Local Capacity Development
Suggested Approaches

An Additional Help Document for ADS 201

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I.   Overview:

Our goal is to help countries where we work to develop and flourish without external assistance. This is in response to the Paris Declaration on Aid Effectiveness, the Accra Agenda for Action, and the Busan Partnership Document, and statements made at meetings of the Organization for Economic Cooperation and Development (OECD). The goal will be realized if our assistance strengthens local stakeholders and contributes to the sustainability of institutions that will ultimately be responsible for transforming their countries.

Direct local engagement can help build organizational capacity, improve project efficiency and effectiveness, accountability and sustainability, and timely problem solving. Local organizations seek such direct relationships. For donors, direct relationships with local organizations provide the opportunity to better tailor procurement instruments to each country's situation and challenges.

Indirect relationships with local organizations can connect local groups to global movements, leverage specialized expertise and comparative experience, and enable program operation in contexts or circumstances where direct relationships might carry greater risk to USAID and to local organizations.

Organizational capacity strengthening ought to address the function of broader systems to which these organizations contribute, including: encouraging that diverse citizen voices contribute to decision-making, that development efforts are monitored, and that learning about development in the local context is fed back to help make local systems more adaptive.

This reference document outlines approaches for effectively strengthening the capacity of local organizations to contribute to their development results in partnership with USAID, other donors, and other stakeholders.

II.   Definitions:

a.   *Definition of Capacity Development (CD)* – There are many definitions in use for capacity development. Two that USAID regularly uses are from the OECD and from the seminal book *Capacity Development in Practice*.

The *Capacity Development in Practice* is "Capacity is the ability of a human system to perform, sustain itself, and self-renew."

The OECD definition follows:

- "Capacity" is the ability of people, organizations and society as a whole to manage their affairs successfully.

- "Capacity development" is understood as the process whereby people, organizations and society as a whole unleash, strengthen, create, adapt and maintain capacity over time.

- "Promotion of capacity development" refers to what outside partners – domestic or foreign – can do to support, facilitate or catalyze capacity development and related change processes.

b. *Definition of "local organization"*— To be considered a "local" organization for purposes of USAID reporting, an entity must:

- Be organized under the laws of the recipient country;

- Have its principal place of business in the recipient country;

- Be majority owned by individuals who are citizens or lawful permanent residents of the recipient country or be managed by a governing body, the majority of whom are citizens or lawful permanent residents of a recipient country; and

- Not be controlled by a foreign entity or by an individual or individuals who are not citizens or permanent residents of the recipient country.

The term "controlled by" means a majority ownership or beneficiary interest as defined above, or the power, either directly or indirectly, whether exercised or exercisable, to control the election, appointment, or tenure of the organization's managers or a majority of the organization's governing body by any means, e.g., ownership, contract, or operation of law.

"Foreign entity" means an organization that fails to meet any part of the "local organization" definition.

Government controlled and government owned organizations in which the recipient government owns a majority interest or in which the majority of a governing body are government employees, are included in the above definition of a local organization.

For regional platforms the definition of a local organization can be expanded to include regional organizations that meet the following criteria:

- Be organized under the laws of a country in the region served by the platform;

- Have its principal place of business in the region;

- Be majority owned by individuals who are citizens or lawful permanent residents of the region or be managed by a governing body, the majority of whom are citizens or lawful permanent residents of the region; and

- Not be controlled by a foreign entity or by an individual or individuals who are not citizens or permanent residents of the region.

Regional platforms and bilateral Missions may also include obligations or sub-obligations to international organizations composed principally of countries to which membership is limited to countries within the region, provided the funds are to be implemented directly by or through the regional international organization.

