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**“USAID Localization: Challenges, Opportunities, and Next Steps to Further Development Initiatives on
the Local Level”**

**Senate Foreign Relations Committee
Subcommittee on State Department and USAID Management, International Operations, And Bilateral
International Development
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Chairman Cardin, Ranking Member Hagerty: On behalf of Catholic Relief Services (CRS), the international relief and development agency of the Catholic community in the United States, I want to thank you for calling this hearing to discuss locally led development and humanitarian response. The future of international assistance must include a shift to more direct funding of local entities and more genuine empowerment of local organizations to make decisions as they implement, evaluate, and own their development.

Strong local organizations in the lead are key for the advancement of Integral Human Development – the idea, rooted in Catholic Social Teaching, that individuals and communities thrive best within healthy social, economic, political and environmental ecosystems. Local institutions and local leaders are critical for building, supporting, and sustaining such ecosystems. Local organizations that can provide critical social services to people outside of and in addition to those provided by the government services, and through collective representation, can help hold the public sector accountable to its citizens. A robust, resourced, and representative civil society also helps create more resilient systems and societies that can better withstand shocks. Finally, supporting local organizations can help advance the relations between the U.S. and other countries by expanding the “whole of society” web of relationships between countries.

Over multiple Administrations, the U.S. Agency for International Development (USAID) has made efforts to varying degrees of success to strengthen local organization capacity and increase resource allocation to local entities. These efforts have gained momentum in recent years as the global humanitarian community signed on to the Grand Bargain, former USAID Administrator Mark Green launched the Journey to Self-Reliance, former Global AIDS Coordinator Deborah Birx advanced localization within PEPFAR, and USAID Administrator Samantha Power announced goals to direct 25% of all funds to local entities within five years and to have local entities in the lead of 50% of all programming by the end of the decade. These objectives are significant and to reach them will require great change within USAID and the entire ecosystem delivering humanitarian and development assistance.

CRS wholeheartedly supports the objectives of locally led development and humanitarian response. Locally led development and humanitarian response are central to our values, an essential element of our agency’s vision, and will be critical to how we think about changing our own systems and structures in the coming years. CRS will seek to share capacity with local partners to receive and manage funds directly from donors, support local organizations to achieve their leadership ambitions and sustainability, and align our own operations with our local leadership commitments.

I. Principles to guide a more locally led system.

For 80 years, CRS has partnered with the U.S. government and local entities around the world to assist populations in need. Grounded in Catholic Social Teaching, we are guided by the principles of solidarity, the idea of walking with and accompanying our neighbor, and subsidiarity, the belief that those who are closest to a problem are the best positioned to determine the right solution. Solidarity and subsidiarity are at the core of our support for locally led development and humanitarian response and help determine the following principles that guide our approach to advancing localization:

Locally led development and humanitarian response requires local actors as implementers *and* leaders.

Efforts to support local leadership must go beyond local program implementation to include ownership of all development processes. A focus on local leadership means “shifting the power” from the international to the local level in responding to development and humanitarian challenges. For transformation of the aid process, local organizations should also help lead the design of aid programming, as well as shape development strategies of governments and donors. Local actors should be part of donor processes like USAID’s Country Development Strategy Process, and humanitarian mechanisms like Coordination Clusters.

Effective partnerships underpin effective transition to local leadership.

CRS’ decades-long global experience has shown that meaningful partnership that is rooted in trust, respect, and mutuality provides the foundation for successful transition to locally led development and humanitarian response. Ensuring strong relationships with clear and negotiated roles and responsibilities, as well as clear means of accountability between international actors, governments, donors, and local institutions can help ensure sustainable locally owned initiatives and maximal impact. Partnership requires intentionality and sustained collaborative work to achieve successful transition to locally led and owned humanitarian and development efforts.

Holistic, not transactional, capacity strengthening is critical for sustainable change.

Too often donors, policy makers, and peer organizations define locally led development as merely the ability of local organizations to comply with donor regulations. However, meaningful, and sustainable local leadership goes beyond compliance capacity, and should instead include the resources, systems and structures, staff and leadership needed for effective, appropriate, and sustainable programming. Holistic capacity strengthening should respond to goals developed by local institutions in collaboration with their partners. Programs may address organizational weakness in finance, programming, or compliance, but may also help local institutions improve staff skills, organizational systems, structures, and governance to lead more effectively and sustainably. Efforts can also assist local institutions develop organizational resource mobilization capacity, resulting in greater growth and sustainability. Capacity strengthening should go beyond simply training to include investments in organizational systems and structures, continuous technical assistance, and constant coaching and accompaniment to ensure these efforts take hold.

