approach of incorporating long-term development into an immediate response, USAID was encouraged by several organizations to include crisis modifiers in its awards. These crisis modifiers are important to allow programs to respond to emergencies, while also continuing long-term development efforts.

Length of Awards

Another frequent comment on USAID's programming in fragile states is the length of awards. USAID thinks too short-term in NPEs, when resilience or post-conflict stabilization results can be achieved. Several organizations commented that USAID awards need to be longer than one year and consider awards that are three to five-years with adaptive approaches.

Rapid Response

USAID was encouraged to develop new rapid response mechanisms that takes advantage of the global footprint and multi-mandated approach of international NGOs. Organizations that provide life-saving emergency response may also respond with development interventions in complex and fragile contexts, yet often are not able to access both types of funding to respond to the range of needs. One partner said that USAID has missed opportunities to partner with NGOs that offered a joint global rapid response consortium to cut both the time required for procurement and added overhead involved in working through Public International Organizations (PIOs).

Partners commented that within USAID's current model it often takes two to three months for Agency money to get on the ground. Many organizations will use private funds immediately, while they wait for Agency funding. Several partners commented that USAID's current model of issuing a PIO grant should be changed. They shared that PIOs will often sit on the money, then "double tax" USAID for both their overhead costs and those of the NGOs on the ground to which they issue sub-awards. An alternative model would be direct funding to programs on the ground. USAID was encouraged to do more direct work with already operational organizations, and be more aggressive in its use of competition waivers in order to engage deployed, privately funded responders.

As a part of the rapid response, one organization recommended that USAID develop a list of pre-approved organizations that can receive immediate funding to respond to situations on the ground. Potentially an LWA (or similar mechanism without a Leader) could serve this purpose. Another partner noted that USAID needs an analog to OSDBU for U.S. non-profit partners that respond to crises with sustained presence that USAID could more systematically support. Some partners also noted constraints with prime and sub relationships, e.g. "There are no second-tier sub-contracting rules, whereby a sub-contractor with a close affinity to a local partner might be enabled to issue and manage a second-tier sub-contract directly instead of the prime doing so.

Balanced Risk on Audits and Operational Decisions

The risk of audit findings is a significant challenge for organizations working in fragile and non-permissive environments. Partners feel that USAID needs to take a more balanced risk to audits in fragile states and consider the quality and relevance of the audit, the balance of risk, and cost implications when reviewing and applying findings.

One partner commented that all too often USAID has a knee-jerk reaction to audits. They noted an audit of one of their programs in a non-permissive environment. Because of an initial audit, an internal and two additional external audits were conducted of the program, only to find \$5,000 of unaccounted for funding. The cost of responding to the audits far outweighed the risk identified.

Another imbalance in risk management cited by partners was in decisions on suspending operations or curtailing country presence for security reasons. A partner observed that USAID suspended all non-humanitarian operations in a particular country and ordered all implementing partners to depart with USAID personnel. The partner noted that there was no reason (or legal rationale) for USAID to require assistance partners to leave the country. The partner commented that failure to apply the terms of assistance awards (in fact, applying contract terms to assistance) caused a gratuitous loss of aid to local partners involved in stabilization and countering violent extremism (CVE), i.e. non-humanitarian activities.

Similarly, partners complain that USAID, in managing programs in fragile contexts, is quickest to cut or curtail program components that support recovery / transition (or stabilization), CVE, or peacebuilding. Partners observed that such mistakes, which often lead to setbacks requiring the resumption of major humanitarian aid operations, are often made because the award mechanism has not built in adaptive management, crisis modifiers or other ways to pivot. A partner referred to this challenge, gaps in non-humanitarian crisis response, as “USAID’s missing middle.” This is where “USAID must refocus on a partnering relationship, not just a procurement relationship,” another partner observed.

Finally, partners in NPE and fragile contexts noted that closer links for USAID partners to State Department diplomatic support could help them manage risk and sustain programs.

Private Sector

How do you suggest that USAID better work with the private sector and leverage private-sector resources, and what are some successful examples/models the Agency should examine?

Partners highlighted that USAID needs to determine its strategic role with the private sector. USAID is no longer the biggest player at the table. The Agency needs to rethink the assets that it can bring to a private-sector partnership.

Challenges to Work With the Private Sector

A variety of challenges were raised with private sector engagement.