III. USAID Program Cycle:
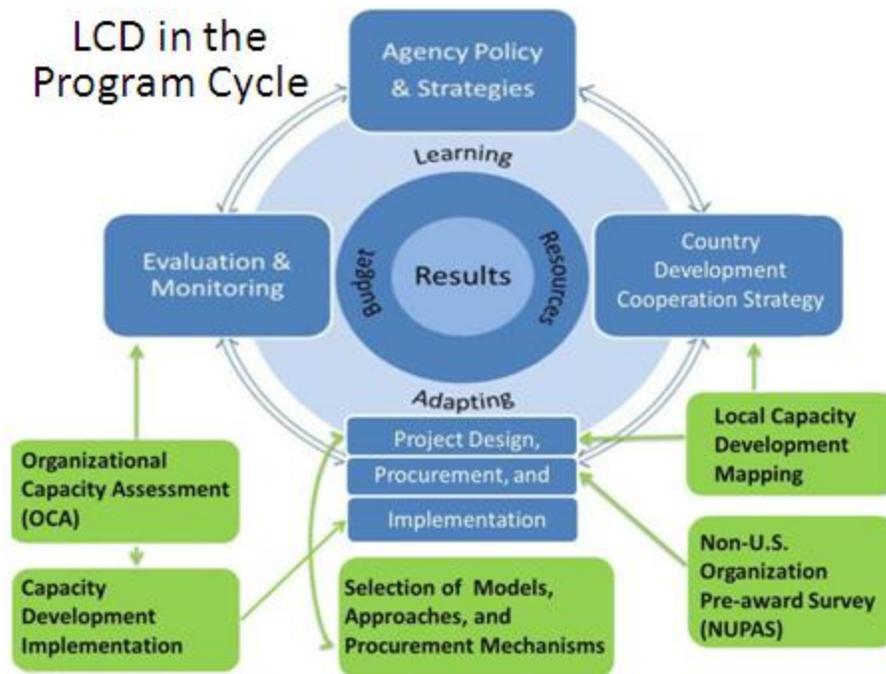
Capacity development and increasing direct partnership with local organizations should be considered at all stages of the program cycle.

The earlier CD is addressed in the program cycle, the better it can be integrated and used to support a Mission's development objectives. Specific tools exist to assist CD integration at each stage:

- The LCD Mapping Tool in Strategy and Project Design

- The Operational Approaches & Models in Project Design

- The NUPAS in Procurement

- The OCA in Implementation and Evaluation & Monitoring

An overview of those tools can be found in the Local Capacity Development Incorporation Matrix.

a. **Strategy Considerations.** Within [strategy development](#), consideration of existing and needed local capacities can inform Mission planning around the sustainability of intended development results. Local stakeholders have a unique, context-specific capacity in terms of their knowledge and understanding, awareness of informal systems and rules, social capital and credibility, and political skills. As a result, engaging properly with those partners is expected to provide more aid effectiveness, improve the quality of program approaches, and enhance the likelihood of sustainability.

The strategy should consider the potential contributions local organizations can make in achieving the development objectives identified in the CDCS. The strategy should also consider the value of civil society and the private sector in ensuring an inclusive and sustainable development path. Aside from the instrumental role of local organizations, the strategy should examine the ability of civil society and the private sector to partner with government for positive development. Depending on context, improvements of this ability can be considered an intermediate result and may be strategic to pursue in its own right.

Some Missions develop a Local Capacity Development plan, results framework, or strategy. Such plans should link to the CDCS by clearly identifying one or more DOs that their actions will facilitate or support.

The CDCS is a living document, and will periodically be reviewed and updated. Where local capacity is an intended result under the CDCS, or where local organizations are USAID partners or sub-partners, capacity of local organizations and systems should be reviewed and inform the CDCS update.

b. **Project Design Considerations.** During project design, direct local partnerships may be an instrumental approach to a given activity, and local CD may be the focus of a given activity or project. CD may be incorporated into the logical framework as an input, output, or outcome. Procurement plans may incorporate both direct partnerships and use of intermediaries to strengthen the capacity of local organizations and implement development activities. The Project Appraisal Document (PAD) documents the way in which CD is integrated into the project, including relevant aspects of required analyses and relevant assumptions, the indicators to be used to monitor progress in CD, and the plan to evaluate CD as an aspect of overall project evaluation.

When integrating CD into project/program/ activity designs, or planning for the procurement of capacity development services, the question "capacity to do what?" must be addressed. The answer should link to the existing CDCS, which provides the blueprint for project design. Selected areas for capacity development should directly support the achievement of one or more Development Objectives (DOs) or Intermediary Results (IRs). The necessary capacities, both to provide specific services and to contribute more broadly to well-functioning local systems, depend on the development challenge identified in CDCS.

Demonstrating CD integration as part of the mandatory PAD sustainability analysis is another project design consideration. As noted in **ADS 201.3.9.3**, for the purposes of integrating sustainability into USAID's project design process, sustainability is achieved when host country partners and beneficiaries are empowered to take ownership of development processes, including financing, and sustain project results and impacts beyond the life of the USAID project. Thus CD of local organizations can be a critical dimension of project planning for sustainability. Information on the overall level of capacity of local organizations can often be gleaned from sources such as sector assessments.

