

UNCLASSIFIED



**Report to Congress on
A Strategy to Increase the Use of Local Organizations and Staff
Section 7019(e) of the Department of State, Foreign Operations, and Related
Programs Appropriations Act, 2022 (Div. K, P.L.117-103) and
House Report 117-84**

Background

As part of the Administration's commitment to implement the U.S. Strategy for Addressing the Root Causes of Migration in Central America (RCS), on November 4, 2021, U.S. Agency for International Development (USAID) Administrator Power announced Centroamérica Local, an initiative to dedicate \$300 million from FY 2021 through FY 2025, subject to funding availability, to transform and expand engagement with local organizations and communities in the region. Under this initiative, USAID missions in El Salvador, Guatemala, and Honduras are working to increase the amount of funding available to capable local partners; strengthen local capacity, including the ability to receive and manage funds; promote flexibility for USAID and local partners to collaborate effectively; and program responsively to local communities' priorities. In partnership with local organizations and communities – including Indigenous community and women-led organizations – USAID missions in the region are striving to foster local

leadership in agenda-setting, decision-making, management of resources, and accountability. USAID also continues to take steps to provide effective staffing to oversee and manage this increase in local activities.

In the FY 2022 State-Foreign Operations Appropriations Act, Congress directed we should not make available “less than \$100 million” for programs supporting locally led development in El Salvador, Guatemala, and Honduras in line with this initiative. This funding includes flexibility to use up to 15 percent of the directed funds for administrative and oversight costs for purposes including hiring and training of staff to oversee an expanded portfolio of direct local awards. In line with the interpretation of “locally led development” described in the prior iteration of this report, missions in the region have set the following budget estimates:

Table: Mission Region Budget Estimates

	USAID Central America Regional	El Salvador	Guatemala	Honduras	Locally Led Development Estimates with FY 2022
Funds for Direct Awards/ Flexible Authorities	\$6,000,000	\$17,000,000	\$24,000,000	\$18,000,000	\$65,000,000
Enabling Fund/ Sub- Awards	\$ 4,000,000	\$11,000,000	\$0*	\$12,000,000	\$27,000,000
Administrative and Oversight Expenses	\$1,500,000	\$3,000,000	\$3,000,000	\$2,500,000	\$10,000,000
Total	\$11,500,000	\$31,000,000	\$27,000,000	\$30,500,000	\$100,000,000

***Final calculation pending**

As of January 2023, the USAID missions have not yet received their FY 2022 funding. USAID will submit Congressional notifications for the three countries as soon as possible.

USAID continues to advance Centroamérica Local objectives as a contributing effort under its agency-wide localization efforts. An additional, optional \$10 million for each Centroamérica Local mission (\$30 million total) has been allocated through the Local Works program to support locally led capacity building, expanded direct engagement, and a deepened focus on inclusive development within the missions' portfolios. These concepts are presently in design in each mission, in close collaboration with the Local Works team in the Bureau for Development, Democracy and Innovation. Learning from Centroamérica Local continues to contribute to the refinement of key approaches, tools, policies, and operational efforts to lower barriers to effective partnership with local development actors globally. These include informing the development of the Africa Localization regional initiative, informing USAID's Office of Acquisition and Assistance-led efforts to address translation of final applications (requirements to submit applications in English is often a barrier for local applicants), and promoting good practices including restricted eligibility under assistance and direct listening to local communities that enhance locally led development.

Update on Strategy for Scaling Up Use of Local Organizations

Funding USAID obligates to a local entity as a prime partner will count toward that mission's Centroamérica Local direct funding targets for FY 2021- FY 2025, using the same method utilized for the whole-of-agency local direct funding target of 25 percent

by 2025.¹ The actuals for these targets are calculated based on the year in which funds are obligated to the local entity (not the fiscal year of the funds). As of January 2023, the missions are validating data for both sets of targets and which they will make publicly available in March.

Additionally, USAID missions in the region use comprehensive and contextually tailored approaches to strengthen local capacity, to enhance opportunities and capabilities for local people to lead and sustain their own development, and to expand access to partnership opportunities to new local partners – particularly those representing marginalized communities. For example, in Guatemala, USAID tailors communications to reach new organizations and actors with information on USAID programs and partnership opportunities through expanding the use and support of local and indigenous communication channels. We describe similar efforts to expand local partnerships across all three missions in the sections below.

USAID’s Latin America and the Caribbean Bureau is in the process of hiring a full-time localization advisor to serve as a primary point of contact connecting missions’ localization needs with Washington support and resources.

