New Partnerships Initiative: USAID Provided Technical Assistance to Support Implementation but Faced Challenges with Data Reliability, Partner Inexperience, and Mission Staff Capacity

Audit

OFFICE OF INSPECTOR GENERAL
U.S. Agency for International Development

DATE: March 25, 2024

TO: USAID/Bureau for Inclusive Growth, Partnerships, and Innovation/Local, Faith, and Transformative Partnerships Hub, Director, Catie Lott

FROM: Deputy Assistant Inspector General for Audit, Gabriele Tonsil /s/

SUBJECT: New Partnerships Initiative: USAID Provided Technical Assistance to Support Implementation but Faced Challenges with Data Reliability, Partner Inexperience, and Mission Staff Capacity

This memorandum transmits our final audit report. Our audit objectives were to determine the extent to which USAID (1) established guidance and faced any implementation challenges for the New Partnerships Initiative (NPI) and (2) measured and communicated performance results for NPI. In finalizing the report, we considered your comments on the draft and included them in their entirety, excluding attachments, in Appendix B.

The report contains three recommendations to improve USAID's processes for measuring and reporting NPI performance results. After reviewing information you provided in response to the draft report, we consider Recommendation 1 closed and Recommendations 2 and 3 resolved but open pending completion of planned activities.

For Recommendations 2 and 3, please provide evidence of final action to the Audit Performance and Compliance Division.

We appreciate the assistance you and your staff provided to us during this audit.

Contents

Report in Brief

Why We Did This Audit

USAID works with over 4,000 organizations in more than 100 countries in support of its mission to end poverty and promote democratic societies. USAID's current focus on localization—shifting funding and decision-making power to local actors to achieve its program objectives—is consistent with the Agency's long-standing efforts to increase its engagement with local partners. According to Administrator Samantha Power, it is critical for USAID to engage with a wider range of partners to achieve an impact beyond the reach of any single development agency.

As of fiscal year (FY) 2017, more than 80 percent of USAID's $17.2 billion in total obligations was directed to only 75 partners. While direct funding of local partners has been increasing, in FY 2022, it still accounted for only 10.2 percent, or $1.6 billion, of the Agency's total budget.

In 2019, USAID launched the New Partnerships Initiative (NPI), which aimed to diversify USAID's partner base by creating avenues for new and underutilized partners (NUPs)—organizations that have received less than $25 million in awards from USAID over the past 5 years—to work with the Agency through an updated approach to partnering and procurement.

OIG initiated this audit to determine the extent to which USAID (1) established guidance and faced any implementation challenges for NPI and (2) measured and communicated performance results for NPI.

What We Recommend

We made three recommendations to improve USAID's processes for measuring and reporting NPI performance results. USAID agreed with all three recommendations.

What We Found

Although USAID provided guidance and technical assistance to develop NPI action plans, the missions we reviewed relied on experiences from past initiatives to implement NPI and continued to face long-standing challenges. They primarily used existing award portfolios, Agency mechanisms and policies, and best practices from past initiatives to develop and implement their NPI action plans. Moreover, the missions identified long-standing challenges to working with NUPs, including implementer inexperience and lack of mission capacity (specifically, limited mission staff bandwidth) as constraints to increasing the number of awards to NUPs. Consequently, it was unclear whether NPI changed the way missions work with local partners and approach localization efforts.

USAID developed indicators to measure NPI performance, but data may have been flawed, and results were not regularly collected or communicated. NPI action plan guidance required missions to report periodic results on seven key indicators, including one related to subawards, a central component of the initiative. However, this indicator depended on data the Agency did not have control over and that may have been inaccurate, unreliable, or unavailable. Additionally, USAID collected and communicated NPI performance results infrequently and on an ad hoc basis. Missions reported progress toward one of the seven NPI indicators annually, but USAID has not regularly requested other data on NPI performance from missions.

Introduction

USAID works with over 4,000 organizations in more than 100 countries in support of its mission to end extreme poverty and promote resilient, democratic societies.[1] According to Administrator Samantha Power, it is critical for USAID to engage more frequently, intensely, and sustainably with a wider range of partners to achieve a level of impact that is beyond the reach of any single development agency. This vision and the Agency's current focus on localization—shifting funding and decision-making power to those that can drive change in their own countries and communities—are consistent with USAID's long-standing efforts to increase its engagement with local partners.

However, according to USAID, as of fiscal year (FY) 2017, more than 80 percent of the Agency's $17.2 billion in total obligations was directed to only 75 partners. While direct funding of local partners has been increasing, it still accounted for just 10.2 percent, or $1.6 billion, of the Agency's total budget in FY 2022.

To address these concerns and to help expand and diversify its partner base, USAID launched the New Partnerships Initiative (NPI) in 2019 as a component of its first-ever *Acquisition and Assistance Strategy*. NPI seeks to diversify USAID's partner base by creating avenues for new and underutilized partners (NUPs)—organizations that have received less than $25 million in direct or indirect awards from USAID over the past 5 years—to work with USAID through an updated approach to partnering and simplifying the procurement process.

OIG initiated this audit to determine the extent to which USAID (1) established guidance and faced any implementation challenges for NPI and (2) measured and communicated performance results for NPI.

To answer our objectives, we reviewed guidance USAID established for NPI; USAID's 2018 *Acquisition and Assistance Strategy*; mission and operating unit NPI action plans; NPI award portfolios; performance measurement and monitoring documentation; and communications between the Agency and its missions in Colombia, Indonesia, Morocco, and West Africa.[2] We interviewed Agency officials in NPI's coordinating office, the Local, Faith, and Transformative Partnerships Hub (LFT) within the Bureau for Development, Democracy, and Innovation—referred to as DDI/LFT—and key stakeholders at the selected missions.[3] We conducted our work in accordance with generally accepted government auditing standards. Appendix A provides more detail on our scope and methodology.

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[1] These organizations, also known as implementers or partners, include corporations and small businesses, host country governments, universities, public international organizations, and nongovernmental organizations.

[2] "Mission" refers to the USAID representative in a cooperating country. "Operating unit" refers to the organizational unit responsible for implementing a foreign assistance program, including regional bureaus, field missions, and independent offices at USAID headquarters. For the purposes of this report, we will use the term "mission" to refer to both missions and operating units.

[3] In June 2023, USAID changed the name of the Bureau for Development, Democracy, and Innovation to the Bureau for Inclusive Growth, Partnerships, and Innovation.