Several partners noted that there had been issues with an organization's financial structure when working with USAID. Agency staff are not comfortable with a partner making a profit from a partnership. Agency staff also had issues with a partner using the Agency to lower their costs in order to make a profit.

The often slow speed by which the Agency works has been an issue for working with the private sector. Private-sector partners noted that they want to have quick access to work with USAID on a project. One current USAID partner noted that procurement reform was probably the wrong lens to view working with the private sector, as they do not want to go through the procurement process.

Private-sector partners commented that they were frustrated by the large numbers of individuals and Missions reaching out to them on individual activities or projects. Private sector partners prefer to have a single point of contact in the Agency. They also want to work with the Agency on larger projects, preferring to work across multiple countries or regions.

Several of USAID's traditional partners highlighted that they would like to bring private-sector partners to the Agency. However, they have experienced challenges in doing so. In one instance, a partner brought a sizeable private-sector organization to USAID. The Agency forced the traditional partner out of the discussions, not allowing them to be a part of the deal with the private-sector partner. In another instance, a USAID partner brought a private-sector partner to the table, but because of the amount of time it took to develop a partnership, the private-sector organization abandoned the planning process. USAID's traditional partners have asked for USAID to create a space by which they can bring private-sector partners to the Agency.

Another challenge to working with the private sector is the places they are willing to work. Some private-sector partners shared that they are less likely to work in fragile states or the least-developed countries. They are looking to develop partnerships in middle-income countries.

USAID's funding cycle was another challenge raised for working with the private sector. Organizations would like to have more certainty of funding before committing to work with USAID. Private sector partners are more open to co-creation approaches to procurement, or partnership planning, as more aligned with how they normally work.

Finally, a challenge was raised about procurement relationships with private-sector partners. They encouraged USAID to think outside of procurement to work with the private sector partners. As an example, a private sector partner noted that they had a very successful program with USAID and wanted to continue with the relationship after the award formally ended. USAID struggled to find a way to continue with the excellent work because the Agency tried to go through the usual procurement process to continue the work.

Strategic Role of USAID With the Private Sector

Private-sector partners highlighted the technical expertise, and country experience that USAID could bring to a relationship as essential. They also shared that working with USAID can help them derisk initial investments and support to address any reputational issues if a program does not succeed. Additionally, they find the working with USAID and its partners provides validation and amplification of the work around the world.

Several of USAID's traditional partners suggested that USAID act as a convening organization, or matchmaker, connecting the private sector to development actors with similar goals or strategic interests.

Relationship With the Private Sector

From the private-sector perspective, the organizations shared that they do not want their relationship with USAID to be just about money. If the connection is just about money, then both USAID and the private-sector company are not taking full advantage of the value of the relationship. The private-sector partners specifically shared that they do not want to be underwriters of USAID programs. They also want to be a part of the programs on the ground.

To help do more than leverage dollars, it was recommended that USAID identify organizations' business interests and tap into them as a part of the partnerships. Related to an organization's business interests, one private-sector partner noted that USAID is too focused on outputs, and not return on investment. As a part of developing relationships with private sector partners, USAID should develop a metric for tracking the return on investment.

Models for Working with the Private Sector

The Global Development Alliance (GDA) was highlighted as a successful model for leveraging dollars. The major critique of the GDA was that it does not tap into other assets of private sector partners.

Power Africa was also repeatedly highlighted as a model that should be replicated across the Agency.

Another project that was highlighted was the Water and Development Alliance. In particular, the private-sector partner believes that this program was a success because of its structure within the Agency. The partner noted that the program had an institutional home within the Agency, with one person managing the program. The individual was a connection point between the private-sector partners and the Missions, helping to streamline communications.

Recommendations from Partners:

A variety of suggestions for working with the private sector was raised, which are highlighted below:

- Develop a set of standards or a framework by which USAID engages with Private Sector such as rule of law, safety, access to markets, etc.
- Develop a public-private sector policy to incentivize Agency culture and cut down on risk.
- Develop a way to measure return on investment with the private sector.
- Have central points of contact for engaging with private sector partners.
- Develop a process of engaging with private-sector actors during the design process.
- Develop a private-sector advisory board in design and implementation.
- Create an inventory of best practices for working with the private sector.
- Develop a training program for staff on how to engage with the private sector.
- Develop a menu of options for an organization to engage with USAID.
- Write a position into awards dedicated to engaging with the private sector.