



USAID
FROM THE AMERICAN PEOPLE

LOCAL CAPACITY DEVELOPMENT POLICY

AUGUST 2021/VERSION 8

LCD POLICY EXECUTIVE SUMMARY

Developing local actors' capacity is a foundational component of USAID programming that has contributed to humanitarian and development gains around the world. Local capacity development is the cornerstone of sustainable development, which depends on local actors designing and leading efforts to improve their communities. Developing local capacity is critical to addressing underlying factors of fragility, strengthening local humanitarian response systems, and enhancing resilience to shocks and stresses. And it is vital to ensuring that marginalized and underrepresented groups have the skills and opportunities to lead on their country's development.

Over the past two decades, consensus has emerged across the development landscape around the importance of local capacity development, yet Agency policy has not been updated to reflect this consensus. The Local Capacity Development Policy addresses this gap and affirms USAID global leadership by providing a unifying and authoritative direction for the Agency based on mutual respect, reciprocity, and locally led capacity development.

Seven Principles to Guide Effective Local Capacity Development

PRINCIPLE 1:

Start with the local system.

PRINCIPLE 2:

Develop diverse capacities through diverse approaches.

PRINCIPLE 3:

Align capacity development with local priorities.

PRINCIPLE 4:

Appreciate and build on existing capacities.

PRINCIPLE 5:

Be mindful of and mitigate the unintended consequences of our capacity development.

PRINCIPLE 6:

Practice mutuality with local actors.

PRINCIPLE 7:

Measure performance improvement in collaboration with local actors.

USAID's Local Capacity Development Policy establishes an Agency-wide vision and common approach towards developing local capacity that can be applied and adapted across the wide variety of sectors, contexts, countries, and sets of actors with which the Agency works. This vision and approach are expressed through a framework and set of principles that will guide future USAID humanitarian assistance and development programming. By implementing this policy, USAID is adopting a shared definition and understanding of local capacity development that will reorient its programmatic approaches toward achieving locally-led and -sustained development outcomes.

Two mutually reinforcing pillars guide the Agency's Local Capacity Development Policy: a local capacity development framework and seven local capacity development principles. The framework pillar (provided in Section II) outlines a process for making the decision to invest in local capacity development of specific actors in order to contribute to sustainable systems-level outcomes. The framework comprises two interdependent analytical processes: (1) a Systems Analysis, through which we make a determination to invest in strengthening the capacities of select actors as a means to improve system

performance, and (2) Selection of Approach, where we identify the appropriate approach or set of approaches for strengthening the capacity of those actors.

The second pillar consists of seven principles for effective local capacity development (Section III) that should guide how we support, engage with, and devolve power and leadership to local actors throughout the above-mentioned framework and across USAID's Program Cycle. These principles, along with the framework, will guide USAID in making strategic and intentional decisions related to strengthening the capacity of local actors in a manner that is inclusive, equitable, and rooted in local leadership and ownership.

Section IV of the Policy describes a change management process for putting the framework and principles into practice that includes the following action areas:

- 1) Integrate effective local capacity development into the Agency's Program Cycle.
- 2) Align Agency policy and resources with effective local capacity development practice.
- 3) Develop and disseminate technical guidance on local capacity development to the field.
- 4) Continue to advance procurement reform.
- 5) Incentivize and support uptake of the Policy among the Agency's Missions and Operating Units.
- 6) Spearhead innovation, learning, and accountability across USAID.

This process is intended to operationalize the Agency's vision for local capacity development, whereby USAID contributes to achieving and sustaining development outcomes and effective local humanitarian response systems by making strategic and intentional decisions about why and how to invest in the capacity of local actors, based on a shared understanding of the principles for effective local capacity development.

A SHARED VISION FOR LOCAL CAPACITY DEVELOPMENT

Capacity development of local actors is and has been a foundational component of USAID programming that has contributed to humanitarian and development gains around the world. Strong local capacity is a cornerstone of sustainable development, which depends on local actors designing and leading efforts to improve their communities and working inclusively and collectively to see those efforts through. Effective local capacity development can also address underlying factors of fragility, strengthen local humanitarian response systems, and enhance resilience to shocks and stresses, ultimately supporting countries to prevent, mitigate, and recover from crises. Moreover intentional and strategic capacity development can help ensure that individuals from marginalized and underrepresented groups, including LGBTQI+ people, women and girls, persons with disabilities, indigenous peoples, marginalized ethnic and religious populations, internally displaced persons, youth and elderly, and other socially marginalized individuals, have the skills and opportunities to meaningfully lead in the development of their communities and country. In short, the capacity of local actors is a key determinant of success in both the development and humanitarian assistance spaces.

Over the past two decades, consensus has emerged across the development landscape around the importance of local capacity development in contributing to sustainable change. High level commitments of international development organizations, donors, and developing country governments, including those made at aid effectiveness global summits in Paris, Accra, and Busan, and reinforced through international agreements such as the Sustainable Development Goals (SDGs), have stressed the centrality of national capacity and local ownership to achieving sustainable outcomes.

Local actors have also affirmed the importance of capacity development that is strategic, inclusive, and locally led. Consultations with local actors to inform this policy reflect an agreement that capacity development programming enables local individuals, organizations, and networks to better serve their communities, respond more effectively in crisis situations, develop specialized sectoral expertise, mobilize resources, influence policy, and eventually move beyond the need for donor funding. However, local actors have also long expressed concerns about how donors and international organizations understand and support capacity development: they repeatedly highlight the tremendous local capacity that already exists and often goes untapped by international actors.

Capacity, as understood and used by USAID, is the ability of an actor to perform, sustain itself, and self-renew. Capacity encompasses the knowledge, skills, and motivations, as well as the relationships, that enable an actor—an individual, an organization, or a network—to take action to design and implement solutions to local development challenges, to learn and adapt from that action, and to innovate and transform over time. Capacity of any one actor is highly dependent upon their fit within the context of a local system and the enabling environment.

Local capacity development is an investment in local actors—individuals, organizations, and networks—to jointly improve the performance of a system in producing valued development outcomes. Effective local capacity development strategically and intentionally supports an actor's ability to achieve their own mission, to take action to design and implement solutions to local development challenges, to learn and adapt from that action, and innovate and transform over time. In doing so, it strengthens local actors' contributions to the performance of their local system.

Despite this emerging consensus and the central nature of local capacity development programming to USAID's work, no unifying and authoritative Agency policy on capacity development has existed until now.

At the same time, approaches to capacity development have evolved. Whereas earlier approaches primarily emphasized linear planning, relied on standardized capacity assessment tools implemented by others, and supported the development of a narrow range of capacities through training, emerging approaches emphasize systems thinking, the use of participatory approaches for understanding the aspirations, goals, and needs of local actors within their context, and strengthening collective capacity across an array of local actors to influence change. This shift has occurred because research and practice have documented that earlier blueprint-based approaches, despite their ubiquity, have fallen short in improving individual or organizational performance that leads to sustainable change at the systems level.

Local capacity development cuts across every sector, country, and context where USAID works. It looks different and takes on different forms depending on the sector and the actor, including:

- Working with local citizens and government officials in Indonesia to improve strategic planning for humanitarian and emergency response,
- Supporting local cacao cooperative businesses in Peru to improve the quality of harvests and overall productivity in order to tap into export markets,
- Providing professional development assistance to women teachers and administrators in Liberia in order to improve recruitment and retention of women educators,
- Engaging with marginalized populations in Nigeria to strengthen coalitions of diverse actors around common areas of interest in order to scale up collective action efforts to advocate for governance reforms,
- Supporting local faith leaders in Zambia to communicate effectively and provide resources to their communities on malaria services,
- Strengthening Philippine Universities' science and technology research capacity,
- Supporting press freedom and the public's access to balanced reporting in the Balkans by providing media outlets in the region with mentoring and coaching support aimed at improving quality of content, news formats, financial viability, and audience engagement,
- Working with Ministries of Agriculture across Africa to improve the use of data and to undertake more transparent, inclusive, predictable, and evidence-based policy making,
- Scaling climate action by providing mentorship, incubation, and acceleration services to strengthen business plans, operations and management, and access to finance for Indian small businesses that provide off-grid, clean energy solutions, and
- Training young female tractor drivers in Uganda in areas where there is a driver deficit, and collaborating with farmers to shift perceptions and increase market demand.

And many other examples that illustrate the various ways USAID works with diverse actors to strengthen local actors' capacity to deliver results over time.

(Note: As highlighted in Section II, local capacity development should strengthen the roles, functions, and interactions of multiple actors within a local system, and should be enhanced by complementary approaches that strengthen the overall system.)



