



# Local Systems: A Framework for Supporting Sustained Development

A Mandatory Reference for ADS Chapter 220

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## Executive Summary

This Framework describes USAID’s overarching approach to transforming innovations and reforms into sustained development. Drawing upon USAID’s experience, established good practice and systems thinking, this Framework places local systems at the center of all our efforts to promote sustainability.

The focus on local systems is rooted in the reality that achieving and sustaining any development outcome depends on the contributions of multiple and interconnected actors. Building the capacity of a single actor or strengthening a single relationship is insufficient. Rather, the focus must be on the system as a whole: the actors, their interrelationships and the incentives that guide them. Realizing improved development outcomes emanates from increasing the performance of multiple actors and the effectiveness of their interactions. And sustaining development outcomes depends on the sustainability of the local system—specifically, its built-in durability and adaptability that allows actors and their interrelationships to accommodate shocks and respond to changing circumstances.

This Framework contributes to the ongoing transformation of the way the Agency does business by defining clear and practical steps toward realizing a vision of development that is locally owned, locally led and locally sustained. These steps include: (1) adhering to good practice in engaging local systems (see Box 1); (2) modifying the Agency’s risk assessment process to take better account of rewards as well as risks and to better enable us to direct our resources where they are most likely to catalyze sustained development; and (3) broadening our results architecture to track our contributions to the strength and sustainability of local systems. Ultimately, effective and empowered local systems are essential to sustainably fulfilling our mission to partner to end extreme poverty and to build resilient, democratic societies.

The Framework also defines how we will advance aid effectiveness and serves as the basis for deeper collaboration with all partners to support sustainability through local systems. The Framework concludes with a series of follow-on steps—some already underway—that will help us make progress.

### Box 1. Ten Principles for Engaging Local Systems

1. **Recognize there is always a system.**
2. **Engage local systems everywhere.**
3. **Capitalize on our convening authority.**
4. **Tap into local knowledge.**
5. **Map local systems.**
6. **Design holistically.**
7. **Ensure accountability.**
8. **Embed flexibility.**
9. **Embrace facilitation.**
10. **Monitor and evaluate for sustainability.**

## I A Vision and a Framework

Today's international development landscape is very different than just a few decades ago. New challenges, including rampant urbanization and climate change, have come to the fore, even as we have seen dramatic reductions in extreme poverty, HIV/AIDS prevalence and civil conflict. We have also seen the emergence of new opportunities—the spread of communications technologies, the rise of global philanthropy, the formation of new public-private partnerships and multi-stakeholder alliances, and the upsurge in entrepreneurship worldwide—that are transforming traditional development models and relationships.

Operating effectively in the modern development landscape requires an equally modern development approach to promoting local solutions. One vital feature of a 21st-century development model is that it takes full advantage of emerging opportunities by leveraging the latest scientific and technological advances and by promoting new coalitions to tackle pressing development challenges. Through USAID Forward's emphasis on promoting local solutions, including those initiatives focusing on innovation and partnerships, the Agency is actively evolving and refining its role as a development convener, connector and incubator.

To complement the search for new ideas and modes of collaboration, a second feature of this 21st-century approach is thoughtful engagement with the many segments of developing societies to ensure that technical innovations and social reforms produce positive and lasting change. USAID and its many partners have decades of experience supporting this type of development. We have learned that introducing innovation and reform is not easy, because change inevitably confronts established sets of ideas, practices, relationships and results

We have learned that we are most successful when we work productively with local change agents, supporting their efforts to promote innovation, advocate for reform, develop capacities, deepen accountability and improve results. And we have learned that locally led development is more likely to be sustained when it alters incentives and institutions.

The purpose of the Local Systems Framework is to present USAID's overarching approach to supporting the transformation of innovations and reforms into sustained development. It draws from our collective experience (see Box 2) as well as from global good practice on aid effectiveness. However,

### **Box 2. Experience and Evidence that Inform the Framework**

**Experience** – This Framework builds on years of experience by USAID and its partners on supporting sustainable development through institutional development, capacity building, policy reform, civil society strengthening, service delivery improvement, value chain and market system development, and systems strengthening. The collective experience was reviewed during the two-day *Experience Summit on Strengthening Country Systems* in November 2012. The Summit provided an opportunity for USAID staff and partners to examine accumulated experience and identify what is most relevant moving forward. A summary of the event and background materials are available at: [kdid.org/events/experience-summit](http://kdid.org/events/experience-summit).

**Evidence** – USAID also commissioned a series of research papers prepared by the Overseas Development Institute (ODI) that reviewed the case for providing direct funding to governments, civil society organizations, universities or the private sector in developing countries and examined the available evidence about the contribution such "localized aid" makes to sustainability. The four papers are available at: [www.odi.org.uk/projects/2696-localising-aid-budget-support-southern-actors](http://www.odi.org.uk/projects/2696-localising-aid-budget-support-southern-actors).

this Framework adds several 21st-century elements—most significantly, an embrace of systems thinking and an emphasis on the concept of local systems. These additions provide a lens and a language that help focus our development efforts; orchestrate all assistance modalities to serve a common purpose; integrate our policies, plans and projects; and afford a platform for collaboration with our partners, U.S. Government counterparts and other donors. The Framework also accesses important insights and powerful tools that help address pressing development problems and navigate the complexity of 21st-century development. But perhaps most important, it offers clear and practical steps toward realizing the vision of development that is locally owned, locally led and locally sustained.