Funding mechanisms and conditions help determine localization success.

There are many advantages to a humanitarian aid and development assistance system implemented primarily by local actors. However, as USAID’s Bureau for Humanitarian Assistance (BHA) recognizes in its own Localization Strategy, structural and/or operational changes will be required for success. Important factors for successful local actor bidding and program design, implementation, and evaluation include appropriate award size, operation timelines, and procurement mechanisms, as well as adequate coverage of direct and indirect costs for project implementation and risk management considerations. Less directed, more flexible, and multi-year humanitarian funding; harmonized funding and reporting requirements; improved transparency and cost efficiency; and innovative tools and mechanisms such as pooled funds and fixed amount awards all encourage and support local institutions in taking more lead roles. All humanitarian

and development stakeholders should develop joint strategies to manage and overcome compliance, due diligence obstacles, and move towards effective risk-management and sharing. This must include ensuring donors commit to covering local institutions' indirect costs.

A broad and inclusive civil society, including faith-based organizations (FBOs), is important. Local leadership goes beyond institutions that are immediately capable of being donor compliant or “prime ready.” There are many local actors that have important roles to play in meeting development goals but may not be ready or interested in serving as prime USG program implementers. In many places, non-prime ready, or not-yet-prime ready actors are also reaching the most vulnerable. These are important local leaders and institutions for reaching program targets, and they need capacity support. Faith-based organizations of this type can play a powerful role in reaching communities and effecting meaningful change. Moreover, strong associations of local organizations that influence and support a full range of local organizations of various sizes and capacities are also essential. A broad and inclusive civil society ensures that social services and advocacy needs are addressed across a wide range of sectors, geographic regions, and areas of economic and social needs. Local leadership thrives in a political environment that allows civil society engagement and that promotes effective civil society/local government collaboration. Too often, closing civic space threatens authentic and inclusive local leadership.

Government matters. Aid to civil society should not replace an effective public social service sector. Strong partnerships with shared responsibilities between the government, local civil society, private sector, and others such as international non-governmental organizations (INGOs) can result in transformative change at scale. CRS works with local and national governments to strengthen their technical and organizational capacity to deliver services, as well as with civil society to help them fill gaps and ensure government is accountable to its citizens.

II. Opportunities to advance locally led development and humanitarian response.

While locally led development and humanitarian response work has been ongoing for years, USAID and stakeholders have yet to fully realize their collective goals. Shifting resources and power to local leaders and their institutions requires political, economic, social, and cultural change at every level of the system. Nevertheless, change is possible if we can capitalize on momentum and seize the following opportunities:

Local actors are ready. Opponents often argue that local organizations lack the capacity to lead or are too risky to engage. We disagree. Responsible, capable local organizations are ready to take on more leadership roles. The world has changed and developed significantly since the beginning of the modern aid system, and that system must now realize that in many countries and communities, there are local institutions led by capable, professional leaders – experienced in their fields and endowed with their own expertise – ready to take on new and expanded development and humanitarian assistance roles. Many of these local organizations have not yet had the opportunity to lead or implement programming at scale but can with resources to strengthen their institutional systems and structures.

INGOs are ready to help. More than any time in recent memory, INGOs like CRS and coalitions like the Modernizing Foreign Assistance Network are ready to advance a vision of a more locally led future. We are using our own private resources through projects like EMPOWER – Empowering Partner Organizations Working on Emergency Responses – to show proof of concept. We are managing transition awards and continuing to accompany partners to ensure sustainability and demonstrate solidarity. We advocate in Washington, DC for a definition of ‘local entity’ that truly reflects local organizations. We are pushing USAID and international donors to report publicly how they are progressing toward agreed goals.