USAID'S VISION FOR LOCAL CAPACITY DEVELOPMENT

USAID contributes to achieving and sustaining development outcomes and effective local humanitarian response systems by making strategic and intentional decisions about why and how to invest in the capacity of local actors, based on a shared understanding of the principles for effective local capacity development.

USAID has a unique opportunity to set a new vision and agenda for effective local capacity development that builds on years of programmatic experience, evidence, feedback from local actors and partners, and the consensus that now exists across the development landscape. This new vision and agenda will be grounded in a commitment to partnerships based on mutual respect and reciprocity, through which local actors from all backgrounds and cultures have their voices heard, exercise their unique capabilities, and lead their country's development. In so doing, USAID can ensure that the principles of diversity, equity, and inclusion are present in all of our capacity development programming.

The purpose of this policy is to establish an Agency-wide shared vision and common approach to local capacity development. This vision and approach is based on a shared set of principles that will guide all relevant USAID humanitarian assistance and development programming. Through implementation of this policy, and within the context of U.S. Government strategic priorities, USAID will: articulate a common definition and shared understanding of local capacity development; orient programmatic approaches toward achieving locally owned and sustained development outcomes; and establish agreement around the core principles of effective local capacity development.

This policy is formulated around two mutually reinforcing pillars:

- a framework (described in Section II) for understanding how a local capacity development approach—when combined with complementary interventions under a strategic program design process—can contribute to broader systems change and sustainable outcomes, and
- seven principles for effective local capacity development (presented in Section III) that will guide our programming across sectors, contexts, and regions.

The framework and the seven principles complement one another by providing the logical reasoning for how to strategically, intentionally, and effectively make decisions to invest in local capacity development programming.

The practices and principles outlined in Sections II and III are supported by a robust evidence base (Annex I) and a rigorous consultation process through which USAID prioritized the engagement and feedback of local actors and organizations to develop, inform, refine, and validate the principles and practices of the policy (see Annex 2 for more background on this consultation process). Section IV of this policy describes how we plan to put this framework and the seven principles into practice by outlining a change management process, key requirements, and a governance structure for ensuring effective implementation of the policy.

LOCAL CAPACITY DEVELOPMENT AS A PROGRAMMATIC APPROACH

Capacity development of local actors is one of the most effective ways to advance sustainable development. However, investments in local capacity do not automatically lead to improved and sustained development and humanitarian results. Nor is capacity development always the necessary programmatic approach: USAID should not approach every challenge or context with the assumption that local actors lack capacity. Effective capacity development programming requires intentionality, resources, and longer time horizons. Sustained progress is more likely to be attained when capacity development is understood as a strategic and intentional programmatic approach guided by the core principles outlined in this policy.

The foundation for a rigorous approach to capacity development is built on an appreciation of the connection between capacity and sustainable change at the systems level: strong capacity of local actors that is demonstrated through effective performance can contribute to sustainable system-level change. All development results emerge from the interaction of many actors, including individuals, organizations and networks representing government, civil society, the private sector, universities and research institutes, and other entities. Strengthening a local system and ensuring development gains are sustained by local actors over time usually entails some form of capacity development of local actors, whether focused on enhancing their knowledge or skills, strengthening relationships among them, or catalyzing collective action among them.

This foundational understanding of capacity development informs two key decision-making processes: (1) the decision to invest in strengthening the capacities of select actors as a means to improve system performance (**Systems Analysis**), and (2) the process through which we identify the appropriate approach or set of approaches for strengthening the capacity of those actors (**Selection of Approach**).¹

Systems analysis. Local systems analysis informs the decision to invest in a capacity development approach by helping us understand how strengthening the capacity of key actors might contribute to sustainable social change at

Local System refers to the interconnected set of actors that jointly produce a particular development outcome. These actors may include individuals, organizations, and networks representing government, civil society, the private sector, and universities and research institutes - as well as USAID and implementing partners. As a set of interconnected actors jointly producing an outcome, they are “local” to it. Local systems may reflect or cut across sub-national, national, or regional geographies.

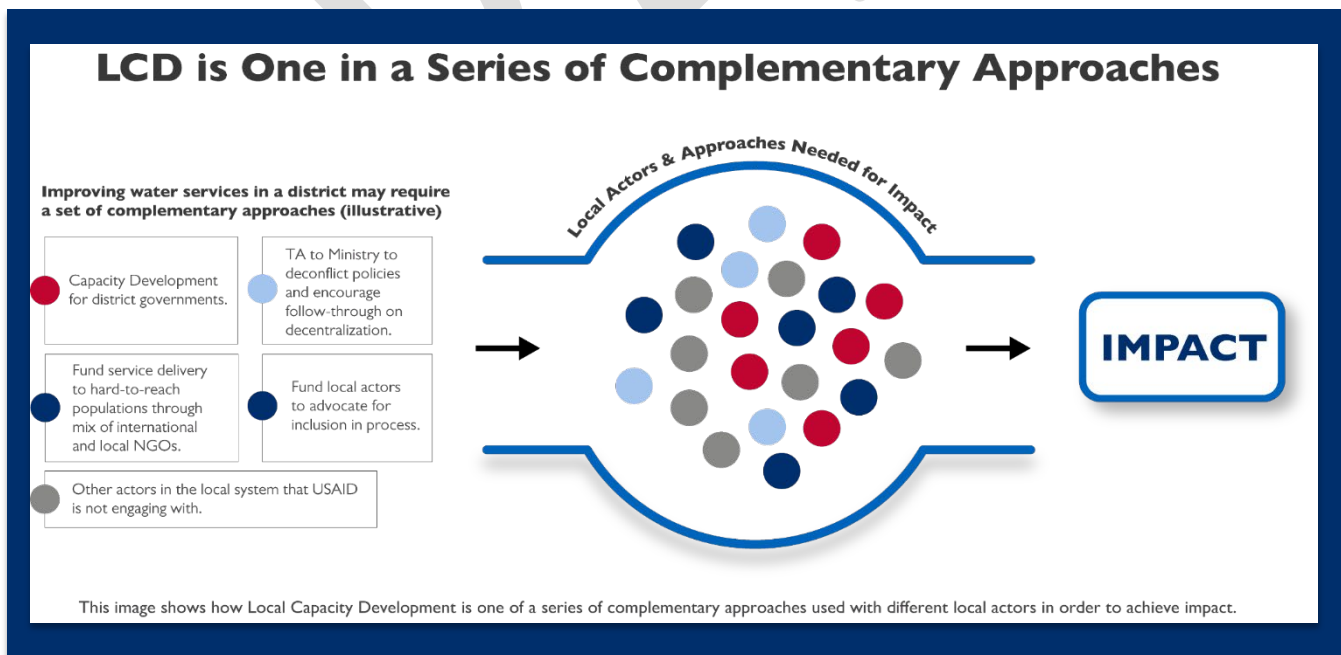
Performance refers to the extent to which an actor is able to effectively and consistently achieve its intended outcomes. Performance is the key consideration in determining whether capacity has been changed

Performance Improvement is a programmatic approach that refers to a deliberate process undertaken to improve an actor’s realization of their goals.

¹ Note: Systems analysis and selection of approach often happen simultaneously, and not sequentially, as part of the design process.

the system level. Three important considerations guide this decision-making process:

- First, we must appreciate that systems are composed of different types of actors and that results emerge from the actions and interactions of these actors. In some systems, the government is a dominant actor. In others, private sector actors, NGOs, or traditional and religious leaders are predominant actors. In most cases, many types of actors contribute to system performance. Regardless, we must embrace an inclusive approach to systems analysis and understand the range of actors—including marginalized and underrepresented groups—in the system, the unique roles they play, and then determine if strengthening the capacity of select actors to perform roles that may influence system-level outcomes is necessary. An inclusive approach to systems analysis includes the recognition that all individuals are instrumental in the transformation of their societies and have important resources, ideas, and energy that are essential to sustaining development.
- Second, because results and ownership of solutions emerge from the interactions of many actors, expanding our focus beyond a single actor's capacity is more likely to make a significant difference to overall system performance. So, we must consider opportunities to engage multiple actors in the system -- especially by supporting them to realize collective impact.
- Third, strengthening the performance of the whole system often requires going beyond just capacity development and addressing other constraints through complementary interventions. We may need to help address harmful power dynamics or other incentives that limit actors' ability to change, or identify ways to unlock financial resources needed for the system to function better. Thoughtful systems approaches to design can help practitioners understand how addressing these constraints and barriers in the system can enable local actors to fully express their capacity and self-realize change.