¹ Both the Centroamérica local targets and agency-wide target for local direct funding use data on obligations based on real transactions collected and reported in the GLAAS award management system, looking at total development and humanitarian acquisition and assistance funds obligated in GLAAS to local partners. For partners that are registered in SAM, a transaction is counted where the “country of incorporation” data from SAM.gov, “the physical address country” from SAM.gov, and “place of performance country” in GLAAS all match and are not the United States. For partners that are not fully registered in SAM or who have a generic unique entity ID (UEI), a transaction is counted where the GLAAS vendor country and GLAAS place of performance country are the same and are not the United States. These figures exclude government to government assistance (not relevant for El Salvador, Guatemala, or Honduras); interagency agreements; Public International Organizations; and transactions not captured in GLAAS (including Host Country Contracts)

El Salvador and the Regional Mission for Central America & Mexico (E-CAM)

As of January 2023, the USAID/El Salvador and Central America & Mexico Regional (E-CAM) Mission is working in El Salvador with a total of nine direct local partners implementing 10 awards, representing 31 percent of all activities in the mission's portfolio to advance the RCS. The total estimated amount of these existing awards is \$74 million over the full life of the awards, representing 13 percent of the mission's total \$565 million in existing commitments.

USAID/E-CAM has made extensive use of the New Partnerships Initiative (NPI) Incubator contract to strengthen both the mission's knowledge of the range of potential local partners and local entities' ability to access opportunities to partner with USAID. The mission's first task order under the NPI Incubator commissioned a partner landscape analysis, which directly informed capacity strengthening programming for new and local entities to better access and execute on opportunities to work with USAID. The capacity strengthening covered topics like monitoring, evaluation, and learning, registering for a Unique Entity Identifier (UEI) in SAM.gov, financial management, and other topics. In addition to direct capacity strengthening for 12 local Salvadoran organizations (two of which are current USAID local partners and 10 of which are potential future USAID partners), the mission launched development of a capacity strengthening curriculum in January 2023. The mission is piloting the curriculum with an initial cohort of 90 individuals representing 30 potential local organization partners; additional cohorts are anticipated to reach an additional 60 organizations.

The mission is also expanding outreach to potential local partners. Public webinars in Spanish on opportunities for local organizations to partner under the mission's Annual Program Statement (APS) and its addenda, such as one for private sector engagement, have been attended by more than 1,000 individuals from local organizations, contributing to 83 concept applications submitted by local organizations under issued addenda to date; this figure is expected to rise as additional addenda are released. Further, E-CAM recently amended the APS to allow for submission of concept applications for regional activities.

In 2022, USAID/E-CAM formed a Localization Team and developed a Localization Strategy that directs the mission's efforts to engage, strengthen, and fund local organizations in a manner that enables them to be effective and efficient in the implementation of programs with a vision of sustainability of the local organizations in the region. The strategy takes into account that organizations will require substantial support in technical assistance, equipment, and staff training in order to implement high impact development activities. As a result, the mission expanded its approach to include greater input and leadership from the mission's locally employed staff, including outreach to retired USAID staff and securing the services of external experts, such as the NPI Incubator, to help strengthen the capacities of local organizations, some of them new partners to USAID.

Guatemala

In late 2021, USAID/Guatemala developed an internal localization framework that sets forth the mission's goal to support Guatemalans in building a society where local actors are empowered and possess the resources and capacity to design and lead efforts to improve their own communities and tackle priority development challenges. The

framework's three pillars include advancing local leadership of Guatemala's development agenda, expanding and diversifying engagement with local development actors, and strengthening both mission and local capacity to work in partnership together. In late 2022, USAID expanded this priority set to include an explicit focus on inclusive development, especially Indigenous people-led organizations.

Of the mission's current 29 bilateral awards, 24 (82 percent) involve some aspect of local partner involvement, including direct awards, transition awards, sub-grant programs or grants under contract, and local organizational capacity strengthening. Of these, USAID/Guatemala currently has six direct awards with local organizations with total estimated amounts (totaling approximately \$129 million over the life of these projects, representing 17 percent of the mission's total \$756 million in existing commitments.

Many of the mission's direct local awards are with Guatemalan partners that previously were sub-partners under U.S.-based and international development partners. The institutional strengthening provided by those traditional partners to local entities enabled these local partners to go on to receive funding directly from USAID.

Throughout calendar year 2023, USAID/Guatemala will continue to expand its outreach and deepen its relationships with local organizations and communities, including through capacity strengthening efforts and increased direct operational and programmatic engagement with local communities and organizations.

Underpinning these efforts, the mission will renew focus on inclusive development aligned with the mission's Indigenous Peoples Engagement Strategy. USAID/Guatemala has utilized the NPI Incubator contract to conduct a partner landscape analysis, which will develop a database of potential local partners, many of which are Indigenous, and community led. The mission will conduct specialized outreach and training for Indigenous-led organizations and will closely analyze Indigenous-led organizations' capacity and map each organization's geographic focus to support more inclusive development for targeted beneficiary groups, and to foster meaningful partnerships with Indigenous communities.

