

**Written Testimony of Meghan Armistead,
Senior Research and Policy Advisor, Catholic Relief Services**

**“Shifting the Power: Advancing
Locally-led Development and Partner Diversification in U.S. Development Programs”**

**House Committee on Foreign Affairs
Subcommittee on International Development, International Organizations and Global
Corporate Social Impact**

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Chairman Castro, Ranking Member Malliotakis: On behalf of Catholic Relief Services (CRS), the international relief and development agency of the Catholic community in the U.S, thank you for calling this hearing and for the opportunity to highlight the need for the U.S. government to advance locally led humanitarian and development assistance.

Rooted in Catholic Social Teaching, CRS is committed to its principle of subsidiarity: that a higher level of government or organization should not perform any function or duty that can be handled more effectively at a lower level by people who are closer to the problem and have a better understanding of possible solutions. Supporting locally led development and strong and effective local leadership encompasses this subsidiarity ideal. People should play a central role in their own individual, community, and societal development, including that touched by humanitarian and development assistance programs. Building and strengthening local leadership and their institutions ensures that CRS’ work respects the dignity and agency of each person and community we serve and codifies our commitment to serve the common good.

CRS’ commitment to subsidiarity is also reflected in our experience with partners. Working with thousands of partners every year has taught us that they embrace opportunities to lead, and CRS is committed to supporting their growth as new opportunities emerge. In recent years, we have also been excited to see donors, policy makers and other aid actors increasingly recognizing the need for local leadership across the humanitarian to development spectrum. From the global Grand Bargain to the USAID Journey to Self-Reliance to newer initiatives, governments, INGOs, local NGOs, and multi-lateral institutions are grappling with the task of transforming structures, processes, activities and staffing to reflect the importance of local leadership at all levels of decision-making and implementation.

I. Principles for Locally Led Humanitarian and Development Assistance

CRS affirms local leadership is critical for effective, meaningful and sustainable humanitarian response and development and must be a priority for the future of foreign assistance. Rooted in CRS’ values and experience with partners around the world, these policy principles guide our work to encourage, support and expand locally led humanitarian and development assistance.

Locally led development and humanitarian response requires local actors as implementers and leaders. Efforts to support local leadership must go beyond local program implementation to also include ownership of all development processes. While investing in capacity strengthening

is important, it should be paired with efforts to increase inclusive decision-making. A focus on local leadership means “shifting the power” from the international to the local level in responding to development and humanitarian challenges.

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

Holistic, not transactional, capacity strengthening is critical for sustainable change. Too often donors, policy makers and peer organizations define locally led development as the ability of local organizations to comply with donor regulations. However, meaningful and sustainable local leadership goes beyond compliance capacity, and should instead include the resources, systems and structures, staff and leadership needed for effective, appropriate and sustainable programming. Holistic capacity strengthening programs should respond to goals developed by local institutions in collaboration with their partners. These programs may address areas of organizational weakness in finance, programming, or compliance, but may also help local institutions strengthen their staff skills, organizational systems, structures and governance in order to lead more effectively and sustainably. Successful and sustainable locally led implementation requires holistic approaches and methodologies that are responsive to context and barriers to change. This means capacity strengthening that goes beyond simply training, addressing organizational systems and structures, and buttressing organizational sustainability.

Funding mechanisms and conditions help determine localization success. A humanitarian aid and development assistance system with local actors as the main implementers has many advantages. However, it may also require structural and/or operational changes for it to succeed. Consideration of the size of awards that are reasonable for a range of local actors to bid for, design, implement and evaluate; the timelines of their operation; the mechanism for procurement (e.g. assistance or acquisition); risk management and overhead are all important to ensure successful local leadership pre, during and post implementation. Humanitarian funding that is less directed, more flexible and with multi-year possibility; harmonization of funding and reporting requirements; improved transparency and cost efficiency; innovative tools and mechanisms all encourage and support local institutions in taking more lead roles. All humanitarian and development stakeholders should develop joint strategies to manage and overcome compliance and due diligence obstacles and move towards effective risk-management and sharing. This must include ensuring local institutions have strategies for covering indirect costs.

A broad and inclusive civil society, including faith-based organizations (FBOs), is important. Local leadership goes beyond institutions that are immediately capable of being donor compliant or “prime ready”. There are many local actors who have important roles to play in meeting development goals but may not be ready or interested in to serve as prime implementers of USG

programs. In many places there are nonprime ready, or not-yet-prime ready actors who are also those reaching the most vulnerable. These are important local leaders and institutions for reaching program targets, and they also need capacity support. Faith-based organizations can also play a particularly powerful role in reaching communities and effecting meaningful change. Moreover, sustainable leadership is not just about sustainable individual institutions, but strong associations of local organizations, that provide a voice and support for the full range of local organizations of various sizes and capacities. In addition to interconnectedness, local leadership thrives in an environment that is conducive to civil society and that promotes effective civil society local government collaboration. Too often, threats of closing civic space threatens authentic and inclusive local leadership.