After thoroughly considering these systems analysis considerations in collaboration with local stakeholders, we should ask: Can strengthening the capacity of key actors contribute to sustainable

change at the systems level? If the answer is ‘no,’ then we should explore other programming approaches that may be more relevant for achieving sustainable development outcomes. If the answer is ‘yes,’ then we can confidently move forward to make strategic and intentional decisions about how to invest in a capacity development approach.

Selection of Approach. Once USAID has made the decision -- in collaboration with local stakeholders—to invest in the capacity development of specific local actors, we can determine the most appropriate approach for doing so. There are a wide range of approaches for strengthening capacity—coaching, facilitation, network-building, training, co-creation, local awards, technical assistance, catalyzing collective action, and many others. The decision about which approach to pursue, should be informed by the following considerations:

- First, we must work with local actors to understand their capacity development needs, objectives, and opportunities. To the extent possible, we should build our approach around the priorities, existing strengths, and goals of local actors, paying special attention to ensure that the voices and priorities of marginalized and underrepresented groups inform this process. We also must appreciate that each actor is different, develops in unique ways, and has distinct priorities, so we must be prepared to tailor and avoid a one-size-fits-all approach.
- Second, USAID must understand its own unique role within the system. Our comparative advantage as a donor will differ based on the existing capacities, resources, and connections of local actors, of other international organizations, and of donors within the local system. It might be our ability to connect local actors with desired sources of technical assistance, to convene local actors with global actors, to strengthen relationships and connections across the system, or to direct resources to key local actors to strengthen their influence. Having a full understanding of the unique role we play in a local system will also inform the approach we take.
- Finally, we must consider the role that our financial resources play in advancing local capacity development. Our resources can be a powerful way to support—both directly and indirectly—the capacity development of local actors. Funding local actors through direct awards can be an effective way to strengthen the ability of local actors to “learn by doing” and to enhance local leadership and influence, which are respectively an important approach and form of capacity. Additionally, resources that are provided indirectly through implementing partners can help local actors access specialized expertise and forge new network connections.

Locally led development is the process in which local actors set their own agendas, develop solutions, and bring the capacity, leadership, and resources to make those solutions a reality.

In sum, a strategic and intentional design process that takes into account these considerations for systems analysis and for a selection of approach will help us: identify engagement and partnership opportunities with the appropriate local actors in a system; better understand how a capacity development approach—complemented with other context-relevant interventions—contributes to systems change; and understand the unique needs of our partners and leverage our comparative advantage to increase the capacity of local actors and systems. The outcome of this analytical and design process should serve as the foundation of our theory of change for local capacity development.

A NOTE ON LOCAL AWARDS AND RISK

As outlined in Section II, the decision to use a local award to strengthen capacity derives from a rigorous design process. It begins with a systems analysis through which USAID -- in partnership with local stakeholders -- identifies a specific actor or set of actors whose improved performance is likely to contribute to sustained systems change. The process then proceeds to identify which additional capacities are needed to improve performance -- again in partnership with the actors themselves -- and, in many cases, concludes with the determination that a local award is indeed the most effective option for supporting that actor's capacity development. In following through this process, an award becomes more than a financial transaction. It has become an integral and essential part of the programmatic design and therefore an integral and essential contributor to achieving and sustaining development results.

In keeping with this programmatic approach, financial and management risk associated with a local award must be evaluated in the context of the overall programmatic logic. This means that USAID needs to take a holistic approach to risk that weighs fiduciary and management risk alongside programmatic, reputational, and other considerations of risk. For example, in some cases, it may be appropriate to accept a higher level of fiduciary risk in light of the programmatic necessity of a local award. Considering these different types of risk in tandem enables us to holistically assess whether the award is a wise investment. It also helps us to support development of local actors' skills in managing funds without losing focus on the capacities needed to perform effectively, deliver results, and achieve and sustain systems level outcomes.

Further, reductions in fiduciary risk to USAID and improvements in local capacity are usually not the same thing. Because our fiduciary risk is linked to our award requirements, it often shifts the focus of our partnership towards risk avoidance, compliance, and short-term, easily-counted results, instead of focusing on improving the performance of the partner to pursue their own mission. Therefore, it is not appropriate to substitute a risk assessment for a capacity assessment, nor to substitute a risk management plan for a capacity development plan. Risk and capacity development plans should be carried out separately and in tandem to provide the best benefit for local actors.

Such a holistic assessment of the opportunities and risks associated with a capacity development approach is entirely consistent with USAID's guidance on enterprise risk management (ERM).² Furthermore, leaning into the positive programmatic outcomes associated with working through local partners -- even if they are not certain -- is consistent with the Agency's Risk Appetite Statement. This approach still requires thoughtful risk mitigation, monitoring, and, as appropriate, acceptance, but of the overall capacity development approach and not its discrete elements, including any local awards.

² Playbook: Enterprise Risk Management for the U.S. Federal Government. <https://www.cfo.gov/wp-content/uploads/2016/07/FINAL-ERM-Playbook.pdf>

LOCAL CAPACITY DEVELOPMENT PRINCIPLES

Effective and sustainable local capacity development requires a “best fit” approach—not a “best practice” approach. USAID support for local capacity development must be tailored in a way that aligns with sector needs, country and regional contexts, and USAID and partner country priorities. Yet, USAID also must make strategic and intentional decisions about why and how to invest in the capacity of local actors. Therefore, to ensure a coherent approach to local capacity development across diverse programming portfolios that supports local actors to own and manage their own progress, USAID has committed to adopting a set of shared principles.

Principles are neither values nor rules. Unlike values, principles are action-oriented and guide us to choose among different programming options. Unlike rules, principles are flexible and enable coherence without being prescriptive. It is within the confines of this intention—to guide with flexibility—that these seven principles for effective local capacity development are presented.

PRINCIPLE I: START WITH THE LOCAL SYSTEM

PRINCIPLE I AT-A-GLANCE

- Listen to the system to inform the decision to develop local capacity.
- Tailor capacity development to match partners’ fit into the system.

Local actors—individuals, organizations, and networks—should play the most important roles as systems changemakers within their communities. Therefore USAID investments in capacity development must focus on supporting local actors to perform roles that enable them to catalyze and achieve positive social change in local systems. In practice, this starts with understanding the local system and the fit of local actors within it.

Listen to the system to inform the decision to develop local capacity. Capacity development is meaningful only in the context of how a local system operates and how actors embedded within that system carry out their roles and interact with one another, the rules of the system, and the resources to be found there. Before intervening, it is important to listen to the system to learn how it currently functions (by understanding its context and existing capacities) and understand its dynamic complexity (reflected in relationships among system actors and through feedback loops). Listening is more than passively taking in information. So that we may adequately understand how the system functions, the roles and relationships of the actors in it, and the range of local perspectives and voices, listening means that we must jointly make sense of what we are perceiving with local actors, including those from marginalized and underrepresented groups, including LGBTQI+ people, women and girls, people with disabilities, indigenous peoples, marginalized ethnic and religious populations, internally displaced persons, youth and elderly, and other socially marginalized individuals. Our decision to invest in capacity development programming, as well as our expectation about the types of performance improvement

that our programming is likely to catalyze and support, should be guided by people in and affected by the local system.

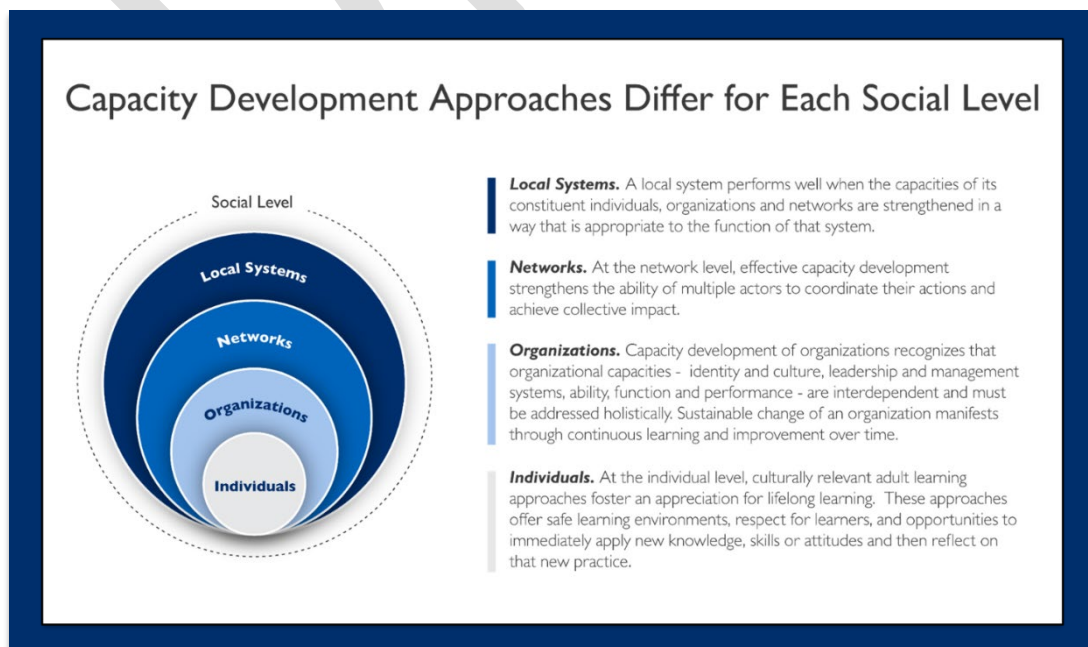
Tailor capacity development to match local actor needs and fit to the local system. Effective capacity development within a local system often requires using multiple touch points, such as improving the effectiveness of specific organizations while also fostering relationships and social capital across networks in the local system. Successful capacity development is strategic and intentional about which actors to engage. It considers both the social level (individual, organizational, or network) and geographic scale (sub-national, national, regional, or global) of local actors in relation to development objectives. (Refer to Figure X.) Moreover, it engages traditional leaders and informal networks, as well as formal leaders. Ultimately, it supports local actors to perform roles that will shape a local system in a way that meets their aspirations and goals.