Background

USAID launched the current NPI in May 2019 as one of several procurement reforms initiated by the Agency's December 2018 *Acquisition and Assistance Strategy*. At its launch, NPI was part of the Agency's efforts to diversify USAID's partner base by helping attract a broader range of potential implementers and offering more "entry points" to working with the Agency. As NPI was rolled out, USAID promoted the initiative to its stakeholders, traditional partners, and potential partners to encourage more competition in the awards process through avenues such as concept notes and co-creation.[4]

NPI, supported by a Washington, DC-based team of five staff in DDI/LFT, identified procurement and implementation approaches that missions could use to achieve the NPI goals. USAID also established performance indicators for NPI but, unlike previous initiatives, did not mandate centralized, Agency-wide targets. Instead, DDI/LFT asked missions to set targets that fit their local contexts. Table 1 outlines the partnership approaches and standard practices that DDI/LFT established in the initial version of the NPI Action Plan Guidance released in 2019.

Table I. NPI Partnership Approaches and Standard Practices

NPI Partnership Approaches
1. Direct awards to NUPs: This approach targets organizations that have received less than $25 million in direct or indirect awards from USAID over the past 5 years.
2. Direct awards to NUP locally established partners: These awards are intended for U.S. or international organizations that work through locally led operations and programming models and can demonstrate that they have received at least as much in non-U.S.-government funding as from USAID in the previous 5 years.
3. Subawards to new and underutilized local organizations: This approach requires prime awardees to help subawardees take the lead in programmatic implementation, including by passing a minimum of 50 percent of total award funding to subawardees.
4. Leverage awards to organizations that co-fund with cash: These awards mobilize resources from non-U.S. government sources on a 1:2 or greater basis (i.e., for every $2 awarded by USAID, the contribution from the non-U.S.-government source must be at least $1).
NPI Standard Practices
1. Co-creation: The use of co-creation is an Agency priority goal under the *Joint U.S. Department of State-USAID Strategic Plan* and is a critical tool to opening doors to potential partners that have limited experience working with USAID.
2. Enhanced local capacity development: This practice requires missions to allocate capacity-building resources and take specific steps, including documenting the capacity-development process.

Source: USAID's Phase 1 NPI Action Plan Guidance for the pilot missions (2019). The guidance was updated in 2020 to reflect feedback from the pilot missions.

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[4] Concept notes are a process in which first-time applicants and grant seekers with limited experience working with USAID submit 3-5-page proposals that describe a potential intervention addressing a development need. Co-creation is an award-design approach that brings stakeholders together in a participatory process to produce mutually valued outcomes; the approach is intended to result in shared power and decision making for the awarded activity.

Although there were aspects of NPI that the Agency identified as novel approaches, such as emphasizing the use and measurement of subawards to local implementers and improvements in organizational capacity,[5] the goal of expanding the partner base and working with local partners has been a focus of similar USAID initiatives and localization efforts over multiple years. For example:

- In 1995, the Vice President launched an initiative—also called the New Partnerships Initiative—to build grassroots capacity, improve national enabling environments, and facilitate long-term relationships between U.S. nongovernmental organizations (NGOs) and local partners. To encourage locally driven solutions, USAID empowered missions to design and implement country-specific strategies in collaboration with local NGOs and U.S. partners. Under this original initiative, USAID sought to channel 40 percent of its assistance through U.S. private voluntary organizations and NGOs within 5 years. An Agency interim report on the initiative's progress noted challenges related to a lack of dedicated funding.[6]

- In 2003, the President established the President's Emergency Plan for AIDS Relief (PEPFAR) and announced an initiative in 2005—also called the New Partners Initiative like prior efforts—that aimed to engage new partners to increase their capacity for providing HIV/AIDS prevention and care services. A December 2007 OIG report found that this initiative resulted in a greater workload for USAID mission staff and that the local partners did not have the capacity to comply with USAID financial and program reporting requirements.[7]

- In 2010, the Agency implemented reforms known as USAID Forward—which included the Local Solutions initiative—with the goal of awarding 30 percent of program funds to local organizations by 2015, strengthening local capacity, and improving the sustainability of its investments. In 2014, the Government Accountability Office (GAO) found that reporting for the initiative's principal indicator, which measured the percentage of mission program funds obligated to local organizations in partner countries, was unclear and that unclear guidance produced inconclusive results.[8] A 2019 OIG report echoed these conclusions and noted that Agency personnel at all levels had varied understanding of the initiative's concepts and measures.[9] USAID Forward and Local Solutions were officially retired in 2017.

- In 2015, USAID launched the congressionally directed Local Works program, which, as of 2023, was being implemented at 35 missions. Local Works provides 5-year discretionary funding that allows missions to test and advance solutions to overcome locally owned development challenges.

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[5] USAID defines capacity as the ability of people and organizations to manage their affairs successfully. Capacity development is the process of strengthening and maintaining this ability.

[6] USAID, *An Assessment of the State of the USAID/PVO Partnership*, June 1997.

[7] USAID OIG, *Audit of USAID's New Partners Initiative Created Under the President's Emergency Plan for AIDS Relief* (9-000-08-002-P), December 12, 2007.

[8] U.S. Government Accountability Office, *USAID Has Increased Funding to Partner-Country Organizations but Could Better Track Progress* (GAO-14-355), April 16, 2014.

[9] USAID OIG, *Despite Optimism About Engaging Local Organizations, USAID Had Challenges Determining Impact and Mitigating Risks*, (5-000-19-001-P), March 21, 2019.

- In 2018, the Office of the U.S. Global AIDS Coordinator and Health Diplomacy set a target for U.S. agencies involved in PEPFAR, including USAID, to channel 70 percent of PEPFAR funding to local partners by September 2020.[10] According to a recent OIG report, USAID PEPFAR budgets were not on track to meet local partner funding goals due to short timeframes and low baselines.[11] Most of the critical missions (those receiving a significant portion of USAID's PEPFAR budget) encountered challenges balancing the risks associated with increased use of local partners with meeting PEPFAR programmatic targets. Other missions cited challenges in identifying and developing capable local partners and noted an insufficient pool of capable local partners. A few missions identified the risk of fraud as a concern.

