

# STOPPING AS SUCCESS: TRANSITIONING TO LOCALLY LED DEVELOPMENT ILLUSTRATIVE PROCUREMENT LANGUAGE FOR USAID MISSIONS AND OPERATING UNITS

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## BACKGROUND

[Stopping As Success: Transitioning to Locally Led Development](#) (SAS+) is a four year cooperative agreement (2021-2025) funded by [USAID/DDI/LFT Hub](#) that seeks to generate learning on how to facilitate development transitions from international to local actors at the organizational, project, and activity level. Implemented by [CDA Collaborative Learning](#) (prime), [Peace Direct](#), and [Search for Common Ground](#), the goals of SAS+ are: to enable development partnerships to be more locally led; for transitions to be more effective and sustainable for the local actors involved; and for systems of development actors (local organizations, international partners, and USAID) and networks to be more responsive to the communities in which they work.

SAS+ builds on learning outcomes collaboratively developed through the original [Stopping As Success](#) (SAS) program's (2017-2020) evidence base of 20 original case studies, and corresponding tools and resources to foster responsible transitions and partnerships that promote local ownership and leadership. SAS+ will apply these tools and learning through an **accompaniment approach** model to assist existing partnerships in transition and to generate new learning to enable future responsible transitions to local leadership.

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## INTRODUCTION

USAID Mission and Operating Unit (OU) staff interested in facilitating locally led development have an opportunity to effect change through the incorporation of key principles and approaches into their solicitations. Infusing sustainable principles and approaches documented as successful in other contexts ensures that implementing partners are able to adopt, implement, and adapt them in their work, and ultimately achieve outcomes that can be sustained after an activity or project.

This document consists of illustrative procurement language reflecting targeted opportunities and considerations around effective transitions to local leadership that Mission and OU staff can consider, adapt, and plug into solicitations. Its themes and design are influenced by USAID's [New Partnerships Initiative](#), as well as the June 2018 revision of USAID's [Risk Appetite Statement](#), which indicates a high tolerance for risk related to innovative modalities for acquisition and assistance as well as promoting sustainability through local ownership and resource mobilization.

This resource is not meant to be an exhaustive list, but rather a learning tool to spark discussions and help Missions and OUs think about activity design. It references three types of partnerships<sup>1</sup>:

- **Traditional partners (i.e., INGOs).** These are cases where INGOs seek to transition program activities to local partners and/or subawardees post-award, but do not necessarily wish to prepare them for a direct USAID award. Solicitations should incorporate language focused on sustainability: how the Prime awardee plans to partner with local organizations in a manner that lays the groundwork for a sustainable transition leading up to closeout.
- **Transition awards (see [ADS 303, mandatory reference 303mbb](#)).** Solicitations incorporating transition award language<sup>2</sup> should detail the necessary actions the initial awardee (i.e., the INGO) should take to identify and partner with a local organization to prepare it for a direct USAID award. Note that while transition awards have often focused on improving a local partner's financial management capacities, they present an opportunity for an INGO to provide more general organizational and capacity strengthening as well.
- **New and underutilized local partners (i.e., local NGOs and CSOs).** Solicitations should identify and incorporate creative ways to support the financial and organizational sustainability of local organizations through mentoring and coaching, capacity development, and asset transfer.

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## PROGRAM DESCRIPTION

### ACTIVITY GOAL AND OBJECTIVES: PLAN FOR TRANSITION FROM THE BEGINNING<sup>3</sup>

SAS' research demonstrates the sustainability of activity and project outcomes after a transition depends on the manner in which an organization begins work in a target

community. Grantees should discuss key considerations for sustainability in their proposal, and then work with USAID, communities, and partners during start-up to co-develop a comprehensive sustainability plan. This approach dovetails well with innovative contracting approaches such as [Refine & Implement](#), which AOs and COs may wish to consider.

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<sup>1</sup> Please see NPI's [Key Definitions document](#) for more information on types of partnerships.

<sup>2</sup> USAID may make an award without competition to a local organization that is a subrecipient under [Activity/Project] if the following conditions are met: A) The recipient of the transition award is a local subrecipient that has not previously received a direct award from USAID; B) The initial award required the recipient to develop the capacity of the local subrecipient(s) to become more capable of receiving a direct award from USAID or other donors; and C) The initial award recipient recommended the local subrecipient for a potential transition award based on explicit criteria contained in the initial award according to [ADS 303mbb](#)

<sup>3</sup> See the SAS tool [Facilitating Effective INGO Transitions Throughout the Project Cycle: Donors](#) for more guidance.