PRINCIPLE 2: DEVELOP DIVERSE CAPACITIES THROUGH DIVERSE APPROACHES

PRINCIPLE 2 AT-A-GLANCE

- Many kinds of capacities and approaches may be relevant for improving short- and long-term performance of local actors and systems.
- Effective management of financial resources is a vital capacity.

Many kinds of capacity and approaches may be relevant to improve both short- and long-term performance of local actors and systems. Some technical capacities help an actor better deliver goods or services or play certain roles, such as conducting rigorous research or conducting medical procedures. Other functional or relational capacities help an actor to reflect on constituent feedback, serve as leaders, problem solve and adapt to remain relevant, or forge social connections to new allies who will resource their work. Regardless of type, USAID will partner with local actors to jointly prioritize capacity needs and ultimately strive to strengthen local capacity in ways that go beyond producing short-term results and leverage these diverse types of skills in achieving long-term results. Stated differently, capacity development should not just help actors address the needs of donor-funded



interventions. Rather, it should contribute to the long-term ability of an actor to adapt and respond to emerging local needs. When partnering with local actors to prioritize areas for strengthening, it is essential to consider performance both in the short- and long-term, to identify priority capacities accordingly, and to plan capacity development support to match.

We also must be flexible, creative, and innovative in leveraging different approaches to meet the diverse needs of local actors and longer-term systems strengthening goals. Too often we default to training as the sole approach for capacity development, because it is predictable and visible. Training, though, often is modeled on one-size-fits-all ideas about how local actors should look and privileges outside expertise over local knowledge, whereas in reality a variety of approaches may be necessary to support different local actors to improve their performance and fit to a local system. Therefore, USAID will employ diverse approaches that are fit for purpose according to the needs of each local actor and system, including approaches such as accompanying local actors to “learn by doing,” creating peer-to-peer learning opportunities, and facilitating relationship brokering and network weaving. Training will not be our default approach to local capacity development.

Effective management of financial resources is a vital capacity. Local organizations have expressed that they value support that helps them develop financial controls and other internal management capabilities that may help them secure necessary finances. Local actors with access to financial resources can more independently choose what objectives to pursue and what actions to take in pursuit of those objectives. Access to financial resources also can enable local actors to engage more equitably in partnership with donors and other actors to advance shared goals. However, we must be cautious about conflating the need to mitigate our own fiduciary risk with supporting local actors' capacity to manage and secure financial resources as a means to advancing their development goals. Sometimes these needs will overlap, but ultimately, our priority for local capacity development should be on helping local actors develop the skills they desire and that can help them play a more effective role in advancing and sustaining development outcomes.

PRINCIPLE 3: ALIGN CAPACITY DEVELOPMENT WITH LOCAL PRIORITIES

PRINCIPLE 3 AT-A-GLANCE

- Embrace the spirit of “nothing about us, without us.”
- Strengthen capacity that balances local priorities with USAID purposes.

Embrace the spirit of “nothing about us, without us.” This means that no programming decisions about capacity development should be decided without the active participation of members of the group, including those from marginalized and underrepresented groups, who will be affected by that programming. We must shift our paradigm from doing things “for” to doing things “with.” When we recognize power that is inherent in local actors and local communities, we support, rather than undermine, their agency. And by creating relationships with and exploring the wisdom that nondominant communities are already using, we can improve our collective effectiveness. Decisions about which capacities to strengthen, which approaches can be most effective, and what performance improvement targets to set must be grounded in the aspirations and goals of local actors. Further, the

priorities of individuals may be distinct from the priorities of organizations that act on their behalf, so USAID should seek opportunities to hear directly from people. By responding to local priorities, USAID can ensure that its capacity development approach is fit for purpose and that our investments are more likely to result in sustainable outcomes, because when local actors identify priorities, and value and own the change process, they are much more likely to succeed in making and sustaining change over time.

Strengthen capacity that balances local priorities with USAID purposes. USAID is committed to helping partner countries achieve their own development and humanitarian assistance goals, while also ensuring that U.S. taxpayer investments produce sustainable, long-term development outcomes. However, short budget cycles and risk aversion can skew local capacity development towards developing skills for the short-term, such as donor-specific financial management or branding and marketing. While implementation of official development assistance often requires risk mitigation activities, which are important to our work and stewardship of resources, support for the development of these skills should not be construed as local capacity development that supports longer-term social change in local systems.

In actuality, an over-emphasis on compliance or on the ability to deliver short-term results can have distorting effects and may increase international donor dependency and weaken resilience by stifling local revenue generation. Over time such support can undermine the mission of local organizations. Once a decision has been made to invest in local capacity development, our emphasis must be on engaging local partners to jointly identify priorities for capacity development and then focusing our efforts on improving performance in those areas, regardless of whether or not we enter into a funding relationship with those actors. Further, USAID must recognize that local circumstances evolve and therefore needs may change, so capacity development programming should be managed adaptively to accommodate unpredictable shifts and changing needs of local actors.

EXAMPLE: CAPACITY DEVELOPMENT MARKETPLACE

In 2008, Pact/Ukraine launched the Capacity Development Marketplace, an innovative capacity strengthening platform that uses a market-based approach to provide local actors with demand-driven capacity development services as well as collaboration opportunities across Civil Society Organizations (CSOs). The Marketplace consists of three components: (1) regularly organized fairs for service providers and customers; (2) an online “NGO Marketplace” that links customers and service providers; and (3) a pool of donor-funded vouchers that local organizations can use to acquire capacity development support. This approach enables collaboration and engagement among local actors, ensures market transparency and accountability by facilitating feedback and exchange about the services provided, and coordinates the flow of donor funds to support local organizations, essentially transforming capacity development from a donor-driven to a CSO-led (i.e. market-driven) model.

To ensure long-term sustainability beyond the project timeline, Pact/Ukraine strengthened the capacity of a national CSO, ISAR Ednannia, which USAID funded to take over management of the Marketplace. The Marketplace has operated independently since 2012 with over 1,000 service providers and 2,000 CSOs regularly using it as a platform for capacity strengthening services.

PRINCIPLE 4: APPRECIATE AND BUILD ON EXISTING CAPACITIES

PRINCIPLE 4 AT-A-GLANCE

- Build on local assets.
- Expect every local actor to grow in distinct ways.

Build on local assets. When supporting local capacity development, we will adopt an asset-based approach that supports local communities to identify their own strengths and envision ways they can use those assets to meet the needs of their community. This means that USAID and our implementing partners will not focus on identifying gaps or weaknesses. Instead we will use participatory approaches to appreciate the existing capacities of local actors and strengths of local systems, such as an appreciation of Indigenous knowledge and local practice, social cohesion, and local leadership roles. By accompanying local communities to scope and identify assets, USAID can support people to recognize their adaptive capacity and self-identify barriers to adaptation, thereby shifting agenda-setting and decision-making power into the hands of local actors. This reinforces strengths that have driven local actor and system effectiveness to date, and by bringing those assets to bear on areas where performance improvement is sought.

Expect every local actor to grow in distinct ways. Properly considering assets goes beyond simply recognizing that each local actor has their own existing strengths. It means the very nature of the approach to developing capacity should be suited to improving the effectiveness of each actor in their own local system. To this end, we will not enter a partnership with an already formed vision for how an “end state” for local actors will be achieved, nor deploy a standard package approach to supporting capacity development. While performance may be measurable against normative outcomes, capacity may take diverse forms that allow such performance to be achieved. Other experiences, models, and international comparisons may be informative, but must not be determinative. Capacity development support provided to each actor must be based on each actors’ contexts, priorities, strengths, opportunities and risk tolerance.