The Framework is presented in the next four sections. Section 2 provides additional detail on the concept of a local system and how that concept is connected to aid effectiveness and to sustainability. Section 3 introduces systems thinking and describes how it improves the way we think about sustainability, while Section 4 draws on that thinking and established good practice in distilling 10 principles to guide engagement with local systems. Section 5 considers USAID's current approach and identifies areas where changes are needed in order to fully adopt the Framework.

Together, these four sections provide a roadmap of the general direction we will take toward realizing the vision of locally led and locally responsive development. The aim is to provide sufficient orientation to USAID staff and to our partners in the United States and around the world to generate common understanding and greater collaboration. At the same time, making progress will also require additional tools and operational guidance. Some of the initial priorities are itemized in Section 6 of this paper.

## **2 Systems and Sustainability**

Sustainability is an essential component of development and a core commitment of USAID and every international development agency.<sup>1</sup> The basic idea is simple: Development investments in poor countries, of whatever form, should catalyze the economic, political and social processes within those countries that yield ever-improving lives for their citizens. However, as a practical matter, translating discrete development projects and programs into broad-based social change is complex.

Global best practice on how to support sustained development is embedded in principles of aid effectiveness first ratified in the Paris Declaration (2005) and reaffirmed in global compacts adopted in Accra (2008) and Busan (2011).<sup>2</sup> The central insight is that external aid investments are more likely to catalyze sustained development processes when they reinforce a country's internally determined development priorities (country ownership) and arrangements (country systems). The most recent articulation of the aid effectiveness principles at Busan has added an important nuance: Effective and

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<sup>1</sup> Sustainability is central to USAID's mission. However, there are times when the need to respond rapidly to a natural disaster, a public health emergency or a political crisis is of prime importance. Accomplishing that mission may entail establishing systems parallel to the local one, but even then we should respond to crises in ways that lay the foundation for an eventual shift toward local systems and sustainable development results. This approach is elaborated in USAID's 2012 *Policy and Program Guidance on Building Resilience to Recurrent Crisis* (available at: <http://www.usaid.gov/sites/default/files/documents/1870/USAIDResiliencePolicyGuidanceDocument.pdf>).

<sup>2</sup> The terminology is shifting from "aid effectiveness" to "development effectiveness" to better recognize that the principles of aid effectiveness apply to all who support development processes and not only to the providers of official development aid. Even so, aid effectiveness is still the more common term and the one used here.

sustainable development is inclusive development (see Box 3). Inclusive country ownership means that development priorities are established in ways that are broadly responsive to citizen needs and aspirations. Inclusive country systems also recognize that **all parts of society**—certainly governments, but also civil society, the private sector, universities and individual citizens—have important resources, ideas and energy that are essential to sustaining development.

Recognizing that a country system should be framed inclusively is the kernel of what we mean by a local system. It is certainly true that development resources, catalysts, advocates, entrepreneurs and providers come in many forms. However, the idea of a local system goes further: Achieving and sustaining any development outcome depends on the contributions of multiple and interconnected actors. Reducing infant mortality requires the collective efforts of ministries of health, public and private clinics, grassroots health organizations and individual mothers. Increasing food production involves the joint efforts of individual farmers, private suppliers, agricultural researchers and government-sponsored extension agents—and will come to naught if that increased supply is not met with increased demand from individual consumers or commercial buyers. Expanding mobile banking networks requires investments from banks and telephone companies, but it also takes inputs from the government to provide a welcoming investment climate and from local businesses and their customers, who see value in the new service.

Each set of interconnected actors whose collective actions produce a particular development outcome is a local system. Improving that development outcome necessarily requires a systems approach. Building the capacity of a single actor or strengthening a single relationship is insufficient. Rather, the focus needs to be on the system as a whole—the actors, their interrelationships and the incentives that guide them. Improvements in development outcomes emerge from increasing the performance of individual actors and the effectiveness of their

### Box 3. Busan Partnership for Effective Development Cooperation, 2011

The Busan Partnership Agreement, endorsed by 160 countries including the United States, calls for a more inclusive approach to development. Key statements include (emphasis added):

- We commit to modernize, deepen and broaden our cooperation, involving state and non-state actors that wish to shape an agenda that has until recently been dominated by a narrower group of development actors. In Busan, we forge a new global development **partnership that embraces diversity and recognizes the distinct roles that all stakeholders in co-operation can play to support development.**
- We welcome the opportunities presented by diverse approaches to development cooperation, such as South-South cooperation, as well as the **contribution of civil society organizations and private actors**; we will work together to build on and learn from their achievements and innovations, **recognizing their unique characteristics and respective merits.**
- At Busan, **we now all form an integral part of a new and more inclusive development agenda .... we welcome the inclusion of civil society, the private sector and other actors.**

#### Definition: Local System

**Local system** refers to those interconnected sets of actors—governments, civil society the private sector, universities, individual citizens and others—that jointly produce a particular development outcome.