## **TRADITIONAL PARTNERS**

Including a strategic objective in the Program Description focused on a sustainable transition of program activities leading up to closeout can demonstrate the importance of the transition to long-term sustainability. This objective will in part be operationalized through the [Sustainability and Transition Plan](#) to be requested from Recipients, described below, but general elements can be described here.

**Example Language:** Objective-- Ensure sustainability of [Activity]'s outcomes by developing the organizational, technical, and programmatic capacity of local partners. This will involve either (1) identifying key government, community organization, NGO, or private sector partners who will subgrant during the program and continue after the period of performance; or (2) creating a local sub-recipient organization to implement the program and continue after the period of performance. The Recipient should describe their approach to sustainability, including how they plan to (1) identify elements important for organizational and programmatic sustainability within the context (including the sector and relevant social, political, and economic factors) of the activity; (2) assess and, if necessary, develop programmatic, operational, financial, and technical capacities within the relevant local entity(ies) in order to meet those elements following the activity period of performance; (3) create or strengthen the relevant local entity(ies), including through strategic planning, registration, and business planning; (4) define indicators, targets, milestones, and a timeline to track progress towards these plans; and (5) include a process to develop a transition strategy [midway through implementation], which will define how the INGO plans to transition key program elements to the local entity(ies) in the final years of the activity. This approach will be more fully developed and operationalized through the Sustainability and Transition Plan, considerations for which are described below.

## **TRANSITION AWARDS (IF PLANNED FROM INCEPTION)**

Describe the purpose and process involved with a Transition Award, laying out the steps involved in selecting a local partner and assessing their capacity (e.g., through the [Organizational Performance Index \(OPI\)](#)) to meet

USAID standards for a direct award. Specific criteria required for the local partner to receive a direct award should be included in the Award Information section of the procurement document. Relevant criteria included in the initial award for screening of local organizations will help to ensure that USAID is engaged when the prime and subawardee together believe that the identified local organization(s) is ready to start working with USAID as a (future) prime awardee, and both have agreed on a relevant capacity building plan.

**Example Language:** Objective-- Support the transition of prime funding and implementation to capable local partners. Assist local partners to become successful prime recipients of USAID funds and comply with USG regulations, policies, and relevant performance standards and reporting requirements.

- Specific Criteria-- To qualify for a direct award and be eligible to receive USAID funding, local organizations must have:
  - Active DUNS number, status on System for Award Management, no exclusions on the OFAC website or UN Sanctions List.
  - Technical and management experience in the fields relevant to [Activity] objectives.
  - Consistent access to and capacity to use minimum necessary infrastructure (office, internet access, electricity, etc.), and hardware and software (computer equipment and professional/statistics/visualization, etc. software packages) to perform tasks related to objectives of the direct award.
  - Working relations and active engagements with host country governments, multilateral and USG agencies to build collaborative working relationships.
  - Well-defined indicators of success and description of how it intends to monitor its own program performance in a cost-effective and efficient manner, including the sources of data used for this performance monitoring.
  - Staffing capacity with an appropriate balance

of skills and a staffing management plan which optimizes efficiency, and demonstrates how the proposed staffing configuration will enable the local subrecipient to accomplish desired results; and the extent to which the overall staffing plan fosters local ownership and utilizes local capacity.

- Proficient financial management and internal control systems (e.g. banking accounts, bookkeeping system, financial statements, accounting cycle, sources of funding, financial reporting, audit and review of financial statements).
- Ability to manage funding responsibly and efficiently.
- Capacity to meet USG program and financial reporting requirements.
- Ability to meet other pre-award requirements, including the risk assessment, and other required certifications and representations for the [Activity].