PRINCIPLE 5: BE MINDFUL OF AND MITIGATE THE UNINTENDED CONSEQUENCES OF OUR CAPACITY DEVELOPMENT

PRINCIPLE 5 AT-A-GLANCE

- Explore our own biases and assumptions before engaging local actors.
- Mitigate harm that may stem from local conformity to donor priorities.
- Recognize power asymmetries among local actors.

Like any development intervention, capacity development interventions have the potential to cause unintended harm. Before engaging with local actors, USAID should reflect on the visible, hidden, and invisible forms of power in a local system and how these can manifest both in our own interactions with

local partners and among actors in a local system. This reflection can help us build partnerships based on trust and mutuality and help balance power asymmetries in local capacity development programming.

Explore our own biases and assumptions before engaging local actors. Achieving our vision for local capacity development requires that USAID and our implementing partners reexamine our own roles in development. Historical legacies of exclusion and colonialism have ongoing impacts on development programming and diverse actors perceive and experience those impacts differently. Thus approaching capacity development from an external perspective of what a “good” or “capable” actor looks like can undermine both the process of engagement and programming effectiveness. For this reason, we must shift away from a directive role and toward a facilitative role in local capacity development—a role that inspires, encourages, and supports local actors to achieve their self-defined objectives.

Mitigate harm that may stem from local conformity to donor priorities. In the face of resource constraints, local partners often strive to gain or maintain funding by aligning their activities with donor priorities. This pursuit of donor funding often requires local actors to dedicate significant time and resources to these efforts and can undermine the ability of local actors to work toward their own aspirations and goals, or organizational missions. Additionally, because donor priorities change over time, this pursuit of donor funding can shift the focus of local actors toward programming that may be discontinued when priorities change. This lack of continuity leaves local partners without much to stand on, as activities have been built upon a donor-directed view of the system (rather than strengthening local actors’ capacities to more effectively carry out new or existing roles within the local system). By strengthening partnerships with local partners that are built on trust, we can avoid undermining the development of long-term capacities to achieve those objectives.

Recognize power asymmetries among local actors. Because few social interactions are ever power neutral, power and politics fundamentally matter for local capacity development outcomes. Local systems may be characterized by entrenched patterns of inclusion and exclusion that are a result of competition for resources and power among local actors who have different formal and informal roles, histories, relationships and norms, and some capacity development activities may affect these roles, competition, and vested interests to shift authority and influence from some groups and individuals to others. While these shifts often help support sustainable change at the systems level, they also may create or exacerbate competition or conflict. Therefore achieving and sustaining capacity development outcomes and local systems change requires tailored and conflict sensitive approaches that are responsive to the incentives and power dynamics among different local actors in a local system. USAID must assess potential for harm and unintended consequences by applying “do no harm” analysis and approaches. Such analysis can help us identify and understand underlying dynamics within and among social groups, such as those that might connect or divide people. We must use such findings to support capacity development interventions that amplify social connections and mitigate dividers that may increase potential negative effects. USAID and its implementing partners also can use these findings to consider how local capacity development can elevate individuals from underserved communities to an equitable status without putting them in harm’s way. Every person, regardless of identity, is instrumental in the transformation of their own societies, and their equitable inclusion throughout the capacity development process can both mitigate unintended consequences and lead to better outcomes.

PRINCIPLE 6: PRACTICE MUTUALITY WITH LOCAL PARTNERS

PRINCIPLE 6 AT-A-GLANCE

- Approach capacity development from a mindset of reciprocity and mutual respect.
- Embrace multi-directional, mutual accountability in capacity development.
- Commit to mutual learning throughout the capacity development process.

Approach capacity development from a mindset of reciprocity and mutual respect. Capacity development inherently involves working together in partnership to identify objectives, strengthen capacities, and measure change over time. Approaching capacity development from a mindset of reciprocity and mutual respect means that USAID and its partners recognize and value the different aspirations and goals, capacities, and resources that each other brings to their partnership. Mutual respect of each partner organization’s mission and values lays the foundation for mutuality in capacity development programs.

To this end USAID should be clear about why we have decided to invest in capacity development and the change to which we hope it leads, while also being open to the reality that partners may have other but equally valid reasons to seek capacity development support. We also should incorporate into program design adequate time and resources to build trust and establish an enabling environment for co-creation of development solutions. Mutual respect fosters trust that grows partnerships that lead to local capacity and commitment to carry out local solutions to development challenges.

Embrace multi-directional, mutual accountability in capacity development. USAID and local partners should hold one another mutually accountable in local capacity development programming. Mutual accountability is a process by which two or more partners agree to be held responsible for commitments that they voluntarily make to each other. It relies on trust and consensus around shared agendas. It can be exercised in relationships whereby partners are accountable in multiple directions and among numerous actors, such as across donors, local leaders, target groups and constituents, and other internal and external stakeholders. Local capacity development practiced with mutual accountability across USAID and local partners can foster transparent and equitable engagement. USAID can ensure greater commitment to mutual accountability in our local capacity development programming by developing and honoring stakeholder accountability plans and feedback mechanisms through which local partners can provide meaningful assessments about what is working well or what could be improved.

Local capacity development needs to be locally owned: mutuality can help drive that local ownership.

Mutuality is the shared mindset, relationship, and condition that is achieved when USAID and its partner(s) share or exchange and act in both directions. Mutuality aims to balance power differences by striving for equal value partnerships that accrue benefit to all parties through long-term relationships built on trust.

Commit to mutual learning throughout the capacity development process. The reciprocal nature of mutuality means USAID must embrace opportunities to learn from local actors and hold ourselves accountable for supporting mutual learning throughout the design and implementation of local capacity development programming. Local actors, USAID, and the local systems of which we both are a part are constantly changing, so we must learn and adapt our capacity development efforts to shift with conditions. To learn and advance, USAID must reflect on and jointly make sense of our experiences with partners, giving equal validity to our perspectives and those of our partners. Partnering with local actors in monitoring, learning, and adapting may take a variety of forms, from co-creating theories of change and indicators that reflect a locally led vision of success, to collaboratively measuring change and jointly analyzing and interpreting data, to prioritizing areas for program adaptation. By moving the locus of learning closer to local stakeholders, intentional mutual learning can bolster local capacity development and support locally led learning and adaptation.

EXAMPLE: LCD IN THE HEALTH SECTOR – STRENGTHENING NATIONAL AND REGIONAL GOVERNMENT CAPACITY

USAID/Senegal adopted a multifaceted approach that included a direct government-to-government (G2G) agreement with the Government of Senegal (GOS), complemented by interventions that fostered local ownership and provided capacity strengthening activities tailored based on the needs of individual government entities. Since 2011, USAID/Senegal has provided direct financing to the GOS to sustainably strengthen the capacity of local systems to deliver comprehensive health services. The Mission introduced its first health G2G agreement with the National Malaria Control Program (NMCP) in 2011 and, in 2015, piloted regional-level direct financing grants that have since been scaled up to other regions. Regions are transitioned to a G2G model based on the readiness of their leadership, financial management, health information systems, and overall technical capacity -- each capacity strengthening package is tailored to needs identified by the regional governments as part of their annual work plans. The Mission has also worked with the GOS to support a number of central and regional government entities that provide technical assistance to regional governments -- thus bringing a locally sustained approach to capacity development.

The Mission and GOS have combined this direct financing and capacity development model with complementary interventions that have strengthened local ownership. These include: working with the GOS to align USAID's M&E requirements with the GOS' own reporting systems; creating regional verification committees composed of administrative and local authorities, donors, and civil society to monitor activities; and piloting a matching funds-scheme with the GOS to co-resource the G2G agreements using local health budgets.

Independent evaluations confirm that this work has improved GOS capacity to manage and monitor health sector programs. These improvements have led to better health outcomes, including a significant decline in under-five mortality. Over a three-year period in G2G intervention zones in Senegal, USAID capacity development support to the MOH led to an increase in assisted births from 58% to 82% and a decrease in malaria transmission in children under five from 6% to less than 1%.

PRINCIPLE 7: MEASURE PERFORMANCE IMPROVEMENT IN COLLABORATION WITH LOCAL PARTNERS

PRINCIPLE 7 AT-A-GLANCE

- Measure for improved performance, not latent capacity.
- Distinguish performance measurement tools from other capacity assessment tools.
- Connect performance measurement to systemic change.