Honduras

USAID/Honduras currently has seven direct awards with local organizations. Four of these have been issued since the previous report to Congress (July 2022) to first-time direct partners with USAID. USAID/Honduras's portfolio of local direct awards addresses a range of issues aligned with the RCS and local development priorities including deterring irregular migration through the generation of economic opportunities, food security assistance for coffee farmers, services for at-risk youth in communities with high rates of violence and out-migration, support to locally led anti-corruption efforts, and support for local human rights advocates. The combined total estimated amount of all seven awards is \$46.8 million across multiple fiscal years.

In order to grow its localization portfolio, USAID/Honduras launched its Expanding Partnerships and Advancing Localization Annual Program Statement (Localization APS) in May 2022 with a ceiling of \$49.5 million, and restricted eligibility to only local entities.

The mission has already issued two addenda under this APS for:

- 1) Early Childhood Education for Youth Employability, and
- 2) Building Effective Legislature and Citizen Oversight. The mission expects to move forward with co-creation under the first addendum with the successful applicants in early calendar year 2023, while applications for the second addendum were due February 2023. USAID/Honduras is preparing two more addenda under the Localization APS: one focused on media and human rights, and one focused on gender-based violence.

Update on Strategy for Scaling Up Use of Local Staff

USAID missions in Northern Central America have the necessary authorities and anticipate having the necessary resources to hire program-funded staff to implement the RCS, including localization efforts, pending receipt of FY 2022 funds, including locally employed Cooperating Country National Personal Services Contractors (CCN PSCs, colloquially referred to as Foreign Service Nationals or FSNs), U.S. Personal Services Contractors (U.S. PSCs), Third-Country National Personal Services Contractors (TCN PSCs), and Institutional Support Contractors. As of January 15, 2023, staffing levels for all CCN PSCs, PSCs, and other non-direct hiring mechanisms are 84 in USAID/E-CAM, 81 in USAID/Guatemala, and 76 in USAID/Honduras, which reflects the amount of program funding spent at each mission. While USAID mission directors have authority to hire local staff based on the program funding available, increases in hiring are limited by the overall office space footprint and embassy guidance on the prioritization of staffing increases, as determined by the ambassador.

USAID is committed to empowering its CCN PSC workforce as a key component of localization. CCN PSC warrant guidance updated in 2022 removed the previous cap of two CCN PSC administrative warrants per mission which makes it possible for CCN PSC staff to take on an expanded role in managing grants and contracts. This change makes it easier for missions to manage expanded acquisition and assistance portfolios with a higher number of smaller awards to local entities. Additionally, it creates new leadership and career development opportunities for CCN PSC staff members.

In August 2022, Embassy San Salvador approved the establishment of an additional 16 CCN PSC positions in USAID/E-CAM to support localization efforts. With these positions, the mission aims to further increase its number of procurement specialists, program managers, technical and financial experts, as well as administrative support staff enabling the mission's commitment to work directly with local partners, while meeting significant additional programmatic needs for oversight, management, and reporting. USAID/E-CAM continues to benefit from three CCN PSC administrative warrants received in May 2022.

USAID/Guatemala increased administration and oversight allocations to adapt to additional operating costs, including the costs of the Guatemala Support Services (GSS) contract and eight new full-time positions. With the launch of USAID's GSS platform in September 2022, the mission is now hiring temporary staff and consultants to support mission personnel in advancing its localization goals.

During calendar year 2023, USAID/Guatemala will continue to reassess its staffing needs to determine the optimal footprint and additional resources required to implement future years of its localization strategy. Factors include the need for a dedicated localization coordinator and staff support to conduct the Non-US Pre-

Award Survey with new local partners (necessary to award cooperative agreements), technical support, and third-party monitors. The mission aims to further increase its levels of contract and full-time staff, including procurement specialists, Indigenous community advisors, program managers, and administrative support staff. The mission will ensure all staff are trained in relevant language skills and regulations for working directly with local partners. Staffing considerations will include identifying actions to motivate and incentivize staff to advance localization and internal coaching on local awards management.

On August 22, 2022, U.S. Ambassador to Honduras Laura Dogu approved 15 new additional CCN PSC positions in USAID/Honduras to support localization efforts. For the next year, USAID/Honduras set an aggressive target of filling 30 of the mission's 45 currently vacant positions, including the 15 specific positions for localization. As of September 2022, USAID/Honduras completed its selection process for three new CCN procurement specialist positions, which will augment the three existing CCN senior procurement specialist positions (one of whom holds an administrative warrant), and two other mid-level CCN procurement specialists in the mission. Also, in September 2022, USAID/Honduras signed a memorandum of understanding using a central staffing mechanism managed in USAID/Washington to obtain an additional remote mid-level procurement specialist, to supplement the two full-time institutional support contractor senior procurement specialists already in place under the same contract. One supervisory foreign service national/deputy office director continues to work in the executive office.