Applicants shall describe their approach to sustainability, including a clear plan to (1) identify elements important for organizational and programmatic sustainability within the context of the activity, most significantly the requirements listed above; (2) determine which local organization(s) within [country] are viable sub-awardees capable of ultimately receiving a direct award; (3) describe a plan to assess and, if necessary, develop programmatic, operational, financial, and technical capacities within the relevant local entity(ies); (4) create or strengthen the relevant local entity(ies), including through strategic planning, registration, and business planning; (5) define indicators, targets, and milestones to track progress towards these plans; (6) lay out a timeframe for when the direct award to the sub will be considered, including the limits of USAID funding of the initial award for activities of the sub-recipient; and (7) include a process to develop a transition strategy [midway through implementation], a separate document which will define how the INGO plans to transition key program elements to the local entity(ies) in the final years of the activity.

## **NOTE ON TRANSITION AWARDS (IF ADDED MID-IMPLEMENTATION)**

The above language for Transition Awards represents the ideal state—planning for transition from the beginning and working from the proposal stage. However, this is not always feasible. There may be cases in which the initial grant or contract does not anticipate a Transition Award during program design, but over the course of implementation USAID, the Prime, and a subawardee agree that there is both opportunity for and interest in a subsequent Transition Award to the subawardee. This will mean amending the original grant or contract to include Transition Award language. The language in [ADS 201](#) is sufficiently broad to allow for this, with the caveat that the AO/CO must demonstrate that its intent to develop the capacity of local sub-recipients to eventually receive direct USAID funding was there in the first place. This intent can be demonstrated by the AO/CO signing a memo that states this intent was there from the beginning. Finally, any amendment made to include transition award language should include criteria and conditions similar to those in the [Planning for Transition from the Beginning](#) section above.

## **NEW PARTNERS**

USAID may wish to include a section in the Program Description focused on plans for the organizational development of the local partner. This objective will in part be operationalized through the [Sustainability and Transition Plan](#) to be requested from Recipients, described below.

**Example Language:** Objective-- Ensure sustainability of [Activity]’s outcomes by collaboratively developing organizational, technical, and programmatic capacity within the Recipient organization. The Recipient should describe their approach to sustainability, including how they plan to collaborate with USAID to: (1) identify barriers and enablers important for organizational and programmatic sustainability within the context (including the sector and relevant social, political, and economic factors) of the activity; (2) assess and, if necessary, develop programmatic, operational, financial, and technical capacities in order to meet those elements; (3) create or strengthen the Recipient organization, including through strategic planning, registration, and business planning; and (4) define indicators, targets,

contextual risk factors, and milestones to track progress towards these plans. USAID will support the Recipient through the development and collaborative implementation of the Sustainability and Transition Plan, considerations for which are described below.

## EXECUTING A TRANSITION AWARD

USAID CORs and AORs should also include language in solicitations providing guidance around how the Transition Award will be executed. This will explain the process by which the local subawardee under the initial award can receive a direct award from USAID once they, the initial Prime, and USAID have agreed that the Transition Award criteria have been met.

**Example Language:** To initiate the transition, the partner shall submit a concept note and summary budget for the proposed Transition Award activity collaboratively developed by the Recipient and applicant. The submission should include:

- Clear goals for the Transition Award that are identified and measurable; and
- Substantial evidence to demonstrate their financial management capabilities.

USAID COR/AOR will review the concept note and summary budget for the proposed activity and will determine whether to pursue a full application. If the criteria are met, USAID COR/AOR will make a recommendation to the CO/AO to request a full application. The CO/AO will issue a formal “Request for Full Application” for the anticipated Transition Award. The Transition Award candidate (current sub) will prepare a full application and submit it to USAID for review. The COR/AOR will review the application and provide a technical recommendation to the CO/AO, including any additional reviews, approvals assessments, analyses, notifications, etc. that s/he believes may be required prior to award. The CO/AO will inform the partner organization and the Transition Award Applicant of the determination regarding the award. The CO/AO reserves the right to further define the program objectives or require additional information in order to make a determination to issue a Transition Award. Awards under this exception are at the discretion of the CO/AO. All USAID rules and regulations will apply

to the Transition Award pursuant with the ADS.

## SUSTAINABILITY: BEST PRACTICES AROUND CAPACITY DEVELOPMENT

Capacity building, training, and technical assistance to local partners is a regular and important aspect of USAID programming. However, many sustainable transitions documented by SAS were characterized by additional organizational development support in the areas of grants management, strategic planning, leadership development, financial management, and fundraising, in addition to more technical subject matter areas. Notably, many of the most effective transitions utilized longer-term accompaniment models of capacity building with recurring engagement and follow-up. Where appropriate, USAID AORs and CORs should consider requiring traditional partners and Transition Award to report against the CBLD-9 standard indicator, which measures whether USG-funded capacity development efforts have led to improved organizational performance in organizations receiving organizational capacity development support.