Measure for improved performance, not latent capacity. Capacity is a form of potential and is not visible until it is exercised. Monitoring and measurement of local capacity development programming must therefore focus on demonstrable changes in performance of actors and systems and not only on easily countable features. It is through performance, or the exercise of capacity—and not through training, plans, or procedures—that local actors demonstrate the achievement of their own development priorities.

Effectively monitoring performance requires selecting the right measurement approach. Because reporting requirements can introduce perverse incentives that may lead to a focus on short-term results at the expense of sustainable development outcomes, the frequency and emphasis of reporting should deliberately focus on monitoring incremental progress toward longer-term change. Incorporating output indicators into a monitoring plan might be useful to monitor progress against planned timelines and budgets, but must not be used as a substitute for genuine outcome-level measurements of performance improvement.

Distinguish performance measurement tools from other capacity assessment tools. USAID employs three distinct types of tools for capacity development purposes: to identify and manage risk, to catalyze the process of capacity development, and to measure performance improvement as a result of the capacity development process. Each tool serves a unique function across the spectrum of local capacity development support.

- Tools designed for risk mitigation help USAID assess the financial and legal risks presented by partnering with a given organization. While these tools may assess some of the capacities that can influence performance (such as governance, accountability, and management) and may inform local capacity development interventions, they should not be used as a substitute for measuring performance.
- Tools to catalyze action for capacity development help facilitate a process through which local partners identify their own priorities for performance improvement and become motivated to own and manage their own progress, as well as uncover for USAID and its implementing partners the type of capacity development support that may be needed.
- Tools to monitor and measure the extent of performance improvement as a result of capacity development support help us learn whether local actors are better able to exercise their capabilities to perform roles within their local systems.

Connect performance measurement to systemic change. From our systems analysis to our strategic and intentional decision to invest in local capacity development as an approach, USAID's

strategic priority is to improve the ability of local systems to produce and sustain development outcomes. Therefore, it is vital to analyze and understand the relationships between the process of capacity development and the improved performance of local actors, as well as between the improved performance of local actors and development outcomes at the system level over time. This knowledge provides us with confidence to assert how our capacity development investments have contributed to higher-order results, and it can both improve our approach to achieving impact and legitimize the role of USAID in promoting local ownership, sustainability, and democratic values abroad.

EXAMPLE: A SYSTEMS APPROACH TO STRENGTHENING AND MEASURING ADVOCACY FOR CIVIC ENGAGEMENT IN NIGERIA

The Strengthening Advocacy for Civic Engagement (SACE) activity in Nigeria used a systems approach to build a stronger, more resilient, and more nimble civil society, and introduce an innovative evaluative methodology to track results. SACE aimed to strengthen the capacities of civil society actors to build relationships, form common agendas, coordinate strategies, and share outcome measurements and knowledge. The project introduced an organizational cluster model, with each cluster consisting of different actors (CSOs, businesses, media, unions, etc) working on the same thematic issue area. To facilitate dialogue, collaboration, and mutual planning, the clusters used an 'advocacy strategy matrix' to organize the various strands of their advocacy strategies and resulting outcomes.

To better understand the collective contribution of the clusters to desired outcomes, implementers Chemonics and Root Change introduced an evaluative method known as outcome harvesting. The clusters produced stories about the most significant change they experienced in their issue area, and outside partners used those to help them draw conclusions about the links to observed outcomes. Next, the clusters used participatory monitoring, evaluation, and learning methods to map their collective contributions to desired outcomes to their 'advocacy strategy matrices.' After reflecting on their progress, they used these discussions to plan future activities based on their collective understanding of "what was working" to bring about systemic change, while Root Change took notes on the same conversations to satisfy USAID reporting requirements.

INSTITUTIONALIZING CHANGE: THE PATH FORWARD

The previous sections of this Policy have outlined a shared vision for the principles of effective local capacity development, as well as a framework for integrating capacity development into our programs in order to drive systems change and long-term sustainable development. To fully realize the potential of this vision, USAID must take steps to integrate the principles and practices of this Policy into Agency systems, guidance, programs, and other ongoing processes. This section outlines a long-term change management strategy and process through which the Agency will continue to make local capacity development fundamental to how we think about achieving, sustaining, and measuring results.

Recent policy assessments [cite] have pointed to sustained, consistent, and coordinated leadership-level support as a key enabler of successful policy implementation. To build on these findings, the Agency will designate the recently launched **Localization Leadership Committee (hereafter: the Leadership Committee)** as the senior-level body responsible for overseeing and advancing implementation of this Policy. In June 2021, Agency leadership approved this Leadership Committee as a senior-level body -- with support from technical experts across Washington and the field -- to coordinate policy and action related to implementing USAID's Localization Agenda. Among other responsibilities related to localization, the Leadership Committee will ensure this Policy informs and advances USAID's Localization Agenda by establishing an implementation and action plan, identifying and enabling synergies across other Agency priorities and initiatives, connecting the needs of the field with resources and policy actions in Washington, monitoring progress on policy implementation, and adapting the implementation plan as needed to ensure sustained progress over time.

Within six months of the launch of the Policy, the Leadership Committee will disseminate an implementation plan for operationalizing the Policy. The Leadership Committee's implementation agenda will consist of six priority areas:

- 1. Integrate Effective Local Capacity Development into the Agency's Program Cycle:**
The Program Cycle is USAID's operational model for planning, delivering, assessing, and adapting development programming around the world. The Leadership Committee will work closely with the Bureau for Policy, Planning, and Learning (PPL) to ensure that the principles and practices of effective local capacity development outlined in this Policy are institutionalized across all elements of the Program Cycle, including through new guidance, tools, training, and other resources that empower and enable staff in the field to advance this practice.

As a first step, the Agency will develop a new mandatory reference on local capacity development for ADS chapters on the Program Cycle and Government-to-Government Financing that aligns the principles of the Policy with Agency guidance on strategy, project and activity design, monitoring, evaluation, research, and learning.

- 2. Align Agency Policy and Resources with Effective Local Capacity Development Practice:** A common theme from consultations with local actors to inform the Policy [cite], has been that capacity development programming is often an afterthought in awards, and that

donors rarely provided the dedicated resources and time for effective capacity development. To ensure that the Agency takes a more intentional and strategic approach to designing and resourcing effective capacity development programming, the Leadership Committee will coordinate with the Office of Management and Budget (OMB), PPL, the Office of Acquisition and Assistance (OAA), and Agency leadership to identify and propose regulatory and policy changes to ensure sufficient resources are allocated in all awards where capacity development is an explicit goal of the program.

3. **Develop and Disseminate Technical Guidance to the Field:** Acknowledging that local capacity development is practiced in distinct ways across sectors, contexts, and regions, the Leadership Committee will coordinate with practitioners in the field, Washington-based experts, and external stakeholders to ensure that practical operational and technical guidance is in place to support Missions and partners to put the principles of this policy into practice.

By the end of year one of the launch of the Policy, all functional Bureaus will develop sector-specific implementation guidance, to be coordinated and approved by the Leadership Committee.

4. **Continue to Advance Procurement Reform:** Over the past decade, USAID has made significant progress -- from Implementation and Procurement Reform (IPR) to Local Solutions to Effective Partnering and Procurement Reform (EPPR) -- towards improving procurement and partnership practices. The principles and practices outlined in this Policy build on the work accomplished under those initiatives. The Leadership Committee will continue that work by collaborating closely with OAA, PPL, and other Agency leaders to continue to identify and address barriers and obstacles to effective local capacity development in our procurement systems. This will include working with OAA to ensure that it revises all core training and guidance for Acquisition and Assistance (A&A) staff in alignment with the policy.

Towards this goal, within the first year of launch of this Policy, the Leadership Committee will coordinate with OAA to:

- Develop guidance that is responsive to the Policy, including referencing it in all solicitations where capacity development is an objective.
- Propose changes to Agency operational guidance to ensure staff can implement effective local capacity development programming.

The Agency's approach to risk mitigation and adaptation practices remain a barrier to effective local capacity development in many cases, particularly when concerns regarding fiduciary risk displace or subvert programmatic objectives. The Leadership Committee will oversee an evaluation of the Agency's ERM policy and make recommendations to the Administrator on reforms to Agency practice that will enable adoption of the principles and practices of the Policy.