Although USAID Provided Guidance and Technical Assistance to Develop NPI Action Plans, Selected Missions Relied on Experiences From Past Initiatives to Implement NPI and Continued to Face Long-Standing Challenges

Following the 2019 launch of NPI, USAID established and released initial guidance for the development of NPI action plans. It also broadly communicated and made available the tools and technical assistance resources to facilitate practical implementation. However, the selected missions relied primarily on existing award portfolios, Agency mechanisms, policies, and processes as well as lessons learned and best practices from similar initiatives rather than on the tools and resources the Agency created specifically for NPI. Moreover, while implementing their NPI action plans, the selected missions continued to identify long-standing challenges to localization efforts, including implementer inexperience and the lack of mission capacity (specifically, mission staff bandwidth) to increase the number of awards to NUPs.

USAID Provided Technical Assistance to Support NPI Implementation, Established Action Plan Guidance, and Incorporated Feedback From Selected Missions

USAID assigned staff from DDI/LFT to focus on NPI and provide technical support to missions for the initiative's implementation. Additional technical assistance resources were made available from the NPI Incubator, which was launched in October 2019 with a 3-year, $14.1 million contract managed by DDI/LFT. This contract was

NPI Incubator Services
- Mission-needs diagnostics
- Target-partner identification and readiness assessments
- Training, tools, and resources
- Technical assistance for missions

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[10] The Office of the U.S. Global AIDS Coordinator and Health Diplomacy leads PEPFAR. The U.S. Global AIDS Coordinator oversees implementation of the U.S. government's international HIV/AIDS efforts and ensures program and policy coordination among seven relevant agencies and departments, including USAID.
[11] USAID OIG, *PEPFAR in Africa: USAID Expanded the Use of Local Partners but Should Reassess Local Partner Capacity to Meet Funding Goals* (4-936-22-001-P), December 13, 2021.

subsequently extended through September 2023 with a total award amount of $47.1 million. The NPI Incubator operates through bureau and mission buy-ins to the contract.[12] Services available from the NPI Incubator for missions and new, underutilized, or potential partners include strategies to improve competitiveness and business viability and address gaps in organizational capacity. In addition, the NPI Incubator staff made field visits to missions and conducted a series of webinars.

DDI/LFT developed NPI guidance that provided instructions to missions on the formulation of NPI action plans—plans that would detail how the mission intended to expand its use of the NPI partnership approaches. The initial NPI action plan guidance defined the four designated NPI partnership approaches and the two NPI standard practices outlined above in Table 1. The guidance also required the 14 pilot missions (NPI Phase I) to develop a portfolio of awards for FY 2020-2021 that aligned with those approaches and standard practices by February 2020. The remaining 63 missions (NPI Phase II) started developing NPI action plans in April 2020.
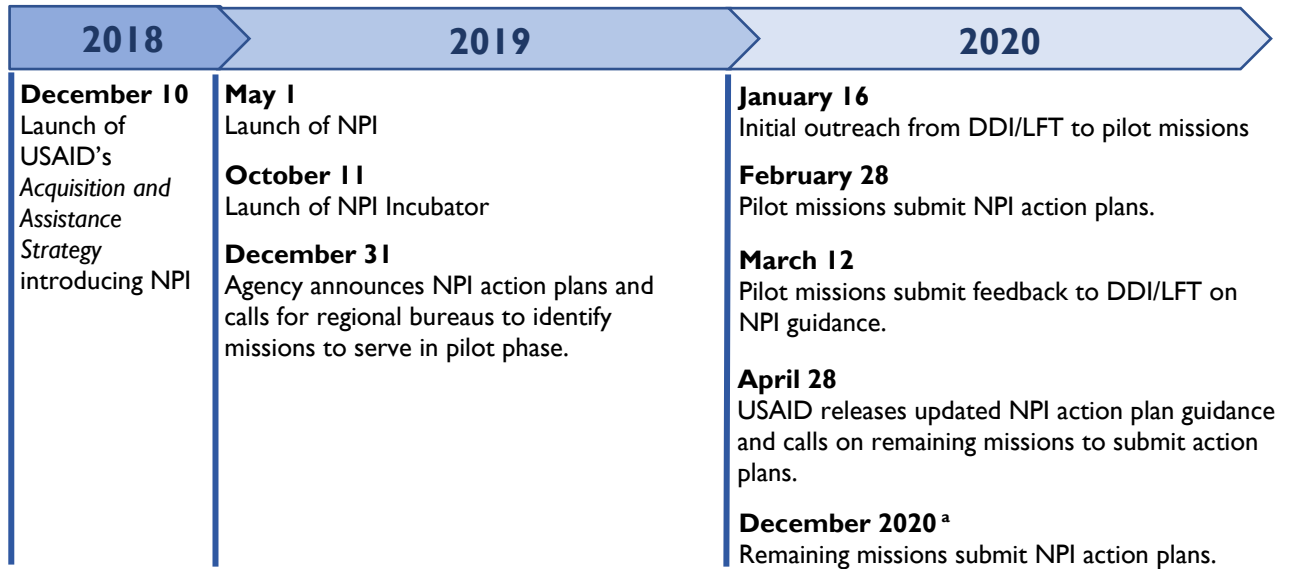
Although the action plan development process was mission led, DDI/LFT communicated frequently with the missions to provide support. Examples of communications between DDI/LFT and the missions included:

- Sharing lists of available resources provided by DDI/LFT, including key Agency points of contact, links to NPI webinars, information about the NPI Incubator, updates to NPI action plan guidance, and NPI action plan frequently asked questions.

- Responses from DDI/LFT to mission requests for clarification and further guidance.

- General and individual feedback to missions on NPI action plans.

- Reminders to missions of key deadlines.

USAID used feedback from pilot missions' experiences to identify areas where the guidance could be improved and took steps to adapt it to improve clarity. For instance, in March 2020, DDI/LFT administered a questionnaire that included items about the clarity of the NPI guidance and provided an opportunity for missions to share suggestions on both the guidance and communications from Washington, DC. Although 17 of the 22 respondents affirmed that the process to develop an NPI action plan was clearly laid out in the guidance and in communications, 15 respondents also provided suggestions for improving the clarity of the guidance. Based on our document review, DDI/LFT addressed these comments and incorporated feedback into the updated guidance released in April 2020. Figure 1 provides a timeline of the NPI's launch and the action plan guidance development and revision.

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[12] The NPI Incubator operates through a Federal Supply Schedule contract managed by DDI/LFT that allows missions and bureaus to purchase services designed to expand new and nontraditional partnerships.