### TRADITIONAL PARTNERS

A partner working with one or more local subgrantees/subcontractors (whether new or identified during program start-up) should be expected to incorporate organizational capacity development into its budgets and partnership agreements. Specific capacities to develop should be identified through any locally relevant capacity assessment or governance tool and reported on throughout implementation. This capacity development plan should be cross-referenced with relevant sections of the Sustainability and Transition Plan.

**Example Language:** The Recipient will propose a capacity development plan for their local partners in line with the requirements of the CBLD-9 standard indicator. CBLD-9 states that an organization can be counted as having improved organizational performance if it meets the following conditions.

1. As reflected in the activity theory of change, resources (human, financial, and/or other) were allocated for organizational capacity development.
2. An organization demonstrates that it has undergone

and documented a process of performance improvement, including the following four steps:

- a. Obtaining organizational stakeholder input to define desired performance improvement priorities,
  - b. Analyzing and assessing performance gaps (the difference between desired performance and actual performance),
  - c. Selecting and implementing performance improvement solutions (or the development interventions), and
  - d. Monitoring and measuring changes in performance.
3. An organization demonstrates that its performance on a key performance indicator has improved.

Organizations may choose their preferred approach and/or tools for documenting the process and achievement of performance improvement. The approach and/or tool may be one that has been or is being used by the organization prior to the implementation of USG-funded support. One example of a broad performance improvement monitoring tool that USAID has used is the [Organizational Performance Index \(OPI\)](#), which can be used for assessing performance across multiple domains. Other examples include university accreditation self-assessments, a balanced scorecard approach, Six Sigma, and many others.

The recipient's proposed capacity development plan shall (1) include a locally relevant capacity assessment to determine capacity gaps, especially in capacities related to grants management, strategic planning, leadership development, financial management, and fundraising; (2) lay out a detailed approach to capacity development over the course of the activity, ideally with a focus on accompaniment and 'learning by doing' training models; and (3) propose a framework with illustrative milestones for organizational strengthening up to closeout.

### **TRANSITION AWARDS**

After the partner selection and capacity assessment phase, the solicitation should describe the steps involved in developing the local partner's capacity to meet USAID

standards for a direct award. This typically involves significant training and accompaniment around financial management, compliance, and reporting systems (e.g., having banking accounts, using a bookkeeping system, regular financial statements, utilizing the accounting cycle, audit and review of financial statements). This capacity development plan should be cross-referenced with relevant sections of the Sustainability and Transition Plan. Where relevant, AORs and CORs may also wish to incorporate language from the CBLD-9 standard indicator as described above.

**Example Language:** After one or more local organization(s) is selected, [Activity] will work with the relevant Mission, initial award AOR/COR, and AO/CO to determine the special conditions applicable to this particular subaward. A portion of the initial awardees payments will be tied to the achievement of these special conditions to ensure that [the capacity development objective] is fulfilled. These will include the activities required to improve capacity, specifically the local partner's organizational and financial management procedures, with specific benchmarks and goals needed to prepare the local partner for independent operations that meet USG standards. These special conditions, along with the respective payments tied to each special condition, will be incorporated into the [Activity] agreement via an award modification.

### **NEW PARTNERS**

USAID has long understood that awards made directly to local organizations should include some form of institutional capacity development. As [official guidance](#) on Fixed Amount Awards states, "An organization with limited or no experience in receiving USG grants... will often need the assistance of USAID at all stages, including pre-award and post-award, for compliance with USAID requirements and successful completion of the grant." However, use of tools such as the [Fixed Amount Award Entity Eligibility Checklist](#) to assess capacity gaps can result in a narrow focus on financial management, leaving aside other institutional capacities important for long-term sustainability. This capacity development plan should be cross-referenced with relevant sections of the Sustainability Plan.