Capacity development is a contextual process, and demands that USAID match its technical area skills with cultural savvy, and be keenly aware of political economies in the local context[1]. Several suggestions for effectively integrating capacity development into project design include:

- Emphasize outreach to a range of organizations from the well-established to the newly-emerging, deliberately emphasizing sector development as opposed to organizational development.

- Support leading organizations to take responsibility for articulating a vision for their whole sub-sector. Such responsibility can include asking leading organizations to offer mentoring to emerging organizations, facilitate policy change and dialogue, and establish or contribute to networks of learning at scale.

- Encourage local stakeholders to play key roles in sector assessments, outcome monitoring, and policy analysis, not limiting them to carrying out service delivery or advocacy based on USAID-defined requirements.

- Oversight by local stakeholders of USAID partners' success should be encouraged. Measuring the effectiveness of local organizations should include specific indicators of their responsiveness and accountability to their stakeholders, building on existing accountability mechanisms in the community.

- Promote collaboration and mutual accountability following the Project Design Guidelines (ADS 201.3.8.5) that note "the design process must include the active engagement of partner country governments and civil society and private sector organizations, through, for example, joint diagnostic project constraints analyses."

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[1] SNV's *Capacity Development in Practice* ("Linking the local and the international sounds well and good, but in practice it is a highly complex process. The authors argue that the multi-actor dynamics in capacity development have been underexposed. Capacity is now all about collaboration and creating new solutions, and thus also about power, politics and interests.")

c.   **Activity Design Considerations.** An important aspect of project design is to determine the associated activities and mechanisms that will comprise the project. When an activity is being designed to include CD elements, suggestions include:

- Increase dialogue between acquisition and assistance staff and technical offices during the early stages of the design process to expand the range of implementing options to encourage direct relationships with local organizations.

- Consider use of award formats such as Simplified Grants, Fixed Obligation Grants, or Fixed Price Contracts (ADS 303.3.24-25) to facilitate engagement of local organizations.

- Consider using a two-step solicitation.

- For this activity, consider whether it is appropriate to limit competition to local organizations.

- Identify whether the project should use an activity with CD integrated into it or whether it will be more effective to have a separate award for CD, which can be particularly advantageous if similar types of CD are to be provided to partners under multiple activities across the Mission.

- For additional considerations on designing and procuring mechanisms in ways that support CD, see Procurement Approaches to Capacity Development.

d.   **Implementation Considerations.** When considering local partners, two related and different capacities are important: the ability to produce the desired outcomes and the ability to meet USAID financial accountability requirements. In general, capacity development of local organizations are often centered on one or more of the following areas: improvement of services provided by such organizations, customer/client feedback mechanisms (to ensure a public focus rather than a donor focus), advocacy and policy development, analytic and adaptive abilities, sustainability, strengthened management capacities and internal systems, or visioning and leadership.

The capacity of a potential local partner is considered at two distinct stages – pre-award and post-award. At the pre-award stage, certain capacities must be reviewed in order for a responsibility determination to be made. The Non-U.S. Organization Pre-award Survey (NUPAS) can be used to assist in this determination.

At the post-award stage, partner capacity can be assessed and supported through a number of tools, most of which support partner organizations to set their own priorities for capacity development through a facilitated self-assessment. USAID has a tool to help local recipients assess their own capacity and identify their priorities for capacity development. This post-award Organizational Capacity Assessment (OCA) addresses broader aspects of organizational systems and capacities than the NUPAS. It is important

to be explicit that the OCA is not an evaluation by USAID or a judgment on the likelihood of receiving additional funding.

Within implementation, the most critical aspects for integration of CD into activities derives from the activities, results, and indicators defined through the project design and award instruments.

IV. Relationships:

USAID values relationships with local stakeholders as they enable better tailoring of USAID's procurement instruments and engagement patterns to suit the country situation and development challenges. It is USAID policy (see President's Global Development Policy, Sept. 22, 2010) to underscore the importance of country ownership and responsibility, and to place greater emphasis on building sustainable capacity at national and community levels.

Local organizations and USAID share the responsibility for performance. This requires that USAID explicitly value partner growth and learning, invite input and feedback, and seek opportunities to work with local organizations to support and improve performance. As a part of partnerships with local organizations, USAID staff should encourage opportunities for meetings and dialogue. Such efforts will not replace holding partners accountable in accordance with executed agreements, but should convey that accountability to the terms of agreements is only a part of the relationship.