Donors are on board. Increasingly, donors understand that working more justly and equitably with and through local entities is the path forward to maximize funding and impact. Since Administrator Power’s speech in late 2021, USAID has made significant efforts to reflect the importance of localization in its development and humanitarian agenda, including through the appointment of special advisors on localization, and the release of a range of documents and policies to articulate goals and paths forward. Whether through USAID’s donor statement on locally led development, its Local Capacity Strengthening Policy, or more operational pieces like the Locally-led Development checklist and Centroamérica Local, locally led development is clearly of keen interest. With the Grand Bargain’s renewal last year, government, NGO, and multilateral signatories agreed that more action is needed to actualize its vision of shifting the power towards greater local leadership, and more effective, accessible, quality funding for local actors. USAID’s BHA reflects this prioritization in its own draft Localization of Humanitarian Assistance Policy.

Evidence shows localization works. Donors have supported research into the effectiveness of local leadership. Resources like USAID’s Journey to [Self-Reliance Learning Agenda](#), USAID’s [Stopping as Success](#) platform and resource library, and their newly released Evidence Summary for Local Capacity Strengthening all demonstrate the effectiveness of localization efforts. In addition, PEPFAR has begun sharing data results from its recent shift to utilizing locally led primes that shows the effectiveness of this work. Academics and research institutions have also begun to contribute to this evidence base (e.g. recent journal articles like the International Journal of Disaster Risk Reduction’s [International humanitarian organizations’ perspectives on localization efforts](#) or the Brookings Institution’s recent [Obstacles and recommendations for moving US development policies onto a locally led path](#)). More INGOs are active research partners, and are producing a wide range of gray literature, including extensive case studies, lessons learned, and briefs. There is also growing research on the efficiency of locally led approaches, e.g., [Passing The Buck: The Economics Of Localizing International Assistance](#), a recent study estimating that local intermediaries could deliver programming that is 32% more cost efficient than international intermediaries.

III. Experience demonstrates that localization works.

CRS has learned that prioritizing investment in and advancement of locally led development and humanitarian programming is the best way to ensure our development and humanitarian interventions are effective, efficient, and most importantly, sustainable. CRS has extensive experience in supporting local actors, strengthening their capacity and increasing their leadership of development initiatives. For example, the CRS High-Performing Implementers (HPI) Initiative offers partner-led, CRS-facilitated capacity building, focusing on leadership, procurement and supply chain management, financial management, and overall program quality to help place local public and non-profit institutions in the driver’s seat of their own growth as sustainable principal recipients of donor funding. Supporting local actors in this way can advance the transition to a locally led future.

CRS led the USAID-funded Sustainable Outcomes for Children and Youth (SOCY, 2015-2021) project in Uganda. This project was designed to improve the health, economic, educational, and psychosocial wellbeing of orphans and vulnerable children and their households, as well as reduce abuse, exploitation, and neglect among this population. Through a network of civil society organizations, social workers, and frontline para-social workers, SOCY provided services that reduced the risk of HIV and violence and linked individuals to much needed services. The \$45.5 million budget investment funded local civil society capacity strengthening to meet the needs of children and families, and 13 local partner institutions. All partners demonstrated increased organizational performance, and one, the Transcultural Psychosocial Organization (TPO), has now transitioned to become a major prime recipient of U.S. government funding.

With TPO, CRS used additional funding and time to provide on-going technical assistance – beyond the life of the project – to help TPO successfully move into a program leadership role. This experience highlights the importance of strong, trust-based partnerships, as well as appropriate timelines and adequate investment in on-going capacity strengthening for effective local leadership.

In The Gambia, CRS implemented an \$11 million Global Fund malaria program as co-Principal Recipient with the Ministry of Health from 2010-2018. CRS' strong partnership with national and local organizations eventually led to full transition of the Principal Recipient role to the National Malaria Program. During this period, malaria parasitic prevalence decreased from 4% in 2010 to 0.1% in 2017 while malaria infections decreased by 50% across all regions of the country between 2011–2017. The project's interventions contributed to improved outcomes, including uptake of Intermittent preventive treatment by 82% of pregnant women (target was 85%), and reported bed net use by 94% of pregnant women, 95% of children under 5 (target was 85%), and 83% of other household residents (target was 60%). CRS continues to support The Gambia through accompaniment to improve monitoring and evaluation systems and modify approaches to move closer to disease elimination. The National Malaria Control Program and other government agencies are replicating CRS' approach to behavior change in other sectors, and many government and local NGOs have institutionalized the use of digital systems for data management and reporting as part of project implementation. Now in our Sub-Recipient role, CRS provides technical support on SMC data management and initiated a cross-border pilot project between Senegal and The Gambia.