Figure 1. Timeline of USAID's Launch of NPI and Development of Action Plan Guidance

2018	2019	2020
December 10 Launch of USAID's *Acquisition and Assistance Strategy* introducing NPI	**May 1** Launch of NPI **October 11** Launch of NPI Incubator **December 31** Agency announces NPI action plans and calls for regional bureaus to identify missions to serve in pilot phase.	**January 16** Initial outreach from DDI/LFT to pilot missions **February 28** Pilot missions submit NPI action plans. **March 12** Pilot missions submit feedback to DDI/LFT on NPI guidance. **April 28** USAID releases updated NPI action plan guidance and calls on remaining missions to submit action plans. **December 2020** [a] Remaining missions submit NPI action plans.

[a] Remaining mission action plans were originally due in June 2020, but the COVID-19 pandemic caused delays for some missions. The last NPI action plan was received in December 2020, but the specific submission date was not available.
Source: OIG analysis of USAID's Agency Notices and email communication between DDI/LFT staff and missions.

Selected Missions Relied on Experiences From Past Initiatives to Implement NPI Action Plan Guidance

To develop their NPI action plans, the selected missions reviewed their portfolios for existing and planned awards that aligned with NPI partnership approaches or standard practices. They drew on those examples to set baselines and targets for NPI. Given that USAID did not establish prescriptive policies or procedures for NPI, the selected missions drew on existing Agency policies, resources, and mechanisms to implement NPI, rather than develop new, NPI-specific products. For example:

- The selected missions drew from their portfolios of existing and planned awards to complete the awards section of their NPI action plans. Half (30 of 60) of the awards the selected missions listed in these sections as contributing to NPI were already being implemented at the time they created their action plans.

- For risk identification and mitigation at the award levels, the selected missions relied on the Federal Managers' Financial Integrity Act,[13] enterprise risk management process,[14] and pre-award surveys.[15]

- For award development, the selected missions drew on existing Agency policies for co-creation, co-design, and capacity building.

- The selected missions relied on a range of award mechanisms designed to facilitate work with smaller implementing partners that were also appropriate for use with NUPs, including annual program statements[16] and fixed-amount awards.[17]

Based on our review of key documents and interviews with mission staff, the selected missions relied primarily on existing Agency policies and procedures related to programming (Automated Directives Series [ADS] 200 series), acquisition and assistance policies (ADS 300 series), and risk management (ADS 596). For example, three out of the four missions relied on standard risk assessments mandated by ADS 596, and the fourth went beyond what was required by the standard risk assessment and conducted a holistic review of risks related to work with local partners. The selected missions also drew on experiences with similar previous and existing initiatives, including Local Works and USAID Forward, to develop lessons learned, identify risks and challenges, and use and apply best practices for work with NUPs.

There were differing opinions about how NPI had changed the way missions worked with local partners and approached localization efforts as well as whether the initiative increased USAID's use of NUPs. According to 9 of the 27 staff we interviewed representing all 4 of the selected missions, NPI action plan implementation did not fundamentally change how their missions worked with NUPs.[18] Three of the staff interviewed from two of the selected missions believed other initiatives, such as PEPFAR and Local Works, have had a larger impact on USAID's efforts to work with new or local partners. This echoed the results of an internal report on NPI action plans, which found that two-thirds of overseas missions saw NPI as a continuation or expansion

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[13] Per the Federal Managers' Financial Integrity Act, each assessable unit must provide an annual certification on the overall adequacy and effectiveness of its internal controls. This certification must include: (1) a statement on whether there is reasonable assurance that internal controls are achieving their intended objectives; (2) a description of control deficiencies that could adversely affect the assessable unit's ability to meet its internal control objectives; and (3) corrective action plans for significant deficiencies.

[14] The Agency Enterprise Risk Management Profile is designed to share information on the major risks facing assessable units so that leadership has visibility on, and can make decisions about, risk across the Agency.

[15] USAID developed the Non-U.S. Organization Pre-Award Survey to identify, mitigate, and manage fiduciary risks involved in the selection of local implementing partners.

[16] Annual program statements, which encourage applicants to propose innovative and effective new approaches, allow USAID to make multiple awards over a period of time. Applications are generally accepted and reviewed on a rolling basis over a defined period (e.g., a year). While USAID may set an award ceiling for each grant, under an annual program statement, applications may be accepted for any amount up to the maximum and for variable periods.

[17] Fixed-amount awards are grants or cooperative agreements that provide a specific level of support without regard to the actual costs incurred, and for which accountability is primarily based on performance and results. Fixed-amount awards reduce some of the administrative burden for both the recipient and USAID.

[18] The other 18 staff interviewed did not comment on whether they believed NPI has fundamentally changed how their mission operates, as we did not directly ask the question during interviews. The nine interviewees who expressed this view did so on their own when discussing the policies and guidance developed for NPI and their respective mission's current portfolios of NUPs.

of ongoing efforts to engage NUPs, rather than a new initiative. Further, Agency officials noted that, as of 2021, one of the key NPI goals to diversify the partner base had made very little progress since the inception of NPI.

Selected Missions Identified New and Underutilized Partners' Limited Experience and USAID Staff Capacity as Long-Standing Challenges That Impacted NPI Implementation

DDI/LFT and the NPI Incubator provided supplemental guidance and technical assistance to the missions to facilitate NPI implementation. However, long-standing challenges, specifically NUP inexperience and limited mission staff capacity, impacted the implementation of NPI efforts. Through a review of the selected missions' NPI action plans and interviews with key staff, we found that these challenges were consistent with those from the Agency's recent history of working with NUPs and predate NPI.

Both the NPI planning documents and interviews with Agency staff identified NUPs' inexperience—that is, their limited proficiency in managing USAID awards—as a challenge to implementing the initiative. For example:

- In their NPI action plans, three of the four selected missions described the extent to which NUP inexperience working with USAID required missions to make additional investments in programs and staff. Two missions cited the need to do so to ensure proper activity and portfolio risk monitoring and mitigation.

- An NPI Action Plan Summary Report, prepared by the NPI Incubator in March 2021, noted that more than half of missions (40 of 77) identified NUP inexperience as a risk to achieving targets, and 35 missions reported that they planned to mitigate this risk through increased check-ins and reporting from NUPs.

- Just over a third (10 of 27) of the mission staff we interviewed—representing each of the selected missions—identified limited NUP experience as a continuing challenge. Mission staff noted that significant attention and guidance were necessary for work with NUPs due to concerns over the lack of familiarity with USAID processes and procedures. This included concerns related to award management and oversight, financial and administrative controls, and communication and reporting of results. To highlight the scope of the Agency's challenge, one staff member stated that a $2 million award to a local partner required more effort than the $50 million award to a traditional partner. Given this challenge, mission staff expressed concerns that the prevalence of NUP inexperience would restrict the Agency's ability to expand its partner base.