5. **Incentivizing and Supporting Uptake of the Policy:** The Leadership Committee will oversee and coordinate the development and dissemination of new training, tools, personnel incentives, and communications products to ensure that USAID staff, partners, and other

stakeholders have the skills and tools needed to effectively implement the policy. This will include:

- Developing and implementing an internal and external engagement strategy to promote the Policy, educate key actors on what it will mean for their work, and engage directly with local actors and implementing partners to disseminate the strategy.
- Establishing, maintaining, curating, and promoting a robust collection of LCD knowledge products on ProgramNet.
- Ensuring that Agency training -- including core offerings from PPL and OAA -- integrates the principles and practices of the Policy.
- Proposing changes to the Core Competencies and Skills Matrix to align the Agency's personnel incentives and hiring and promotion processes with the Policy.

6. **Spearhead Innovation, Learning, and Accountability:** This Policy represents a unique opportunity for USAID to elevate and learn from good practice in capacity development programming. The Leadership Committee will coordinate a renewed effort to prioritize innovation, learning, and accountability in the practice of local capacity development, and will work with Agency leadership to ensure that adequate resources are dedicated to experimentation, innovation, elevating and disseminating good practice, and tracking progress on and learning from implementation of the Policy's principles. Towards this end, the Leadership Committee commits to leading an implementation assessment at the five-year mark of the policy.

In addition, in order to track overall progress on implementation of the policy and USAID's efforts to improve its practice in the area of local capacity development, the Leadership Committee will:

- Establish a system for using quantitative and qualitative data to track progress at the Agency level on effective implementation of the policy, its principles, and the overall effectiveness of our LCD programming, including through coordination of the annual reporting process for the Capacity Building for Local Development (CBLD-9) capacity building Standard State Department Office of U.S. Foreign Assistance Resources (F) indicator.
- Oversee stock-taking efforts both internally and externally of good practices.
- Support peer networks, communities of practice, and/or resource hubs devoted to effective local capacity development practice.
- Elevate, support, and disseminate good practice in monitoring, evaluation, and learning techniques for capacity development programming.

ANNEX I. EVIDENCE FOR LOCAL CAPACITY DEVELOPMENT

In alignment with the definitions of evidence as found in the Foundations for Evidence-Based Policymaking Act of 2018³ and the USAID Automated Directive Systems (ADS) Chapter 201,⁴ this policy is underpinned by an evidence base of what works - and what does not - in practicing meaningful local capacity development. A review of USAID implementation research and evaluations, academic and grey literature, and lessons learned shared by other donors and implementing partners reveals key themes about improving the performance of individual, organizational, and network actors.

Evidence points to a need for USAID to consider a more holistic view of how the capacities of individual actors are reflected in their interactions with one another, and how these relationships form a crucial part of any local system. Past approaches to local capacity development often fell short of fostering systemic change necessary for sustainable development. Although ensuring the ability to receive and manage donor resources may be required for USAID to implement its programs through local organizations, this approach has often focused on meeting donor requirements at the expense of addressing the priorities of local actors and their contexts.

Evidence shows that the “standard package” of capacity development falls short. Historically, the change process of local capacity development has been promoted through a “standard package” approach comprising a series of workshops, standard assessment tools, and prescriptive trainings based on universal models or frameworks.⁵ While this “standard package” has often been effective for supporting partners to improve their operations in the short-term and to better meet compliance requirements, it has not been sufficient for developing local capacity⁶ that leads to sustainability of positive development outcomes.⁷

Furthermore, this “standard package” approach has contributed to “projectizing” development, or framing development as donor-driven rather than locally-led.⁸ Supporting sustained development requires stepping back from a projectized mode of operation and instead facilitating local ownership of the development agenda. Capacity development processes should be participatory, with donors in a supportive - rather than a leading - role.⁹

An increasing focus on local systems is reflected in a shift toward “Capacity Development 2.0” approaches. Newer approaches to capacity development that focus on applying systems thinking and prioritize a broader range of competencies necessary for a local actor to operate within a broader

³ [H.R.4147 - Foundations for Evidence-Based Policymaking Act](#) (2018)

⁴ <https://www.usaid.gov/sites/default/files/documents/1870/201.pdf>

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⁶ <https://www.oecd.org/dac/peer-reviews/12lessonscapev.pdf>

⁷ OIG Audit, [Despite Optimism About Engaging Local Organizations, USAID Had Challenges Determining Impact and Mitigating Risks](#), p. 4

⁸ Projectizing refers to breaking development down into discrete deliverables achieved through donor projects in ways that miss the interconnectedness of development as a whole, limiting transformational change. See *Strengthening Local Capacity in Southeast Asia*, p2-5.

⁹ https://www.interpeace.org/wp-content/uploads/2020/03/Why_Local_ownership_matters-policy_note-21-Sept.pdf

context are referred to as "Capacity Development 2.0".¹⁰ Earlier approaches often built around a predefined set of internal functions by using standardized assessment tools and training, often derived from compliance requirements.¹¹ Evidence has demonstrated shortfalls with this approach.¹² For example, at the organizational level, these approaches may "overlook a host of other characteristics and capacities that can make local organizations particularly—even uniquely—well-suited to advancing development efforts in locally-relevant and sustainable ways."¹³

A systems-informed approach to capacity development will often find that internal functions, such as financial management or communications are important priorities for capacity strengthening.¹⁴ Research indicates that "approaches typically focus on developing [hard skills] because they are easier to develop and quantify, and are often related to areas of donor or project compliance. Experts now recognize that they are not the most critical in creating systemic changes: functional and relational skills—leadership, problem-solving, social capital and adaptive capacities—are."¹⁵

Going further, more recent evidence has pointed to "relational capacities" as being particularly important. Researchers studying how networks of numerous actors coordinate to achieve collective impact, have identified that successful networks have a balance of brokers (those who help connect new members and weave the network together), and resource hubs (those who have knowledge, skills, finances, or other resources of value to the network). A systems approach with an emphasis on relationships requires moving beyond capacity development *tools* and toward embracing holistic capacity development *processes*. It also means considering how investments can support multiple actors in a system, appropriate to their relationships with one another. This type of facilitative role is less common among development and humanitarian practitioners.¹⁶

It is vital that the areas selected for strengthening be shaped by working backwards from local actors' aspirations and priorities for improved performance within their local system. Reviews of USAID performance in the mid-2010s under its Local Solutions reform found that "some USAID staff indicated that the lack of strategy at the Mission level for implementing Local Solutions has left them feeling unclear about the targets, purpose and goals of their capacity development work...beyond helping local organizations be eligible to receive direct awards from USAID."¹⁷ Absent a strategic framework for what capacity means in a local system, investments will be shaped by the visibility and quantifiability of outcomes and their connection to compliance.

Evidence also suggests local actors have "an appetite for support to be transformative (and not compliance focused)."¹⁸ Applied experience from USAID shows that a Capacity 2.0 approach

¹⁰ Ibid.

¹¹ Root Change (2013), p. 10.

¹² Root Change (2013), p. 11 and SRLA Inquiry I, p. 2-3.

¹³ SRLA Inquiry I, p. 2-3

¹⁴ USAID (2019), Self-Reliance Learning Agenda Paper Series on Capacity and Capacity Strengthening, [Inquiry I: Perspectives on Capacity](#), p. 2.

¹⁵ Strengthening Local Capacity in Southeast Asia: Approaches and Experiences, p. 3.

¹⁶ USAID HICD Desk Review (2020), [Recommendations on Development Practitioner's Own Capacities](#).

¹⁷ Ibid, p. 72.

¹⁸ The Development Alternative (2019) [Shifting the Power: What Will It Take to Do Development Differently](#), p.8.

characterized by more “increased engagement and communication between organizations, tailored to their context, generates more improvement.”¹⁹

Successful individuals, organizations and networks possess the capacities not only to perform in the present, but to learn and adapt to change in order to thrive in the long term. This view is informed both by the body of evidence around resilience programming, which discusses actors’ capacities to continue functioning effectively in the face of shocks and stressors,²⁰ as well as lessons that extend beyond the resilience sphere. To thrive in the face of changing contexts, actors must develop capacities to adapt and innovate, as supported by capacity to collaborate, reflect and learn, and transform over time.²¹ To cultivate these capacities, programming must “enable desirable emergent future states by feeding the natural, bottom-up dynamics of emergence and innovation, rather than by imposing simple and mechanistic, cause and effect type solutions to current problems.”²²

Local capacity development approaches increasingly emphasize the role of donors and implementing partners as facilitators, serving as “a guide on the side and not as a sage on the stage.”²³ This requires, first, being aware of the donor’s role in the system, as “capacity development generates winners and losers, and is deeply related to power.”²⁴ Donors and Implementing Partners must strive for equal value partnerships through which benefit accrues to all parties through long-term, sustainable relationships built on trust, building on a clear perspective of power dynamics and incentives in the system.^{25,26}

¹⁹ FHI 360, Social Impact, and USAID (2018). [Capacity Development Interventions: A Guide for Program Designers](#), p.7; ECDPM (2008) Capacity, Change, and Performance.