CRS has also seen it is possible to support local organizations to lead humanitarian action. In 2018, CRS launched the EMPOWER project to strengthen the humanitarian response capacity of local partners by providing accompaniment and support in diverse areas, including business development; program management; monitoring, evaluation, accountability, and learning; finance; supply chain management; and protection and safeguarding. CRS implements EMPOWER in Latin America and the Caribbean, Asia, and West and Central Africa with 79 local and national partners in 58 countries. Through the EMPOWER project, local organizations in Brazil, Colombia, and Peru have received direct funding from USAID's BHA and the Department of States' Bureau for Population, Refugees, and Migration to respond to humanitarian needs across the region. Due to the successful model in South America, CRS has partnered with BHA to support similar efforts in Central America and now also West Africa.

These examples demonstrate the effectiveness of locally led development and humanitarian response. The core development and humanitarian goals remain the same – to save lives, reduce poverty, uphold dignity, and promote peace, but the roles in which we accomplish these goals are shifting. Locally led development and humanitarian response is not one size fits all. Context matters. Supporting a local entity to respond to the needs of orphans and vulnerable children in Uganda is quite different from accompanying a local entity in Brazil respond to a migration crisis. How we approach localization is dependent on many factors, but when solidarity and subsidiarity drive the vision, it is possible to advance our goals.

IV. Challenges to advance locally led development and humanitarian response.

To capitalize on the momentum and take advantage of the opportunities in front of us, we must not fall victim to the obstacles that have impeded progress in the past. This change will not be easy, as it requires expending political capital and the will to drive change in policy, processes, procedures, and practices. In our favor now, unlike in previous iterations, Congress, the Executive branch, implementors, and local groups are largely aligned in our collective goal. However, we also know that in previous efforts, when the enormity of the task became clear, staff and resources were not brought to bear to make the changes

needed and inertia set in. This will take sustained energy and investment. In particular, we must address the following challenges:

Tracking progress. Based on Administration reports to Congress we know that only .82% of humanitarian funds from the International Disaster Assistance account and 7.2% of all USAID funds were obligated directly to local entities in FY21. With these two figures as baselines, we have a long way to go to meet our goals. And while money isn't the only indicator of success, it is an important metric. Unfortunately, one singular definition of "local entity" does not exist across the U.S. government or international organizations to measure progress toward results. USAID uses the definition of "local entity" found in ADS 303, which can include non-local entities. USAID will not track progress toward the 25% metric using the ADS 303 definition, but instead on three indicators found in existing government tracking: project place of performance, organization headquarters, and organization registration. Without a unified definition and methodology to calculate target results, it will be more difficult to assess progress and understand the overall picture of funding realities on the ground. In a research paper released recently by Publish What You Fund (PWYF) titled '[Metrics Matter](#),' PWYF demonstrated that different measurement approaches result in dramatically different numbers, impacting how we perceive progress.

Taking good policies and putting them into action. As noted above, recent years have seen tremendous progress at the policy level in support of locally led development. From the Grand Bargain to the Local Capacity Strengthening Policy, to regional pilot initiatives, and the emerging BHA localization policy, we see the affirmation across USG that locally led development is important. Now is the time to move from policy to practice and from concept to reality. Donors, including USAID, must take on the hard work of change at the financial, operational, and cultural levels. They must break down the enduring silos between development and humanitarian assistance; examine and address the pain points and barriers embedded in the procurement process that hinder localization progress; and make real and tangible investments in the implementation of localization policies.

To advance progress on localization, local capacity and procurement practices must be considered and addressed together. For many local institutions, the sole roles accessible to them have been as project sub-recipients, or task-specific sub-contractors. If they have primed awards, they have often been smaller and/or limited awards. As more donors look to increase funding to local institutions, the size of awards, the choice of instrument, and the timeline of the funding significantly affect their success. For example, in a given country a range of institutions may be able to take on a \$1m multi-year assistance award. However, leading a \$20m contract may be overwhelming. This difference is not a reflection of their inherent capacity, but rather the robustness of their current organizational systems that were developed to match currently available funding.