**Example Language:** After an award is made, relevant [Mission or OU] staff will conduct a locally relevant capacity assessment in collaboration with the Recipient

in order to identify strengths and gaps, including in the following areas: grants management, strategic planning, leadership development, financial management, and fundraising. Following this assessment, staff will create

a capacity development plan to provide training, assistance, mentorship, and guidance to the awardee to help them develop their internal systems and overall institutional capacity.

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## REPORTS AND OTHER DELIVERABLES

### REPORTING REQUIREMENTS AND COMPLIANCE: SUSTAINABILITY AND TRANSITION PLAN

Sustainability plans are now commonly included in proposals. However, they can easily become a box-checking exercise. Including a requirement for the submission of a detailed, meaningful sustainability and transition plan, along with updates in quarterly or annual reports, would be a useful step towards institutionalizing a sustainability agenda within a given activity.<sup>4</sup>

### TRADITIONAL PARTNERS AND TRANSITION AWARDS

USAID should consider co-developing a detailed sustainability plan with INGO applicants that include a clear process for laying out steps throughout program implementation at the beginning of the award. This will build on elements included in the Program Description section of the proposal. The plan should include indicators to track sustainability of the transitioning entity, including around organizational development (e.g., strategic and business planning, legal registration, hiring), financial sustainability (e.g., financial management capacity, fundraising goals), and technical capacity, along with plans for organizational and capacity development to meet milestones and a transition plan to define the timing and nature of INGO transition. Depending on context, example indicators could include the number of new business proposals submitted, the amount of new funding secured, or the ability to pass a mock NUPUS. Indicators for capacity development should be in line with guidance for CBLD-9. For transition awards, the plan will also closely track the criteria for USAID priming described above. The transition plan will likely need to be developed later in implementation as the

INGO develops a better understanding of the program.

**Example Language:** The Recipient will prepare and submit a detailed Sustainability and Transition Plan which will describe the Recipient's approach to maintaining the benefits of the activity following the period of performance. The Plan will describe this approach in a greater level of detail than was included in the Program Description, but shall be cross-referenced with the applicable sections in the Program Description. The Plan shall: (1) identify elements important for organizational and programmatic sustainability within the context (including the sector and relevant social, political, and economic factors) of the activity; (2) lay out a plan to assess and, if necessary, develop programmatic, operational, financial, and technical capacities within the relevant local entity(ies) in order to meet those elements following the activity period of performance; (3) lay out a plan to create or strengthen the relevant local entity(ies), including through strategic planning, registration, and business planning; (4) define indicators, targets, and milestones to track progress towards these plans; and (5) include a process to develop a transition strategy [midway through implementation], which will define how the INGO plans to transition key program elements to the local entity(ies) in the final years of the activity. Sustainability elements, capacities, milestones, and targets shall be collaboratively defined with local entity staff. The sustainability plan must be adaptive, with flexible milestones, built-in feedback loops, and plans to iterate capacity development activities as the Recipient gathers data, reflects, and documents lessons learned.

A draft of the Plan shall be submitted within 45 calendar days after the award date. The Recipient will include a section in each [quarterly or annual] report detailing progress made against the Plan, along with results,

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<sup>4</sup> “[Sustaining Development: A Synthesis of Results from a Four-Country Study of Sustainability and Exit Strategies among Development Food Assistance Projects](#)” provides good lessons learned around sustainability planning for food assistance programming, and some of its conclusions may be extrapolated to other sectors.

challenges, learning, and adaptations made.

## **NEW PARTNERS**

In the initial stages of the award, USAID may wish to work collaboratively with new and underutilized partners to create a mutually determined sustainability plan in line with the language above. USAID may be significantly involved in the preparation and execution of this plan. Indicators for capacity development and organizational strengthening should be in line with guidance for CBLD-9.

**Example Language:** The Recipient will prepare and submit a detailed Sustainability Plan which will describe the Recipient’s approach to maintaining the benefits of the activity following the period of performance. The Plan must: (1) identify elements important for organizational and programmatic sustainability within the context (including the sector and relevant social, political, and economic factors) of the activity; (2) lay out a plan to assess and, if necessary, strengthen the applicant’s programmatic, operational, financial, and technical capacities in order to meet those elements following the activity period of performance; (3) lay out an organizational development plan for the applicant, including, if necessary, strategic planning, registration, and business planning; and (4) define indicators, targets, and milestones to track progress towards these plans. Sustainability elements, capacities, milestones, and targets should be collaboratively defined with USAID staff. The sustainability plan must be adaptive, with flexible milestones, built-in feedback loops, and plans to iterate capacity development activities as the Recipient gathers data, reflects, and documents lessons learned.