Government matters. Localization should not replace an effective public social service sector. While CRS fully supports local civil society, it is important to remember the critical role of public national, regional and local systems and structures, in addition to individual institutions. Aid should not seek to supplant local public institutions. Strong partnerships with shared responsibilities between the government, local civil society and others such as INGOs can result in transformative change at scale.

II. Advancing Locally Led Development Assistance

CRS supports local institutions in achieving their ambitions to be effective, dynamic, and sustainable catalysts for change for the people and communities they serve. Grounded in our Catholic values, CRS believes that when it invests in people and helps build healthy institutions, local governments, organizations and communities are better able to lead their own development. The dynamic nature of today's development environment has made clear that local ownership of development programming is key to sustainability.

Through our many years of experience working with partners around the world, we have seen how investment in meaningful partnerships and holistic capacity strengthening can result in effective and sustainable development. A recent example from our \$40.9 million project aimed at sustainably helping orphans and vulnerable children (OVC) in Nigeria demonstrates this kind of impact at scale. The nationwide USAID-funded Sustainable Mechanisms for Improving Livelihoods and Household Empowerment (SMILE) project served over 300,000 people with a range of services including household economic strengthening, access to HIV care, nutrition, education and psychosocial support, while also working to strengthen the capacity of 49 civil society and local government partners. By its close, SMILE succeeded in meeting all its programmatic targets, while also reporting demonstrably improved partner capacity, including metrics like financial risk ratings rising from an average 58% at baseline to 90% and by project end, 10 partners transitioned to prime recipient status for direct USG funding. SMILE shows how effective partnership and holistic capacity strengthening approaches can yield systemwide change for sustainable development.

A similar project in Uganda further cements our belief that high capacity, dedicated local civil society organizations exist and are primed to take the lead, especially when they can access investment and support for their capacity. In that example, CRS led the USAID-funded Sustainable Outcomes for Children and Youth (SOCY, 2015-2021) project, designed to improve the health, economic, educational, and psychosocial wellbeing of OVC and their households, as well as

reduce abuse, exploitation, and neglect among this population. Through a network of civil society organizations, social workers and frontline para-social workers, SOCY provided services that reduced the risk of HIV and violence and linked individuals to much needed services. This \$45.5 million project emphasized local civil society capacity strengthening to meet the needs of children and families and targeted 13 local partner institutions. All partners demonstrated increased organizational performance, and one, the Transcultural Psychosocial Organization (TPO), has now transitioned to become a major prime recipient of USG funding. Too often, capacity strengthening is aimed at simply strengthening organizations' ability to manage project funds. However, with TPO, CRS utilized additional funding and time to go beyond strengthening just the project and we continue to provide technical assistance to TPO as a subrecipient under their new prime award. This experience highlights how important strong, trust-based partnerships can be for long-term locally led development outcomes, and also how capacity strengthening and supporting local leadership often requires timelines and funding approaches beyond single project cycles.

Our experiences also strengthen our assertion that strong partnerships among development stakeholders, investment in meaningful capacity strengthening, and use of funding mechanism that allow for transition and increased access to leadership opportunities, can all help create effective and sustainable locally led development solutions. In The Gambia, CRS' \$11 million Global Fund malaria programs was implemented with the Ministry of Health from 2010-2018, where strong partnerships with national and local partners led to the eventual full transition of the Principal Recipient role to the National Malaria Program. During the period that CRS served as co-Principal Recipient, malaria parasitic prevalence decreased from 4% in 2010 to 0.1% in 2017, and the project recorded other improved outcomes including uptake of intermittent preventive treatment of malaria by 82% of pregnant women, and reported long lasting insecticidal nets use by 94% of pregnant women and by 95% of children under 5. These outcomes accompanied significant improvements in partner capacity, resulting in leadership and replication of the approach by the National Malaria Control Program and other government agencies. Now in a Sub-Recipient role, CRS provides technical support.

III. Supporting Locally Led Humanitarian Aid

In addition to supporting partners to lead development efforts, as a signatory to the Grand Bargain – the global agreement to reform humanitarian assistance by increasing aid effectiveness and efficiency, including through localization of aid delivery – CRS is committed to the advancement of local leadership in humanitarian response. Locally led humanitarian response can reduce the costs and improve the efficiency and effectiveness of humanitarian action and ensure that aid is addressing the needs of local populations. Part of this commitment, and in line with our principles, is a strong emphasis on investment in meaningful capacity strengthening of local partners.

A recent revisiting of an emergency response capacity strengthening project provides an example of how effective investing in local institutions can be, and how lasting their impact. In 2016, CRS began implementing the Preparing to Excel in Emergency Response (PEER) project to strengthen the capacity of Local Faith Institutions (LFIs) in India, Indonesia, Jordan, and Lebanon when responding to emergencies. By the project's end, all partners had measurable improvement in their organizations' systems and procedures for both emergency and non-emergency work; partners increased contribution to national coordination body meetings to better coordinate with other actors; partners began to obtain and use beneficiary feedback on programming; and partners gained

new respect from and opportunities to collaborate with government and peer organizations. More interestingly, however, in 2020, these former PEER participating partners had begun responding to the COVID-19 pandemic in their communities, and CRS was eager to learn if capacity strengthening investments made during the PEER project were sustained and utilized during the COVID-19 response. The subsequent study found that PEER partners were able to actively and positively contribute to COVID-19 response providing relief to millions of people in this unprecedented emergency. In part, their ability to do so was made possible by CRS's investment in strengthening their capacity through PEER and our continued partnership. All 22 partners interviewed reported that they continued to apply lessons learned from participating in PEER and utilized improved systems which enabled a more effective emergency response. This experience demonstrates the importance and effectiveness of investing in meaningful, holistic capacity strengthening before, during and after an emergency.