V. Local Capacity and the Development Context:

a. **Overview.** The first step toward direct engagement with local partners is to systematically gather information about these entities. Mapping provides a broad view of the system, including the environment in which these organizations operate; CSO and private sector capacity; the different types of civil society and private and public sector actors; and the relationships between them. Mapping also identifies details of the existing market for CD support. Mapping can be extended to include government institutions and units, and it can help to determine levels of civil society inclusion in public systems.

b. **Enabling Environment.** Engaging in effective CD requires that USAID and its partners understand the regional, sub-regional, national, local, and sector contexts in which civil society and private sector organizations operate, and particularly how the context enables or constrains their roles and performance. Rules and regulations regarding NGOs and business registration, charitable contributions and non-profits, licensing of different activities such as transport of goods or media broadcasting, and informal practices such as identity roles in politics, degree of corruption in regular transactions, or government perceptions of critical views can affect the space in which local organizations operate and the types of activities they undertake. The enabling environment is analyzed as part of planning for any CD activity, and ought to address legal and regulatory constraints, the political and economic context, including human rights conditions that allow or do not allow for effective NGO operations and the more general operating environment for civil

society organizations and the private sector. USAID has identified several useful resources for such reviews.

c. **Networks/Associations.** Consider capacity at the level of broader systems by gathering information on networks, associations, or umbrella representative bodies to which large numbers of local organizations belong. Based on this information, include in CD planning the relationship of targeted local organizations with external groups through networks and associations. Those networks or associations can themselves be partners and CD can be provided at the network or association level.

d. **Advocacy and Representation.** Many capacity areas within organizations relate to the organization's ability to influence its external environment and advocate positions to power-holders. It is important to understand the context with respect to opportunities for advocacy and representation. This requires considering the perspective of the government toward non-governmental actors, and whether it is generally open to their input and participation or hostile; the legitimacy of local organizations in the eyes of the public; the professionalism of the media; the availability of think tanks and research institutions to provide neutral, expert analysis of topical issues; and the willingness of local organizations to adopt public positions on issues and form coalitions.

e. **Capacity Development Market.** The CD market refers to the set of providers of various CD services that exist in the local context. Mapping in preparation for CD should inventory the local CD market, including an overview of the availability of different services, reach of CD providers (such as NGOs, individual trainers or networks, universities, management consulting or accounting firms, research centers, government agencies, or parastatals), and the market prices for those services. Suggestions can be found in the model of the Local Capacity Development Fund done by SNV.

Mission planning should nurture the existing CD market while being careful not to undercut it (for example, by offering competing services for free or at highly subsidized cost). Note that there is often significant variation within a country as to the reach of providers and the price of services, particularly between major cities and rural areas.

f. **International Actors in Context.** Analysis of the context for capacity development should also include plans and statements of other international actors that might offer opportunities for synergy and to avoid duplication of effort. This encompasses international activities or campaigns that local organizations contribute to, coordination with other donors, plans of international businesses that operate in the context, and plans and campaigns of international organizations, universities, or social movements.

VI. Risk Analysis and Mitigation

a. **Overview.** Risk taking is an inevitable part of development. Risks should be assessed, mitigated and managed. USAID may assume additional risk when working directly with local organizations. Local organizations may lack the experience and the internal systems of international organizations. Risk needs to be clearly identified during the project

design period (as related to the overall plan to partner with local organizations) and during the pre-award survey/assessment period (for specific organizations). Mitigation measures can be addressed as part of the award. Risk identification and plans for mitigation should be clearly documented.

b. **Risks at Project Level.** A project level risk relates to making local organizations more accountable to USAID than to their local stakeholders. Direct awards may create new incentives among local organizations partnered with USAID, in ways that can degrade their sustainability and effectiveness. Organizations may cease cooperating within a sector if they perceive their peers as competing for USAID funding; or they may change their focus to align with available funding rather than be authentically mission-driven. Perception of local organizations as "arms of USAID" may change their role in local politics.

Local capacity development is particularly important in contexts where USAID is engaging with partner country governments. In some contexts, local organizations steer clear of the government in order to preserve their independence and innovativeness. In many cases, however, marrying local capacity development to direct engagement with partner country governments helps to mitigate USAID's risks while increasing the effectiveness and sustainability of both investments.

c. **Mitigation at Project/Activity Level.** Risk mitigation at Project or Activity level requires regular communication with stakeholders and monitoring of the operating environment (see ADS 202.3.5.3, 202.3.6.2, and 202.3.6.3). USAID also mitigates risk by monitoring the operating environment, in particular legal changes that affect civil society or the private sector. USAID may need to use its influence in dialogue with host governments and other donors to safeguard the space that allows local organizations to be effective partners.

d. **Risks to Local Organizations.** Direct engagement with local organizations can entail new risks. Local organizations tend to be more affected by change in the enabling environment in their country than international organizations doing similar work. This is because they are legally based in that country, often do not have multiple offices or revenue streams, and the majority of their staff are usually local citizens.