A draft of the Plan shall be submitted within 90 calendar days after the award date, and the fully developed plan is due within 120 days of the award date. The Recipient will include a section in each [quarterly or annual] report detailing progress made against the Plan, along with results, challenges, learning, and adaptations made.

## **DISPOSITION PLAN: ASSET TRANSFER TO LOCAL ORGANIZATIONS**

During SAS’ research local partners highlighted the retention of property such as vehicles, furniture, computers, and information technology systems during

activity close-out as important to organizational and programmatic sustainability. Besides their obvious functional use, the ability to, for example, sell a car during ebb funding periods can sometimes mean the difference between staying open or closing. As described in [ADS 303mab](#), AOs have significant latitude in this area: “Disposition may include the following: (1) The recipient may retain title with no further obligation to USAID; (2) The recipient may retain title, but must compensate USAID for the USAID share, based on the current fair market value of the Property; (3) The recipient may be directed to transfer title to USAID or a third party, including another implementing partner or the host country government. In such case, the recipient will be compensated for its proportional share of the Property that the recipient financed with its own funds, if any, based on the current fair market value of the Property.”

## **TRADITIONAL PARTNERS AND TRANSITION AWARDS**

Solicitations should encourage grantees and/or contractors to transfer property to their local partners at close-out of the original award.

**Example Language:** The disposition plan shall include but not be limited to: a proposal to transfer titles to Property to sub-recipients where applicable in accordance with government regulations, to be reviewed by the AOR and approved by the Agreement Officer. This proposal shall include a detailed justification for the title transfers, an explanation of the necessity of the Property to the sustainability of programmatic outcomes and the sub-recipient’s organizational strength, and a description of the intended future use(s) of the Property.

## **NEW PARTNERS**

Awards made directly to local partners are an opportunity for USAID to fund acquisitions of property identified as being important to organizational and programmatic sustainability. This process goes hand in hand with capacity development plans. Beyond hard assets, local partners may benefit from software systems for grants management, financial management, databases, human resources, and other crucial operational functions. Solicitations should describe USAID’s intent to allow partners to retain title to property acquired



during implementation of the award after close-out.

**Example Language:** The [disposition] plan shall include but not be limited to: a proposal to retain title to Property where applicable in accordance with government regulations, to be reviewed by the AOR and

approved by the Agreement Officer. This proposal shall include a detailed justification for the title retention, an explanation of the necessity of the Property to the sustainability of programmatic outcomes and the Recipient's organizational strength, and a description of the intended future use(s) of the Property.

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## PERSONNEL

### APPROVAL OF KEY PERSONNEL

Requirements that key personnel positions in program leadership roles be staffed by citizens of the host country are an excellent way to build local staff capacity and ensure sustainability after activity close-out.

### TRADITIONAL PARTNERS AND TRANSITION AWARDS

While some situations may require an expatriate in the Chief of Party role, other program leadership roles such as DCOP, Technical Directors, or Finance and Administration Managers can be filled by national staff. Including a requirement that these positions be staffed by nationals would be beneficial for local sustainability and capacity building, especially in situations when those staff continue working for the transitioning local organization.

**Example Language:** USAID shows a strong preference for key personnel from the area of program operations and/or the host country. If the Applicant proposes the creation of a new local entity to carry on [Activity]'s mission following the period of performance, or the transition of program operations to existing local entities, these personnel would ideally roll onto the staff of the local organization following [Activity] close-out. In some contexts, it may be difficult to identify qualified local staff or staff may be unwilling to commit to working for a local organization. In these situations, the Applicant shall include in their Sustainability Plan a process by which key positions will transition to national personnel during implementation, especially to those personnel demonstrating a clear interest in continuing to work for the local organization after close-out. This will allow for appropriate personnel to be identified, mentored, and transition a more senior role.

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## INSTRUCTIONS FOR PROPOSAL PREPARATION

In addition to the below requirements, for traditional partners and transition awards, Missions and OUs may wish to request a description of the Applicant's past performance with transitions, change management, and organizational development. Requests should include real-world examples of the Applicant's organizational experience in these areas.