Agency staff also described the limited capacity of mission staff as an impediment to increasing the number of awards to NUPs. Staff we interviewed from each of the selected missions stated that mission staff bandwidth limited their ability to accommodate the initial due diligence review and ongoing management burdens associated with NUPs. For example:

- Nearly half of mission staff interviewed (13 out of 27) mentioned using pre-award surveys to mitigate risk and prepare NUPs to work with USAID. Additionally, staff interviewed from

three of the selected missions noted that the process may require additional mission resources, including staff and time.

- More than one-third of the staff we interviewed (11 out of 27) said that selected missions needed to provide consistent support to NUPs throughout the lifecycle of the award. Consequently, multiple staff members leading NPI efforts at the selected missions tempered expectations about their work with NPI. One staff member noted that it would be unrealistic for the mission to add a new partner every year due to limited mission staff capacity. The issues of partner inexperience and limited mission staff capacity are not new to the Agency's work with nontraditional partners. USAID missions have identified such challenges through their prior experiences working with NUPs.

- According to the NPI Incubator's Action Plan Summary Report, a lack of mission personnel resources was the third most widely cited potential implementation challenge on NPI action plans, with 14 of the 77 missions that completed action plans listing it as a constraint.[19]

NUP inexperience and limited mission staff capacity had also been identified as challenges during earlier localization efforts. In terms of partner inexperience, the challenges with prior initiatives included difficulties complying with USAID reporting requirements, meeting stipulated timelines, and achieving program targets. For example:

- In September 2019, one of the selected missions issued a report that cited challenges with the limited experience of local partner organizations and traditional capacity-strengthening methods in implementing locally led development.

- A December 2021 OIG report found that five of eight USAID missions deemed critical to achieving PEPFAR's goal to channel 70 percent of funding to local partners faced challenges in identifying and developing local partners that had the ability to manage USAID awards.[20]

As for mission staff capacity, USAID's experiences with previous localization initiatives have demonstrated that engaging new local partners is a time-consuming effort for mission staff. According to a 2019 OIG audit on USAID's Local Solutions initiative, working with local implementers represented an increased initial burden for operating units as they worked with partners that were unfamiliar with USAID's requirements and procedures.[21]

These challenges related to NUP inexperience and the lack of mission staff capacity had been identified prior to the development and implementation of NPI. Still, the related guidance, technical assistance, and other resources DDI/LFT provided, including the NPI Incubator, did not substantially address them. Furthermore, the Agency's experience with previous similar initiatives could have provided unique insight into these challenges such that mitigating steps

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[19] The number one implementation constraint missions identified in their NPI action plans was the limited capacity of NUPs (39 out 77), followed by challenges with host governments (17 out of 77).
[20] USAID OIG, *PEPFAR in Africa: USAID Expanded the Use of Local Partners but Should Reassess Local Partner Capacity to Meet Funding Goals* (4-936-22-001-P), December 13, 2021.
[21] USAID OIG, *Despite Optimism About Engaging Local Organizations, USAID Had Challenges Determining Impact and Mitigating Risks* (5-000-19-001-P), March 21, 2019, and USAID OIG, *Audit of USAID's New Partners Initiative Created Under the President's Emergency Plan for AIDS Relief* (9-000-08-002-P), December 12, 2007.

could be devised instead of relying on each mission's ability to apply best practices and lessons learned.

NPI is just one of USAID's ongoing initiatives to expand its partner base. Given the Agency's current focus on this issue and efforts to overcome the accompanying challenges, including those we identified, we are not making recommendations to modify NPI. Rather, USAID will need to continue to consider these challenges at the Agency-wide level to support its broader localization efforts.

USAID Developed Indicators to Measure NPI Performance, but Data May Have Been Flawed, and Results Were Not Regularly Collected or Communicated

USAID initially developed seven indicators to measure NPI performance and required missions to report periodic results in qualitative progress reports and for the Agency's annual performance plan and reports (PPRs). However, one key indicator depended on data the Agency did not have control over and that may have been inaccurate, unreliable, or unavailable. Additionally, USAID collected and communicated NPI performance results infrequently and on an ad hoc basis. Missions reported progress toward one of the seven NPI indicators annually in the PPR, but the Agency has not regularly asked them for other data on NPI performance except for the completion of updated action plans in October 2021.

Of the Seven Performance Measurement Indicators USAID Developed, One Key Indicator Relied on Data That Was Difficult to Validate, Unavailable, or Unreliable

USAID developed seven indicators to measure NPI performance, as shown in Table 2. In its initial NPI action plan guidance, the Agency required missions to set baselines and targets for these seven indicators rather than establish Agency-wide targets.[22]

Table 2. NPI Performance Indicators

No.	Indicator and Calculation Method
1	Percentage of direct obligations to NUPs
2	Percentage of subaward obligations to NUPs
3	Percentage of new awards using co-creation
4	Percentage of obligations to new awards using co-creation
5	Number of new awards using pre-solicitation co-creation
6	Percentage of obligations to new awards using pre-solicitation co-creation
7	Percentage of U.S. government-assisted organizations with improved performance

Source: USAID's NPI action plan guidance for pilot missions, December 2019.

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[22] Revised NPI action plan guidance released in April 2020 cut two of these indicators (Indicators 4 and 6) but still required missions to establish baselines and targets for the remaining five indicators.

According to Agency staff and NPI documents, subawards with NUPs were critical to increasing the diversification of USAID's partner base and achieving sustainable development outcomes. In FY 2022, USAID obligated approximately $77 million to traditional implementing partners. Of that amount, approximately $50 million was then subawarded to NUPs. Subawards to NUPs, also known as mentoring awards, were designed to encourage traditional implementing partners to serve in a mentorship role and help build the capacity of local NUPs that had limited or no experience working with USAID. However, obtaining accurate data for the related subaward indicator—percentage of subawards obligations to NUPs—presented a significant challenge for the Agency. This was due to the mechanics of the subaward indicator calculation and how that source data was collected and communicated to the Agency.