²⁰ The Food Security Information Network defines shocks as, ““external short-term deviations from long-term trends, deviations that have substantial negative effects on people’s current state of well-being, level of assets, livelihoods, or safety, or their ability to withstand future shocks.” Shock-prone systems also may experience stressors, which USAID’s Center for Resilience defines as, “long-term pressures (e.g. degradation of natural resources, urbanization, political instability, or diminishing social capital) that undermine the stability of a system (i.e. political, security, economic, social, or environmental) and increase vulnerability within it.” Source: USAID, “Shock Responsive Programming and Adaptive Mechanisms.” (2017) https://usaidlearninglab.org/sites/default/files/resource/files/shock_responsive_programming_guidance_compliant.pdf

²¹ Strengthening Local Capacity in Southeast Asia: Approaches and Experiences, p.4.

²² Barasa, Cloete and Gilson (2017). “From bouncing back, to nurturing emergence: reframing the concept of resilience in health systems strengthening.” https://academic.oup.com/heapol/article/32/suppl_3/iii91/4621482

²³ USAID (2019), [Inquiry 3: Approaches to Strengthening Capacity with Local Actors](#), p. 2., and David Ellerman (2009), Helping People Help Themselves: From the World Bank to an Alternative Philosophy of Development Assistance.

²⁴ ECDPM (2015), p. 84

²⁵ <https://www.uscpublicdiplomacy.org/sites/uscpublicdiplomacy.org/files/legacy/pdfs/Mutualit-Rose.pdf>

²⁶ <https://usaidlearninglab.org/library/thinking-and-working-politically-twp-through-applied-political-economy-analysis-pea-guide>

ANNEX 2. FOCUS GROUP FEEDBACK ON THE LOCAL CAPACITY DEVELOPMENT POLICY

Local Capacity Development Policy Core Drafting Team members worked with Oxfam America, Save the Children, and Catholic Relief Services to facilitate **11 focus groups** with **70 local organizations** from April through June 2021. Represented organizations ranged from past USAID prime partners to those who had never received donor funds; and those with annual budgets spanning from under \$500,000 to over \$10 million. Participants came from **34 countries** across **all regions** in which USAID works.²⁷ Of the organizations attending, **60%** identified as humanitarian actors, and **93%** identified as working in development. Those attending represented work across all USAID program area sectors.

Through 90-minute focus group conversations, facilitators solicited feedback from these organizations on the LCD Policy's programmatic approach and principles, as well as their insights on effective capacity development more broadly. They shared the following key takeaways, which were integrated into the Local Capacity Development Policy.

These focus groups complemented other external consultations to inform the policy, including:

- A USAID webinar in September 2020, with 123 attendees from USAID/Washington and Missions;
- A public webinar in October 2020, with 493 attendees from the broader development community; and
- A public comment period in [month, 2021], during which USAID received XXX comments. Some key takeaways from the public comment period and USAID's edits in response to these comments were:
 - XXX
 - XXX

Focus groups with local actors: What do local organizations see as “good capacity development?”

- Capacity development should start with an assessment of the specific needs of local actors, then address those needs in a tailored manner. The focus areas should be linked to the mission of the organization and needs of their beneficiaries. Local organizations receiving capacity development support should have a meaningful role in identifying their needs and designing the support.
- It is important for donors/IPs to work at different levels and with different stakeholders at the same time - local and national level, government, traditional and faith leaders, civil society, etc. Fostering connections and building networks/coalitions among actors is also important for sustainability.
- The ability to mobilize funds and fulfill donor requirements is seen widely as a valued result of capacity development programming. Working on internal processes is not only a one-off project to meet the requirements of one donor, but helps the organization learn how to present itself and be more transparent with its own beneficiaries.

What capacity development trends do local partners find problematic?

²⁷ **37** organizations from sub-Saharan Africa; **14** organizations from Latin America & the Caribbean; **9** organizations from the Middle East; **7** organizations from Asia; and **3** organizations from Eastern Europe & Eurasia.

- Partnerships between donors/IPs and local actors are unequal. Funders are too “distant” from the community, and bring pre-defined agendas that do not match local priorities.
- Access to resources for capacity development is a challenge. Donors require local organizations to meet certain requirements, but don’t provide the time or money for them to work on these. There is insufficient long-term funding for organizations to sustainably develop capacity.

What changes would local organizations like to see in the future?

- Donors/IPs should see local partners not only as implementers, but rather help them develop as organizations in ways that go beyond their technical service delivery capacities. Stated differently, capacity development should not just help an organization address needs in the short term, but contribute to its long-term ability to adapt and work on projects other than the one for which it initially received funding.
- There is a need to improve accessibility of direct funding for local NGOs. Delivery of capacity development services - and of other programming - should be devolved to local organizations, as they better understand local needs. This would help strengthen local networks and contribute to continuity of programming.

What did focus group participants think of the policy’s principles?

- USAID’s will to collaborate and work reciprocally is evident, and the principles provide a tool to work toward more productive partnerships. While there is general agreement with the principles, it will be important for USAID to develop processes to support the desired changes in practice.
- Participants highlighted Principles 3 (Align capacity development with local priorities), 4 (Appreciate and build on existing capacities), and 6 (Practice mutuality with local partners) as most important. Respondents expressed that the principles should be integrated and build on one another.

PRINCIPLE	FEEDBACK	EDITS MADE TO POLICY
Principle 1: Start with the Local System.	Capacity development must deeply understand and respond to the local context, including inclusion of local cultures, traditions, religion, and government	Text added highlighting the important role of traditional leaders and government actors in a local system, USAID must include these actors in capacity development.
Principle 2: Develop diverse capacities through diverse approaches.	Local capacity development must focus on capacities that will help an organization succeed in the long-term, including the ability to access funding.	Re-framing of principle: capacity development should contribute to an organization's long-term ability to adapt and address emerging local needs. Text added on how control of financial resources is a key capacity.
Principle 3: Align capacity development with local priorities.	Participants emphasized that local priorities must lead (not just align), a diversity of local actors must be represented, and that donors must be flexible as local priorities shift.	Text added: local actors must lead throughout the LCD planning process, donors should adapt LCD programming to align with changing local priorities.
Principle 4: Appreciate and build on existing capacities.	This was the principle that participants found most important, and participants emphasized that existing local capacity is the foundation of sustainable development outcomes, and should be recognized as such.	Throughout the policy, included more language emphasizing the strong capacities that local actors already have. Also made more explicit links across the policy between capacity development and sustainability.
Principle 5: Be mindful of and mitigate the unintended consequences of our capacity development.	Donors cause harm by distorting local priorities, or switching between priorities or implementers with little continuity.	Sub-principle added: Build trust to mitigate local conformity to donor priorities.
Principle 6: Practice mutuality with local partners.	Participants saw mutuality as a foundation for strong relationships based on collaboration, horizontality, and symmetry. They noted that donors often pay lip service to this principle, but that it is challenging to put into practice.	Language that resonated with participants around mutual trust and reciprocity was enhanced throughout this principle description. This feedback was also noted for forthcoming implementation guidance for the Policy.
Principle 7: Measure performance improvement in collaboration with local partners.	Participants emphasized not only measuring capacity but also measuring how the other principles are put into practice. Participants also spoke to the importance of <i>collaborative</i> measurement, as opposed to top-down measurement.	Text throughout the policy on the importance of self-assessments to determine capacity gaps (rather than donors simply telling partners what capacities they needed to develop) and collaborative measurement of success.

²⁸ [need Mezirow citation][Vella, Jane. *Twelve Principles for Effective Adult Learning*. Retrieved from: <https://www.massassets.org/masssaves/documents/12PrinciplesAdultLearning.pdf>

²⁹ Patricia K. Kubow. (2009) Globalization, Diversity, and the Search for Culturally Relevant Models for Adult Education. *International Education* Volume 39, Issue 1. p 83.

³⁰ RAND (2018) and Root Change (2013), p.4

³¹ Toby Sinclair, and Snowden

³² Toby Sinclair paper and Dave Snowden; [Organisational Development & Capacity Building](#) (2002) Swedish Mission Council (SMC)

³³ SMC (2002) p.25.

³⁴ TRG, [Becoming a Global Fund Principal Recipient: A story of organizational capacity building in Burundi](#). Downloaded from website September 2020.

³⁵ SMC (2002) p.

³⁶ Capacity, Change and Performance Study Report, p. 48.

³⁷ SSIR, Essentials of Social Innovation: Collective Impact, https://ssir.org/articles/entry/collective_impact.