USAID must determine whether the organization has sufficient financial and managerial capacity to manage USAID funds in accordance with U.S. Government and USAID requirements, and to determine the degree of support and oversight necessary to ensure proper accountability of funds provided to the recipient.

In the past, there was no standard format for the responsibility determination. In mid-2012, USAID rolled out a new tool for determining whether a local organization meets the minimum requirements for receipt of USAID funds, assessing the risks, and identifying weaknesses that need to be mitigated early in project implementation: the Non-U.S. Organization Pre-award Survey (NUPAS). Use of the NUPAS tool for the

responsibility determination is recommended, but not required. Some type of pre-award responsibility determination is mandatory under ADS 303.3.9.1.

The NUPAS has three objectives:

1. To determine whether the organization has sufficient <u>financial and managerial capacity</u> to manage USAID funds in accordance with U.S. Government and USAID requirements,

2. To determine the most appropriate <u>method of financing</u> to use under the potential USAID award, and

3. To determine the <u>degree of support and oversight</u> necessary to ensure proper accountability of funds provided to the organization.

e. **Mitigation at the Local Organizational Level.** If an organization does not meet certain minimum requirements (e.g., Scoring "Inadequate" in a NUPAS category, or NUPAS findings are not resolved prior to the award), but otherwise has the financial and management capacity needed, the AO can use special award conditions to find the organization responsible (ADS 303.3.9.2). Such special award conditions should be added into the award and become a requirement of the award. Risk will also be managed by ensuring the appropriate scale of the award to the absorptive capacity of the organization.

If the organization is not at an acceptable performance level for a USAID award and if it is deemed a critical partner,[2] the Mission may consider engaging the organization with a Human and Institutional Capacity Development (HICD) program using the HICD methodology as described in the HICD handbook and policy. This strengthens the organization in a sustainable and holistic way allowing them to meet the benchmarks for the award and remedy the deficiencies identified in the responsibility determination.

The design of the overall project may include CD activities, which are often included in the award language. CD activities, however, are to strengthen the capacity of local organizations to achieve their own goals, and not to manage USAID risks.

VII. Procurement Approaches to Local Capacity Development:

There is no single preferred procurement approach to enhance support for local capacity development. Different arrangements may be appropriate both in direct awards to local organizations and when intermediaries are used. Further, capacity can be developed if CD is the primary focus of a project, or if it is a component. For examples of different procurement arrangements, see the Approaches and Models to Local Capacity Development.

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[2] HICD methodology is also appropriate for partners that already are performing acceptably but are targeted for further CD support.

a. **Guidance on Capacity Development through Intermediaries.** In many contexts, local organizations may not be ready to receive direct awards from USAID, or project design considerations may mean that direct awards are not optimal. In these cases, CD efforts will require an intermediary organization to manage sub-awards to those organizations. In some of these cases, awards to intermediaries can be structured in two phases to move to direct awards. In the first phase, sub-awards will be issued from the intermediary. After evaluation of the sub-awardee, a second phase can begin where the sub-awardee with sufficient capacity can move to receiving direct awards. One of the justifications for exception to competition (Transition Awards, ADS 303.3.6.6) exists for transitions of sub-awardees of intermediaries to direct awardees.

Intermediaries should be encouraged, in their own sub-awards to local organizations, to follow guidance similar to that of USAID for direct awards outlined below. Intermediaries also should have a specific mandate in their award that defines expectations around capacity development interventions and outcomes. Monitoring of the prime award should include tracking progress on the CD mandate.

      i.   Possible approaches using intermediaries (abstracts)

- *Inverse:* an award with a local organization that in turn issues a sub-award for CD Technical Assistance (TA).

- *Parallel:* at least two awards, one or more awards for implementation to local organization(s) and another award to a TA provider for CD TA to local organization(s).

- *Umbrella:* one award to a Prime that provides sub-awards together with CD TA to local organizations.

- *Tiered:* one award to a Prime that in turn supports a local organization to act as an Intermediate Support Organization (ISO), with a mission to offer CD services, developing that ISO's capacity as well as that of local organizations to which the ISO issues sub-awards and provides TA. Prime provides TA to local ISOs on how to compete and issue awards and offer LCD TA to local organizations. Local ISOs provide LCD services, including competitions for sub-awards to local organizations.