PEER showed CRS how local organizations – even those often overlooked by the aid world – could play meaningful roles in emergency response. Building on this experience, CRS began the EMPOWER project to go further, and not just focus on capacity, but also on working to center local actors not simply as transactional implementers, but as leaders and architects of their own destiny. In a deliberate paradigm shift, with EMPOWER, CRS has moved from its role as gatekeeper of emergency resources to bridge builder: connecting Local Faith-based Institutions (LFIs) directly with donors, and at the decision and request of LFI prime implementers, provides technical assistance as a sub-contractor. Since inception, EMPOWER's initial seven partners across six countries have secured over \$21 million to implement 17 emergency programs. They have also accessed funding from 11 donors with an 86% proposal win rate. Of these, four accessed \$8.6 million (53%) from USAID/Department of State across 4 countries. Currently, three EMPOWER partners have successfully passed the Office of Foreign Disaster Assistance (OFDA) Pre-Award Survey, and 10 have been registered in the grants.gov system. Through business development support, the EMPOWER project will help local partners directly raise an additional \$5 million by the end of 2022 to implement high quality humanitarian responses, as well as become eligible to receive U.S. government funding directly.

IV. Recommendations to the U.S. Government

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

Local means local: define the goal clearly. Donors and programs have developed a range of definitions of local civil society and other local entities. Some have also introduced additional categories of institutions that might be considered 'locally established', i.e. international organizations with local presence and local ties. Significant differences exist across these definitions, causing confusion and raising a number of concerns about their impact on advancing truly locally-led development and humanitarian response. We urge that any definition reflect an intent to support autonomous local institutions who are accountable to their nations and communities of which they are an expression and serve. This is essential to maintain the integrity of efforts to support locally led development, and for effective transparency in foreign assistance funding.

If you don't measure localization, it won't get done: improve data collection and transparency. While some data is available on how much Congressional funding goes to local and national entities, holistic data from the Department of State, USAID, and other U.S. government donors is not available. Administrator Power announced at a recent hearing that a little more than 5% of USAID funding goes to local partners but it is unclear who falls under this category and what the funding entails. CRS submitted Fiscal Year 2022 appropriations language to Congress to require USAID to report to Congress on funding under the Development Assistance and International Disaster Assistance accounts for programs implemented directly by local and national nongovernmental entities. House SFOPS included the language in their report. This language by no means resolves the data gap but will shed light on two important program accounts totaling more than \$8 billion. We encourage Congress and the Committee in their oversight role to urge the Administration to provide better data on where resources go and include local entities as an Implementing Partner Subcategory on ForeignAssistance.gov.

No short cuts: invest in holistic, not transactional capacity strengthening. Good partnership and effective capacity strengthening is critical for any effort to support local leadership. Based on decades of experience, we insist that donor agencies fully fund comprehensive, holistic and participatory capacity strengthening approaches that ensure participatory, locally led capacity goal setting, and go well beyond simple transitional one-off activities. It is also important for USAID and other donors to plan, fund and give time in partnership activities, while also exploring new funding mechanisms to incentivize and support INGOs to play different roles in humanitarian response and development assistance programming.

It's about power: support local leaders to be implementers and leaders. Locally led humanitarian response and development requires local leaders and their institutions be at the decision-making table. Localization efforts too often focus primarily on increasing the ability of local partners to implement US funded projects, but do not consider the broader sphere of power and decision making in these sectors. Congress should encourage policy that supports local institutional participation in decision-making processes and encourage monitoring, continual engagement, adaptation and mutual accountability mechanisms for stakeholder engagement and participation. In humanitarian settings, policy should also encourage and fund area-based coordination.

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

Diversity is strength: encourage inclusive approaches that bring in a diverse set of local civil society actors, including Faith Based Organizations (FBOs). Effective support for locally led development and humanitarian response must recognize and support a robust and broad civil society and the critical role it plays for service provision and holding the public and private sector to account. These efforts must also recognize the critical role FBOs play as essential parts of the social and civic fabric. FBOs are often deeply rooted in the community, reach people and communities often most marginalized, and remain committed to the most vulnerable long after other aid actors have left. and support the inclusion of FBOs in humanitarian structures and in development strategies. Finally, around the world, Congress must support efforts to protect civic space.

To close, we thank you, Chairman Castro and the committee for your leadership and attention to this important matter. The time is now to reflect and make much-needed positive change to our foreign assistance. We look forward to working with you to making our foreign assistance dollars do more, go further, and ultimately support the dignity of every human person.