Specifically, calculating total subaward obligations that met the NPI definitions of a subaward and a NUP required the Agency to combine data from multiple systems, including systems USAID did not manage. Implementing partners, also known as prime awardees, relayed subaward data to USAID through the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS), a General Services Administration (GSA) managed system. FSRS fed into USASpending, a public portal that tracks government spending. USAID then generated a report by pulling a list of NUPs from its financial system, Phoenix, and cross-walking this list to USASpending data. The Agency published the results of this calculation as a dashboard in its Enterprise Reporting Portal, which showed a list of active subawards organized by mission. The Agency acknowledged the challenges with the subaward indicator calculation in its indicator reference sheet guidance, noting that since the methodology for calculating the subaward indicator required combining data from multiple systems, this process sometimes resulted in missing or incorrect data. Additionally, the NPI Incubator's Action Plan Summary Report found that the process of combining data from different systems could result in the assignment of a NUP to the wrong mission.

Further, the Agency acknowledged in its indicator reference sheet guidance that it could not readily identify whether the subaward data it received from prime awardees was correct. According to an Agency official, it was not possible to validate subaward data because GSA, not USAID, managed the FSRS and was responsible for data quality within the system. Given that USAID did not have a direct relationship with subaward recipients, prime awardees were ultimately responsible for complying with the statutory subaward reporting requirements outlined in the Federal Funding Accountability and Transparency Act of 2006. This required prime awardees to file a report for new subawards greater than or equal to $30,000 in the FSRS.[23] However, a March 2023 Agency communication to prime awardees noted that the FSRS had missing and inaccurate data. According to a senior USAID staff member, the Agency has faced consistent challenges with prime awardees inaccurately entering subaward data in the FSRS.

Though the relationship between prime awardees and subaward recipients was the foundation of the Agency's mentorship concept, it added complexity to the timely and accurate reporting of results. According to staff at two missions, the only way to obtain reliable subaward

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[23] Prime award recipients are required to file a Federal Funding Accountability and Transparency Act subaward report by the end of the month following the month in which the prime award recipient grants any subawards greater than or equal to $30,000.

information was to confirm it directly with prime awardees. However, according to mission staff, this was a burdensome process and not always possible due to mission staff time constraints. Additionally, according to a senior USAID staff member, the Agency could not confirm the subaward data in the FSRS without asking agreement officer's representatives to validate the data for each award, which would require significant time and effort.

In its action plan guidance, USAID encouraged missions to use the Agency's Enterprise Reporting Portal's subaward dashboard as a tool, noting that the dashboard allowed them to "explore all active subawards" at the mission level. However, according to two staff members from separate missions, the information in the Enterprise Reporting Portal was unreliable or unavailable, so they had to calculate the data manually. The Agency also acknowledged these data reliability concerns with the subaward indicator in both the initial and updated NPI action plan guidance. It reported that the subaward data likely contained errors and omissions and noted that USAID had not systematically reviewed the data in the system. In addition, two senior Agency staff members have acknowledged that subaward indicator data in Agency systems was unreliable, noting that a recent internal review identified a $9 billion discrepancy between subaward data in the FSRS and data in Agency systems.

Federal internal control standards stress the importance of quality information in achieving an organization's objectives.[24] The importance of quality information is also emphasized in USAID's ADS, which requires the use of quality data in evaluating progress toward the achievement of Agency goals and objectives. Specifically, the ADS notes that indicators should meet data-quality standards and stresses that high-quality data is the cornerstone for evidence-based decision making. Data that does not meet USAID's five data-quality standards—validity, integrity, precision, reliability, and timeliness—could cause an erosion of confidence in USAID's programs and result in poor decision making.[25]

Even though senior USAID staff members and NPI documents acknowledge that the Agency did not have control over the input of subaward data, did not manage the system used for subaward reporting, and had difficulty validating the data within the reporting system, NPI guidance continued to emphasize the use and measurement of subawards as a critical component of the Agency's efforts to increase its partner base. Without reliable and accurate measures of integral components of the initiative, USAID may be unable to determine the extent to which NPI is meeting its goals and objectives related to NUPs and contributing to the Agency's larger efforts to diversify its partner base.

Missions Reported Performance Results for One Indicator, but USAID Did Not Regularly Collect or Communicate NPI Results for the Other Six Indicators

Of the seven indicators established in the NPI action plan guidance, USAID required missions to communicate performance results in their PPRs annually only for Indicator 7 in Table 2,

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[24] GAO, *Standards for Internal Control in the Federal Government* (GAO-14-704G), "Information and Communication," Principle 13, "Use Quality Information," September 2014.
[25] USAID, ADS, Chapter 201, Section 201.3.5.7, "Ensuring the Quality of Performance Monitoring Data," September 2021.

referred to as the capacity-building and local development indicator,[26] according to mission staff and our review of PPRs from all four of the selected missions. However, this indicator was not specific to NPI but rather a standard foreign assistance indicator that USAID used to track Agency-wide progress on strengthening the performance of local organizations across sectors and program areas.

The NPI action plan guidance outlined plans to have missions provide updates on the status of their action plans and communicate progress for each of the seven NPI indicators in their PPRs, including through annual qualitative reports. However, according to mission staff, the Agency did not follow through on these plans for the other six NPI indicators. According to a DDI/LFT staff member, missions were only required to report on the organizational capacity-building indicator in the PPR, but mission staff were confused about whether to report information on other NPI indicators.

Although USAID did not require missions to communicate performance results for six of the seven NPI indicators, missions monitored NPI progress through their own internal processes. According to a March 2021 NPI Action Plan Summary Report prepared by the NPI Incubator, almost all missions identified their performance management plans and portfolio reviews as primary methods used to monitor NPI progress at the mission level. However, according to a DDI/LFT staff member, NPI progress had not been measured at the Agency-wide level, and USAID did not have the resources to verify whether missions were meeting their targets.

According to staff from selected missions, USAID did not regularly collect or request progress reports or data on NPI performance outside of the submission of the updated NPI action plans. Further, staff from three of the four selected missions were unaware of how USAID collected and monitored progress for NPI. Pilot-phase NPI guidance did not specify how NPI progress would be monitored, and the Agency did not follow through on plans to have missions update and communicate progress on their action plans in the PPR, according to mission and DDI/LFT staff as well as our review of PPRs from the four selected missions.

According to DDI/LFT staff, when NPI was launched, it was unclear how or whether it would carry over across administrations, so measuring and communicating NPI performance was a lower priority until an ad hoc request for an NPI update in October 2021. The nearly 2-year time span between the submission of the initial NPI action plans in early 2020 and the 2021 update request encompassed a period of substantial leadership transition, with four permanent or acting Agency Administrators serving during that period.