- *Phased:* initially, an award is made to a Prime to provide TA and sub-awards to one or more local organizations, as in Umbrella model, but with explicit language anticipating a second phase within the award period. Under this second phase, some or all local organizations receive direct awards from USAID with the Prime partner continuing to provide TA to the local organizations.

b. Guidance on Direct Awards to Local Organizations.

    i. <u>Limited competition under acquisition and assistance.</u> Under <u>ADS 302.3.4.1 for Contracts</u> and <u>ADS 303.3.6.6 for Grants</u>, it is possible to limit competition for a given award to only local organizations (as defined <u>above</u>). Such solicitations must otherwise comply with all relevant guidance and policies.

    ii. <u>Two-step solicitation process.</u> Solicitations for direct awards can be streamlined through a two-step process. The initial step is to ask for short concept papers. USAID reviews the concept papers and then requests full proposals from a subset of the applicants. The two-step process decreases the cost for local organizations in preparing full proposals that are unlikely to be funded by USAID while enabling the initial solicitation to be broad and transparent. It also reduces the cost to USAID of reviewing a larger number of full proposals. It further serves as a learning opportunity for USAID to consider innovative local approaches to the identified development challenge.

    iii. <u>Local Language Documents</u>. The binding language for any agreements including those with local organizations remains English. However, to increase transparency and outreach, it is recommended to provide copies of solicitation documents in relevant local languages, and to permit applicants to submit proposals in local languages. In such situations, any part of the application and/or solicitation that becomes a legal part of the award must be translated into English. If an award or any supporting documents required to administer or audit the award, e.g., payment requests, are provided in both English and a foreign language, each document must state that the English language version is the controlling version. Additionally, Mission staff with the non-English language capacity must review the non-English agreement version for obvious translation errors, omissions and conflicts.

    iv. <u>Bidders' Conferences.</u> A "promising practice" is to conduct Bidders' Conferences, open to all interested organizations, in advance of issuing a solicitation limited to local organizations. Such events represent an opportunity to answer common questions, provide clear instructions, and demonstrate commitment to a fair competition. At least one Bidders' Conference should be held outside the capital city so that more organizations can participate. Bidders' Conferences should be widely publicized, such as in <u>these recommended practices from Macedonia</u>. It should also be made clear that an invitation to a Bidders' Conference does not imply a likelihood of award.

v.   <u>Fixed Obligation Grant (FOG).</u> Fixed Obligation Grants are an appropriate form of direct award, if the work to be done is appropriate to shape into milestones and there is a sufficient level of certainty of costs. Fixed Obligation Grants tie payments to specific milestones (usually outputs or results). The FOG may be used to permit an organization that has technical competence, but limitations in financial management, to receive a direct award. Such awards are usually accompanied by support to internal control systems so that organizational capacity is strengthened. Fixed Obligation Grants require careful planning and joint responsibility for fair pricing of milestones. Guidance on FOGs is in [ADS 303.3.25](#) and [Awarding Fixed Obligation Grants to Non-Governmental Organizations](#).

vi.   <u>Post-award Conferences.</u> In-person post-award conferences with all local organizations receiving direct awards are recommended. These allow the awardee and USAID to review all aspects of the award; set clear expectations for communication, reporting and follow-up; and be mutually accountable. Post-award conferences also are important for establishing the relationship between awardee staff and USAID. Post-award conferences should be conducted in the local language. If a third party is engaged to provide CD services to a direct awardee, that organization should be included in the post-award conference.

vii.   <u>Responses to Unsuccessful Applicants.</u> Beyond the ADS requirement to respond to unsuccessful applicants, it is recommended that a tailored response be drafted that offers useful and specific feedback about their application. Even for unsuccessful applicants, this procurement process represents a direct relationship with USAID and it demonstrates that USAID values relationships with local organizations. A "promising practice" is to convene non-selected applicants for a post-solicitation conference as a learning opportunity.

VIII. Capacity Development Interventions:

Developing the capacity of a local organization or organizations during the implementation phase generally proceeds in three steps – first, the local organizations must reflect on and assess their existing capacities, then identify the key improvements in capacity they wish to achieve, and finally achieve capacity development. USAID's role is to facilitate this process, and to support these efforts by providing learning opportunities, mentoring, training, and TA. The reflection and assessment period should be repeated periodically. This allows the local organization and USAID to track progress in capacity development.