### BUDGET NARRATIVE: FUNDING FOR AUDITS

Local organizations are often unable to secure funding for financial audits. Establishing an audit history allows organizations to take an important first step towards developing a financial track record and policies that will set them up for financial sustainability, regardless

of chosen funding model. The general purpose of these audits should not be to assess specific compliance with USG regulations, but more broadly to develop financial systems that will strengthen the organization as a whole. However, if the organization is interested in future USAID funding, the audit will assist with compliance as well as helping them to create an indirect cost structure to recover overhead costs. Otherwise, organizations are forced to rely on the base 10% de minimis rate. Many sub-grants or awards received by local organizations under USAID activities do not meet the \$750,000 annual expenditure threshold for an audit. However, [ADS 303mab](#) states that "USAID retains the right to conduct a financial review, require an audit, or otherwise ensure adequate accountability of organizations expending USAID funds, regardless of

the audit requirement.”

### **TRADITIONAL PARTNERS AND TRANSITION AWARDS**

Instructing INGOs to budget for audit costs for any local sub-awardees that are implementing essential components of the program would be an important asset in sustaining programmatic outcomes and organizational sustainability. This is especially true for transition awards in which the local organization expects to compete for USAID funding as part of its funding model.

**Example Language:** Applicants shall budget for audit costs for any awards to local partners in order to help them establish a financial track record.

### **NEW PARTNERS**

For direct awards to local organizations, USAID should expect to conduct regular audits and provide technical assistance (whether through USAID staff or a contract mechanism) to develop the organization’s financial capacity. To ensure these are useful to the local partner, technical assistance should be focused on general accounting and financial management principles rather than narrowly on USG compliance.

**Example Language:** USAID will conduct annual financial audits of the Recipient in order to assess financial compliance with accounting principles generally accepted in the cooperating country or by the International Accounting Standards Board (a subsidiary of the International Financial Reporting Standards Foundation). Audit deficiencies will be corrected through the provision of technical assistance and capacity development through either a third-party contract or directly by USAID staff.

## **BUDGET NARRATIVE: CULTURALLY SENSITIVE ALLOWABLE COSTS**

Many cultural contexts include some form of gift-giving when establishing new relationships. For many local NGOs entering communities, this means purchasing small gifts is a necessity to establish trust. The inability to expense these gifts without significant documentation means that NGO workers either pay out of pocket (often at significant personal cost) or risk incurring severe penalties. These requirements can be difficult for people raised in non-Western cultures to understand: as one local NGO worker in the Philippines told SAS, “the way [internationals] do reporting is not culturally appropriate. In our culture when we go to a house we bring food. By bringing food we are saying we want to relate with you. But Western financial management systems require that pastors and households sign your vouchers.” Tailoring financial requirements and allowable costs to the local context can make an enormous difference, and in many cases is up to AO discretion; [ADS 303mab](#) states, “The recipient may obtain the AO’s written determination on whether specific costs not clearly addressed in the applicable cost principles are allowable or allocable. The AO reserves the right to make a final determination on the allowability of costs.”

**Example Language (all partnership types):** Budget, Other Direct Costs-- The Applicant shall include resources related to small gifts and/or meals purchased to build relationships with leaders and/or communities.

## **APPLICATION REVIEW - SAMPLE REVIEW CRITERIA**



### **TECHNICAL APPROACH**

#### ***TRADITIONAL PARTNERS***

The extent to which the applicant explicitly describes a reasonable approach towards strengthening relevant local entities and ensuring sustainability of [Activity] outcomes beyond the period of performance. This includes the degree to which the applicant demonstrates its understanding of the challenges facing local partners in [Country], its ability to tailor support based on varying partner and country needs, and its strategy for overcoming barriers to ensure successful achievement of the transition award goals.

#### ***TRANSITION AWARDS***

The extent to which the applicant explicitly describes its approach for identifying and strengthening local partners, primarily with regard to meeting the transition award criteria. This includes the degree to which the applicant demonstrates its understanding of the challenges facing local partners in [Country], its ability to tailor support based on varying partner and country needs, and its strategy for overcoming barriers to ensure successful achievement of the transition award goals.