Constraints in the larger aid ecosystem. While USAID is the leading humanitarian and development donor in the world and has led the conversation in the U.S. around locally led development and humanitarian assistance, broadening these efforts within the interagency and among multilateral donors will be a challenge. Changes will need to occur within other U.S. donor agencies such as the Department of State and multilateral actors that receive U.S. government money such as the United Nations.

Simultaneously, while USAID and others are advancing localization, civic space is under threat. We know from experience and from documentation such as Civicus' Annual Report on the [State of Civil Society](#) that in many places around the world, civic space is deteriorating. For local organizations to thrive, they need the space to do their work and engage with communities and government free of constraints. Ensuring that third sector institutions can operate safely and thrive is critical to the localization agenda.

V. Recommendations to the U.S. Government

Grounded in our principles and based on our experience, CRS makes the following recommendations to the U.S. government to help advance locally led development and humanitarian response:

Money matters: keep momentum and ensure increased funding and increased opportunity for local leadership. The Administrator laid out an ambitious goal to increase direct USAID funding to local entities to 25% by 2025. Though challenging, ensuring local actors have access to the resources necessary to lead and carry out their mission is critical. Donors, policymakers, and practitioners must double efforts to increase funding to local actors, while also supporting local institutional participation in all development and humanitarian decision-making processes, including the development of Country Development Strategies and humanitarian coordinating Clusters.

Oversee progress toward results: ensure accurate data collection and transparency. Thanks to reports submitted to Congress required in Fiscal Year 2022 State, Foreign Operations, and Related Programs appropriations, we know very little funding is currently reaching local actors. Similar report language was included in the Fiscal Year 2023 SFOPS appropriations report. We urge Congress and the Senate Foreign Relations Committee to continue to support the inclusion of appropriations language to require a report from USAID that assesses progress toward results and provides data on funding to local entities, disaggregated by country. As USAID grapples with burden busting and reporting accurate information, we urge Congress to work with the Administration to ensure in the future this data can be readily available on ForeignAssistance.gov to interested stakeholders.

Ensure adequate investment in holistic, not transactional capacity strengthening. Good partnership and effective capacity strengthening is critical for any effort to support local leadership. Based on decades of experience, and in accord with USAID's 2022 Local Capacity Strengthening Policy, we insist that donor agencies fully fund comprehensive, holistic and participatory capacity strengthening approaches that ensure participatory, locally led capacity goal setting, and go well beyond simple transitional one-off activities. It is also important for USAID and other donors to plan, fund and give time in partnership activities, while also exploring new funding mechanisms to incentivize and support INGOs to play different roles in humanitarian response and development assistance programming.

Focus on the details: improve acquisition and assistance mechanisms to open the door to local partners. Strengthening local capacity is important. However, equally important are the mechanisms that help or hinder access to critical development resources. To truly 'shift the power' and increase opportunities for local leaders and their institutions, Congress must work to: ensure size of awards are reasonable for local actors to design, bid for, implement and evaluate; set timelines for design and implementation that reflect local capacity; align the choice of funding instrument with local actors' capacity to respond and comply, including using mechanisms that do not require significant upfront resources from bidding organizations; and embrace flexibility in funding and adaptive management approaches. Efforts must also be made to develop and fund strategies to manage risk and help local organizations manage the extensive security, fiduciary, legal and other risk and compliance measures, and to strive to harmonize minimum criteria among donors, share information on the criteria, and expand pooled fund coverage.

Beyond USAID: urge other actors to advance localization. The United States has emerged as a clear leader in the movement for a more localized aid system, and recent efforts (such as the joint [Donor Statement on Locally led Development](#)) demonstrate US influence on the wider circle of donors. Nevertheless, broad agreement across the U.S. interagency or within the United Nations will not foster

lasting change. Congress must work with USAID to ensure their efforts are not in vain and apply pressure to multilateral donors such as the United Nations as well as other donors within the U.S. government to ensure that all development and humanitarian assistance advances localization.

Thank you, Chairman Cardin, Ranking Member Hagerty and the subcommittee for your leadership and dedication to supporting poor and vulnerable communities around the world. We look forward to working with you in the coming months and years to advance locally led development and humanitarian response.