In some cases, support can be provided to a cohort of organizations (a group of organizations working on similar issues/in similar fashion). Groups of local organizations can reflect together and benchmark performance within the group, providing further data for self-assessment. They also can learn from one another (whether through structured peer learning or informal conversation) to adopt promising practices from one another.

a. Organizational Capacity Assessment

There are many ways local organizations can assess themselves and identify capacity areas to target for further strengthening. USAID's recommended format for a guided self-assessment is the OCA Tool and Facilitator's Guide. The OCA is for the organization's own benefit. Hence, it is conducted post-award. The external representatives in OCA meetings are to be facilitators, not evaluators. Scores in the OCA are generated by the local organization.

b. Action Planning

An initial OCA takes approximately three days to complete and results in an agreed action plan that maps priority areas and the actions the organization will take to address problems or gaps. The action plan should relate to the review of issues and self-scoring, prioritize issues the organization sees as most significant to address, and identify specific actions to address issues. A strong action plan elaborates the steps, timing and responsibility for each action item as well as the need for any external capacity development interventions, tools, or resources. The critical aspect is for the local organization to take the lead in identifying the actions, and have ownership of the planned changes to systems and processes.

These action plans will help clarify the specific CD requirements and any needed external assistance. This information will enable the Mission to plan out its mentoring and TA provision, as well as the CD resources available from other service providers. Therefore, when USAID makes awards to third parties to provide goods, equipment, training, or services to a local organization, those awards should include language allowing adjustments based on the specific actions identified in the local organization's action plan. Beyond the provision of goods and services to support CD, USAID also can use the action plan as a basis for brokering connections between local organizations to mutual benefit.

c. Capacity Development Implementation

Several additional suggestions for broadening outreach to potential local partners for capacity development programs include:

- Prior to issuing solicitations targeted at local organizations, hold pre-solicitation meetings (see further details in Procurement Approaches).

- Translate solicitations and requirements, standard provisions, and other relevant policies and guidelines into local languages as additional reference materials available to local organizations.

- Allow project reports and deliverables to be submitted in local languages.

- Hold debriefing meetings with organizations that were selected for awards as well as those that were not selected to provide feedback regarding strengths, weaknesses, and concerns.

- Facilitate peer learning by creating specific spaces and times where multiple local organizations can meet to network, share experiences, and review ways of solving common challenges. Establishing opportunities for local organizations to network with one another and share information can build social capital, empower dynamic learning processes that take innovations more rapidly to scale, enable more strategic action, strengthen civic advocacy, and build the resilience and adaptive capacities of local organizations. Local partners add value through their representation of communities and advocacy on their behalf. Be open to their input throughout project implementation, open avenues for partner inclusion in decision-making, and support local organizations' participation in dialogue with government and other donors.

- Plan for frequent check-ins with newer partners. Allocate time for site visits, phone conversations, and engagements without specific triggering events, preferably on a regular schedule.

- Assign relationship managers for awards to local organizations around different functions (such as finance, human resources, communications, etc.). Every office has a role and every office needs to support these local relationships – be it OAA helping to facilitate local awards and explain mandatory provisions, or FMO helping out with the NUPAS and OCAs and answering emails from program accountants with questions. Set up a comprehensive framework of accountability among all mission staff for supporting relationships with local partners.

- Consider planning and budgeting for workshops on how to write reports and success stories, develop work plans, conduct monitoring and evaluation, or other common topics, using local capacity development organizations or business service providers for support.

IX. Monitoring, Evaluation and Reporting:

There are several challenges in monitoring and evaluation of CD:

- Since capacity is both instrumental (a means to an end) and a desired development result in itself, an evaluation should consider both aspects.

- The results depend on the providers of CD services as well as the recipients.

- Supply-driven support might not have the same results as demand-driven services.

- If donor funding decisions are linked to monitoring, the results can be distorted.

- CD is complex because changes can occur at the level of individuals, organizations, and entire systems (like the health care delivery system).

- It can be difficult to attribute changes to particular USAID programs or projects because of CD support from other donors, the internal efforts of organizations, and individuals' own actions. Cumulative effects from the accumulation of incremental changes can be significant.

The above challenges help explain why norms and practices for evaluation of CD have lagged behind evaluation of other areas. As a result, it is particularly important in local CD to start with a development hypothesis in the design stage that shows the logic of the project or program and to include LCD issues and indicators upfront in a monitoring and evaluation plan.

USAID's evaluation policy has important implications for implementation and procurement reform. These include:

- Activities that build local capacity or are implemented through local partnerships should be rigorously evaluated. This is especially important for innovative activities.

- The ability to conduct evaluations is an important aspect of local CD and is explicitly encouraged under USAID's Evaluation Policy. Local evaluation capacity includes expanding the number of skilled and experienced professionals who can bring the benefits of local knowledge and ownership and build a monitoring and evaluation culture in the countries where we work.