### **ORGANIZATIONAL CAPACITY, STAFFING, AND MANAGEMENT PLAN**

#### ***TRADITIONAL PARTNERS AND TRANSITION AWARDS***

The extent to which the staffing pattern, number, and type of positions, and organizational arrangements (e.g., consortium, sub-awardees) proposed are responsive to the management and technical requirements, including capacity building of local subrecipients, with an optimal configuration for efficiency, flexibility, cost containment, and use of expertise.

### **PAST PERFORMANCE**

#### ***TRADITIONAL PARTNERS AND TRANSITION AWARDS***

Past performance will be evaluated on: how well the Applicant was able to sustain outcomes through local organizations in past experiences of transition.

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## APPLICATION REVIEW

Integrating practices important for effective transitions and sustainable, locally led development into the evaluation criteria and ensuring they are considered during the review process will lead to stronger proposals. Here are some key questions for evaluation committee members to use when evaluating sustainability elements of technical proposals.

### TRADITIONAL PARTNERS

- Does the proposal identify specific partners to which the INGO plans to transition program activities, or describe a reasonable plan to do so?
- Does the proposal include a reasonable plan to build partner capacity in line with the CBLD-9 standard indicator? This should include:
  - An overview of capacities important for organizational sustainability, including grants management, strategic planning, leadership development, financial management, and fundraising
  - Some form of locally relevant capacity assessment to identify a baseline and key strengths and gaps
  - A process of capacity development with collaboratively defined indicators and milestones
  - An adaptive approach involving reflection and iteration of training activities
  - Adequate budget lines for capacity development
- Does the proposal include provisions for property transfer to local partners following the period of performance?
- Does the proposal describe a transition process by which local partners and/or staff assume more responsibilities or Key Personnel positions within the activity?
- If the INGO plans to create a new NGO, do they understand the steps required to do so within the host country?
- For the cost realism assessment: does the budget include an overhead rate for local partners? If not, is there an explanation?
- Has the proposal budgeted for audits of local partners?

### TRANSITION AWARDS

- Does the proposal include a reasonable plan to build partner capacity in line with the CBLD-9 standard indicator? This should include:
  - An overview of capacities important for organizational sustainability, including grants management, strategic planning, leadership development, financial management, and fundraising
  - Some form of locally relevant capacity assessment to identify a baseline and key strengths and gaps
  - A process of capacity development with collaboratively defined indicators and milestones
  - An adaptive approach involving reflection and iteration of training activities
  - Adequate budget lines for capacity development
- Has the applicant shown a clear understanding of the criteria required for the local partner to prime?
- For the cost realism assessment: does the budget include an overhead rate for local partners? If not, is there an explanation?
- Does the proposal include provisions for property transfer to local partners following the period of performance?
- Has the proposal budgeted for audits of local partners?

## REVIEWING PROPOSALS FOR SUSTAINABILITY AFTER TRANSITIONS

Included in this box are examples of green and red flags to assist your evaluation committee while they are reviewing proposals involving transitions.



### RED FLAGS

The proposal...

- Does not include a capacity development and performance improvement approach that aims to improve the delivery of products or services that an organization produces.
- Describes only development of program-related capacities, not capacities related to broader organizational strengthening and sustainability, such as strategic planning and business development (see [Capacity Development](#) section).
- Lacks adequate budget to support a robust capacity development plan, financial audits of local partners, and property acquisition and transfer to local partners.
- Does not budget an overhead rate for local partners.
- Has no host country nationals in Key Personnel positions, or a plan to transition key personnel positions to local staff.
- Lists popular buzzwords rather than a coherent description of the process or approach for aligning resources and developing capacity in preparation for a transition to a local partner.

### GREEN FLAGS

The proposal...

- Describes a concrete approach to capacity development demonstrating understanding of CBLD-9 requirements.
- Discusses feedback loops to regularly receive input from local partners on both the overall partnership and transition-related program activities, and clear adaptive management approaches to integrate feedback into program implementation.
- Clearly states which local partner(s) will sustain specific program activities post-closeout, or lays out a plan to identify or create them.
- Demonstrates understanding of the legal and governance requirements involved in either setting up a new local entity in the host country or transitioning program activities to an existing local entity.
- Includes a plan to transition key program functions and leadership positions to host country nationals to develop capacity prior to closeout.
- Provides examples of successful transitions in past programs.

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