Federal internal control standards stipulate that management should receive quality information that flows up the reporting lines from management and personnel and that management should establish and operate activities to monitor the internal control system and evaluate results.[27] In addition, USAID ADS 201 stipulates that performance monitoring includes both monitoring the

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[26] The PPR process is an annual Agency-wide data call USAID uses to collect information from its missions and other operating units. Each mission or operating unit submits data via its individual PPR, providing information on a range of results from USAID activities.

[27] GAO, *Standards for Internal Control in the Federal Government* (GAO-14-704G), "Information and Communication," Principle 14, "Communicate Internally," and Principle 16, "Perform Monitoring Activities," September 2014.

quantity, quality, and timeliness of activity outputs within the control of USAID or its implementing partners as well as the activity, project, and strategy outcomes that are expected to result from the combination of these outputs and other factors.[28] Without regular performance measurement and communication of results, USAID cannot determine the extent to which NPI is meeting its goals and objectives.

Conclusion

Since 1995, USAID has sought to advance locally led development and expand its partner base through a variety of reforms and initiatives. With the launch of NPI in 2019, USAID continued its goal of diversifying its partner base and promoting sustainable development by lowering barriers to entry for new and local partners. Although NPI differed from prior efforts through its focus on subawards and empowering missions to set targets to fit their local contexts, selected missions reported the same long-standing challenges to localization seen in prior Agency initiatives: limited experience on the part of local partners and limited USAID mission staff bandwidth. While USAID developed performance indicators to measure its efforts under NPI—including the use of subawards, which it considered critical to partner diversification—the Agency did not regularly request progress reports for six of seven indicators and depended on unreliable data to measure subawards. Without accurate data and regular communication of NPI performance results, it will remain difficult to measure the impact of NPI and determine whether the Agency is achieving its broader localization goals.

Recommendations

We recommend that the Director of the Local, Faith, and Transformative Partnerships Hub take the following actions:

1. Develop resources and best practices for award recipients on how to track, monitor, and report New Partnerships Initiative subaward data to USAID.

2. Conduct an assessment of the utility of the subaward indicator, given underlying data reliability issues, and consider alternative indicators to measure progress toward New Partnerships Initiative goals.

3. Update guidance on the New Partnerships Initiative to clarify performance measurement requirements, including the frequency and method of communicating results from the missions to the responsible office in Washington, DC, and the intended use of the data at the Agency level.

OIG Response to Agency Comments

We provided our draft report to USAID on January 19, 2024. On March 1, 2024, we received the Agency's response, which is included as Appendix B of this report.

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[28] USAID, ADS, Chapter 201, "Program Cycle Operational Policy," September 2021.

The report included three recommendations. We acknowledge management decisions on all three recommendations and consider Recommendation 1 closed with issuance of this report and Recommendations 2 and 3 open-resolved pending completion of planned activities.

Appendix A. Scope and Methodology

We conducted our work from July 2021 through January 2024 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We conducted this audit to determine the extent to which USAID (1) established guidance and faced any implementation challenges for NPI and (2) measured and communicated performance results for NPI.

In planning and performing the audit, we gained an understanding and assessed internal controls that were significant to the audit objectives. Specifically, we designed and conducted procedures related to all five components of internal control as defined by the U.S. Government Accountability Office (GAO).[29] These were the Control Environment (Principles 2-3), Risk Assessment (Principles 6-7), Control Activities (Principles 10 and 12), Information and Communication (Principles 13-14), and Monitoring (Principles 16-17).

The audit focused on the Local, Faith, and Transformative Partnerships (LFT) Hub within USAID's Bureau for Development, Democracy, and Innovation (DDI) and its role in the design and implementation of NPI. A component of the Agency's 2018 *Acquisition and Assistance Strategy*, NPI directs missions to diversify their partner bases by increasing the number of NUPs in their award portfolios. The audit was not designed to assess the outcomes or success of NPI.

The audit's scope period was from October 1, 2018, the quarter during which the 2018 *Acquisition and Assistance Strategy* was launched, through September 30, 2021, when the initial NPI action plans for the pilot phase had been completed and implemented for 9 months.

To answer the audit objectives, we chose a judgmental sample of four missions: Colombia, Indonesia, Morocco, and the West Africa Regional mission. We selected this sample from the 14 missions that were part of the pilot phase of NPI action plans because the pilot missions had the longest experience with NPI at the start of the audit's scope period. From that list, we selected the four missions to achieve regional representation and a mixture of funding levels. Our findings cannot be used to make inferences about the implementation of NPI at other missions.

To answer both audit objectives, we identified relevant criteria through a review of GAO's *Standards for Internal Control in the Federal Government* and USAID's Automated Directives System. We interviewed Agency officials and staff from the seven bureaus, offices, or other operating units who were key participants in the process of developing NPI guidance.[30] We also conducted interviews with mission staff at the four selected missions who had a key role in NPI action plan development and implementation.

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[29] GAO, *Standards for Internal Control in the Federal Government* (GAO-14-704G), September 2014.
[30] Agency staff interviewed represented the following: DDI/LFT; Office of Acquisition and Assistance; Office of the Chief Financial Officer; Bureau for the Middle East; Bureau for Conflict Prevention and Stabilization; Office of Policy, Planning and Learning; and the Global Development Lab.

To answer the first audit objective, we reviewed documents provided by DDI/LFT staff and the four selected missions. These included USAID's 2018 *Acquisition and Assistance Strategy*, the guidance USAID established for NPI action plan development, communications between Agency officials and mission staff, and each of the selected mission's NPI action plans, award portfolios, and risk assessment documents. We also obtained testimonial evidence regarding guidance, policies, communication efforts, risks, and challenges related to NPI through stakeholder interviews. We developed data collection instruments to aggregate and analyze the information we obtained to determine the Agency's process for developing and implementing NPI guidance.

To answer the second objective, we reviewed and analyzed performance measurement and monitoring guidance and documentation. We also obtained testimonial evidence regarding mission processes to set indicator targets and to measure and report indicator data through stakeholder interviews. We developed data collection instruments to aggregate and analyze the testimonial and documentary evidence obtained to determine the extent to which (1) the established NPI performance measurement and communication guidance conformed with identified U.S. government internal control standards and Agency requirements and (2) USAID measured and communicated NPI progress at the selected missions.

We did not rely on computer-processed Agency data to answer our audit objectives.