- USAID has a responsibility to evaluate the strategy of local CD to determine what works and why and provide evidence to help improve the results of USAID programs overall.

- Plans for impact evaluations need to be identified early so that the project design can include control or comparison groups to test the counterfactual.

a. **Planning Capacity Development Monitoring and Evaluation.** The crafting of monitoring and evaluation plans begins with good project design that includes a clear definition of the 1) capacity to be strengthened; 2) levels of capacity change (individual, organizational, and/or system-wide); and expected contribution of increased capacity to development outcomes.

An assessment of LCD progress and results should be based on the capacity-development objectives in the project design and their expected role in achieving the higher-level Development Objectives (DOs) in the Mission's Country Development Cooperation Strategy (CDCS). This will require an assessment of baseline capacities in project design or early in project implementation. The effects of implementation and procurement reform on USAID staff time, composition, and skill requirements should also be tracked.

Some key issues for monitoring and evaluating CD include:

- Are projects and programs succeeding in developing the capacity of partner organizations?

- Does direct engagement with local partners bring about greater ownership and empowerment?

- To what extent do increased capacity or ownership and empowerment contribute to greater development impact?

- Are capacity gains likely to be sustainable?

- Are organizations able to innovate and adapt to a changing environment?

Monitoring and evaluation plans should clearly define the objectives of LCD components:

- What kinds of capacity are to be strengthened and for what purpose?

- Is it the capacity of individuals, organizations, groups of organizations, or systems?

- What is the timeframe?

- What are the expected results?

- How is capacity related to the sustainability of broader development objectives?

b.   **Standard F Indicators for Capacity Development.** Given the emerging nature of CD, and the responsiveness of capacities to new situations, it is difficult to predict the higher-level outcomes of CD work with specificity. Accordingly, evaluation of CD is often more important than monitoring in order to better understand the outcomes that may be linked to it.

USAID has an extensive set of Standard F Indicators for all projects to select from as relevant. This list includes five indicators that address capacity building and use of local organizations. The five F indicators for LCD are described in detail with full definitions in the F Indicator Handbook for Cross Cutting Issues. The first four of these indicators are required and the fifth is recommended:

1. Total awards made directly to local for-profits and not-for-profits

2. Percent of operating unit program funds obligated through partner country systems

3. Percent of operating unit funds obligated to local organizations

4. Percent of mission awards with LCD objectives or activities requiring regular reporting on capacity-building metrics

5. Percent of mission awards with LCD objectives or activities requiring regular reporting on capacity-building metrics (includes direct and indirect awards).

c. *Custom Indicators for Capacity Development*. The F indicators are not sufficient to capture progress and results in CD activities supported through direct and indirect awards to local organizations. The most useful indicators in telling the story of CD will be those that are tailored to fit the context of a given project. Projects with CD activities should also use custom indicators. Criteria for selecting good performance measures are discussed in the ADS Section on Assessing and Learning (203.3.4.2) and the additional resources included in the Appendix to ADS 203 at 203.5.p.

USAID has created reference lists of illustrative output, outcome, and results indicators as resources for the monitoring and evaluation of local CD for a single organization or multiple organizations. These lists include indicators that Missions may choose to use or adapt in identifying the best metrics for their projects and programs. These indicators are not a required part of USAID reporting and Missions are also free to develop other indicators.

X. Additional Help

a. Approaches and Models to Local Capacity Development

b. Civicus Compendium of International Legal Instruments and Other Intergovernmental Commitments Concerning Core Civil Society Rights

c. [CSOSI for E&E](#) and [Africa](#)

d. [F Indicator Handbook for Cross-cutting Indicators](#)

e. [F Standard Indicators](#)

f. [HICD Handbook](#) and [Policy](#)

g. [ICNL NGO Law Monitor](#)

h. [Incorporation of LCD into Program Cycle](#)

i. [Indicators Compendium](#)

j. [LCD Mapping](#)

k. [NUPAS](#)

l. [OAA Help on Milestone Creation for FOGs](#)

m. [OCA](#)

n. [OCA Facilitator Guide](#)

o. [PPL Design Guidance on hypothesis](#)

p. [Project Design Guidance](#)

q. [Running an Industry Day/Bidders' Conference](#)

r. [SNV *Capacity Development in Practice*](#)

s. [SNV Local Capacity Market Facilities](#)

t. [TIPS on Measuring Institutional Capacity](#) (scroll to ADS 203.5.p)