Appendix B. Agency Comments

MEMORANDUM

TO: Global and Strategic Audits Division, Director, Emily Gardiner

FROM: USAID Bureau for Inclusive Growth, Partnerships, and Innovation/ Local, Faith, and Transformative Partnerships Hub, Director, Catie Lott /s/

DATE: January 31, 2024

SUBJECT: Management Response to the Office of Inspector General (OIG)'s Draft Audit Report titled, 'New Partnerships Initiative: USAID Provided Technical Assistance to Support Implementation but Faced Challenges with Data Reliability, Partner Inexperience, and Mission Staff Capacity' (99100221)

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The Local, Faith, and Transformative Partnerships (LFT) Hub would like to thank the Office of Inspector General (OIG) for the opportunity to provide comments on the subject draft report. The LFT Hub affirms the audit's three recommendations and notes have been addressed, or are currently being addressed by the New Partnerships Initiative (NPI) and Agency colleagues. This memorandum outlines the LFT Hub's response to the three recommendations.

Per the draft report, "The audit's scope period was from October 1, 2018, the quarter during which the 2018 Acquisition and Assistance Strategy was launched, through September 30, 2021, when the initial NPI action plans for the pilot phase had been completed and implemented for 9 months" (p.16). The draft audit was submitted in January 2024. NPI has continued to advance its stated objectives and has streamlined its indicators to align with the Agency's burden reduction priorities.

COMMENTS BY THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) ON THE REPORT RELEASED BY THE USAID OFFICE OF THE INSPECTOR GENERAL (OIG) TITLED, New Partnerships Initiative: USAID Provided Technical Assistance to Support Implementation but Faced Challenges with Data Reliability, Partner Inexperience, and Mission Staff Capacity' Task No. 99100221

Please find below the management comments (Corrective Action Plan) from the U.S. Agency for International Development (USAID) on the draft report produced by the Office of the USAID Inspector General (OIG), which contains three recommendations for USAID:

Recommendation 1: Develop resources and best practices for award recipients on how to track, monitor, and report New Partnerships Initiative sub-award data to USAID.

- **Management Comments:** IPI/LFT agrees with the audit report's first recommendation. **Resources and best practices developed to better track, monitor and report on NPI sub-award data include:**
    1) In January 2024, USAID's Management Bureau, Office of Acquisition & Assistance (M/OAA), published a new FSRS (Federal Funding Accountability and Transparency Act Subaward Reporting System) Reporting Guidance "one-pager." This guidance supplements the existing instructions available on FSRS.gov, providing tips and best practices to enable partners to more accurately enter and update subcontract and subaward data in the FFATA Subaward Reporting System (FSRS).
    2) Additionally, M/OAA published a related blog post on WorkwithUSAID.gov with more information on FSRS and hosted a webinar focused exclusively on FSRS reporting on January 25, 2024.

The NPI team promotes best practices by engaging AORs for NPI awards, augmenting Agency-wide effort to ensure prime awardees refine how they collect and report on their subawards. NPI arranges regular yearly and quarterly check-ins with NPI award AORs to maintain records on key data, discuss activity implementation, and offer technical support when possible.

Target Completion Date: Request closure upon issuance of final report. M/OAA's resources were published in January 2024 and have been subsequently amplified by NPI, which continues to provide ongoing support to NPI AORs as Agency-wide sub-award processes and systems evolve.

Recommendation 2: Conduct an assessment of the utility of the sub-award indicator, given underlying data reliability issues, and consider alternative indicators to measure progress toward New Partnerships Initiative goals.

- **Management Comments:** IPI/LFT agrees with this recommendation. While NPI will continue tracking the sub-award indicator as mandated by federal reporting requirements, it has adopted broader methods for measuring its effectiveness and improving data reliability over the past several years. IPI/LFT believes that the analysis and assessing of data inputs since 2021 has improved data reliability and obviates the

need for a more formal assessment of the utility of the sub-award indicator.

An analysis of sub-award data was conducted by M/CIO developed an initial subaward dashboard in February 2020 that was then updated and redeployed in January 2024. The updated sub-award dashboard, which is available on the Enterprise Reporting Platform, is part of a broader M/OAA and M/CIO effort to enhance sub-award data integrity.

Since the pilot period ended in 2021, NPI's sub-award indicator is now considered as a supplement to the funding of new and underutilized partners (NUP) indicator by NPI, which has been tracked since November 2021.

The FSRS system that tracks subawards is also used to track subawards to *local* entities, which aligns with a supplemental indicator related to Agency localization priorities—USAID's [Locally Led Programming (LLP) indicator](). NPI was instrumental in shaping several of the fourteen good practices that were included under the pilot LLP because generating this data would be an invaluable metric for assessing not only NPI activities but also the broader Agency uptake of practices like co-creation and local capacity strengthening that are considered standard in all NPI awards.

Target Completion Date: 12/31/2024. NPI will contribute feedback regarding revisions to the LLP indicator during FY24 so that data related to the updated indicator can be collected during the FY24 Performance Plan & Review process.

Recommendation 3: Update guidance on the New Partnerships Initiative to clarify performance measurement requirements, including the frequency and method of communicating results from the missions to the responsible office in Washington, DC, and the intended use of the data at the Agency level.

- **Management Comments:** IPI/LFT agrees with the audit report's third recommendation. Efforts are already underway towards meeting this goal. Since the initial audit scope period, NPI has updated and significantly streamlined its guidance for required indicators. The indicators during the audit period and the current indicators have been regularly collected (by agency-wide systems) and reported on enterprise-reporting.usaid.gov. The relevant dashboards are titled "NUP Metrics," "Presolicitation Dashboard," and "Co-creation Dashboard." The NPI team has also developed new guidance covering a variety of areas beyond [that of performance measurement]().

Target Completion Date: 12/31/2024. Reporting on data from NPI's updated indicators described above will be available for FY23 and forward. During 2024 NPI will socialize updated guidance for NPI awards to clarify how it measures its performance in advancing NPI's partnership objectives.

In light of the aforementioned, we request that the OIG inform USAID if it agrees or disagrees with management's responses to the recommendations.

Appendix C. Major Contributors to This Report

Members of the audit team include:

- Emily Gardiner, Audit Director
- Pam Hamilton, Assistant Director
- Jack Nelson, Lead Auditor
- Margarita Arguello, Analyst
- Hugo Solano, Auditor
- Cyrelle White, Lead Auditor

The audit team would like to acknowledge contributions from Fawad Aslam, Rhonda Horried, Samuel Ludwig, Gary Middleton, and Tovah Rom.

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