The **“local” in a local system** refers to actors in a partner country. As these actors jointly produce an outcome, they are “local” to it. And as development outcomes may occur at many levels, local systems can be national, provincial or community-wide in scope.

interactions. Similarly, sustaining development outcomes depends on the sustainability of the local system, its built-in durability and a level of adaptability that allows actors and their interrelationships to accommodate shocks and respond to changing circumstances.

The U.S. Government has repeatedly affirmed the central pillars of aid effectiveness across the past two administrations, with bipartisan support. Still, the greater attention to inclusive development ratified in Busan is a welcome amendment, as it closely aligns with U.S. experience and policy positions. Key policy documents emphasize that development, at its best, is locally driven and inclusive of popular aspirations, while development assistance needs to build local capacities and capabilities in ways that lead to sustained improvements in people's lives and livelihoods (see Box 4). USAID reflects these commitments in our current *Policy Framework 2011-2015*, which underscores the importance of “nutur[ing] lasting institutions systems and capacities in developing countries that enable them to confront development challenges effectively.”

Focusing on local systems does not stop with recognizing a more inclusive set of key development actors (government agencies, civil society organizations, private sector firms or others). It also invites greater attention to the roles those actors play in producing development outcomes and how effectively they fulfill their roles. That, in turn, provides a basis for determining how best to partner with various local actors, including whether to provide funding to them directly. In addition, thinking in terms of local systems nuances commitments by international actors, including governments and non-governmental actors, to strengthen—and use—country systems.<sup>3</sup> From a local systems perspective, “strengthening” means building up the capacities of local actors—governments, civil society and the private sector—and the system as a whole, while “use” means relying on that local system to produce desired outcomes. And in this context, where sustainability is the ultimate objective, USAID is committed to employing all of our development resources to strengthen and use local systems.

#### **Box 4. Recent U.S. Policy Commitments**

##### **U.S. Global Development Policy, 2010**

“We will also strive to help increase the capacity of our partners by investing in systemic solutions for service delivery, public administration and other government functions where sufficient capacity exists; a focus on sustainability and public sector capacity will be central to how the United States approaches humanitarian assistance and our pursuit of the objectives set out in the Millennium Development Goals.”

##### **USAID Policy Framework, 2011-2015**

“The ultimate goal of development cooperation must be to enable developing countries to devise and implement their own solutions to key development challenges and to develop resilience against shocks and other setbacks. Sustainability is about building skills, knowledge, institutions and incentives that can make development processes self-sustaining. Sustainability cannot be an afterthought—it must be incorporated from the start when preparing a program or project.”

Source: USAID, *USAID Policy Framework 2011-2015*: 35 (available at: [www.usaid.gov/sites/default/files/documents/1870/USAID%20Policy%20Framework%202011-2015.PDF](http://www.usaid.gov/sites/default/files/documents/1870/USAID%20Policy%20Framework%202011-2015.PDF)).

#### **Definition: Sustainability**

**Sustainability** refers to the ability of a local system to produce desired outcomes over time. Discrete projects contribute to sustainability when they strengthen the system's ability to produce valued results and its ability to be both resilient and adaptive in the face of changing circumstances.

<sup>3</sup> We recognize the important role that our implementing partners play in building local capacities through their partnering with local actors, providing them technical assistance and funding, and advocating more generally for





### 3 Leveraging Systems Thinking

“Local systems” provides a valuable conceptual frame to consider the roles of a broad range of actors and their contributions to sustainability. In this context, using local systems integrates our commitments to sustainability, inclusivity and aid effectiveness while also clarifying USAID Forward objectives, especially the commitment to expand localized aid. However, there are also the less-visible dynamics that animate a system and which ultimately determine the outcomes a system produces and whether those outcomes are sustained.

Over the last few years, the international community has wrestled with these systems dynamics as we have sought to overcome fragility and promote stability, resilience, adaptability and accountability. What all of these efforts share with each other—and with sustainability—is that the desired results arise from the ways numerous actors act and interact. And as we have learned, sometimes at great cost, our discrete interventions targeting a particular agency, organization or set of individuals do not always translate into the reductions in fragility or the increases in resilience, adaptability, accountability or sustainability we seek.<sup>4</sup>

To increase our analytic and operational leverage on these dynamic processes, we mean to take systems—and systems thinking—seriously. Systems thinking—and associated concepts and tools—has grown out of a desire to understand dynamic processes and thus is particularly well-suited to help us navigate the vagaries of dynamic development. Adding this focus on systems

dynamics to local systems provides us with a robust framework for more effectively supporting the emergence of sustainability.

As USAID leverages systems thinking to support sustainability, we will build on existing efforts across the Agency and among our partners. Staff within every pillar bureau and in many missions regularly apply a systems perspective to their area of expertise. Indeed, in areas as diverse as conflict assessment, market development and health service delivery, systems thinking and systems tools are central features. These early adopters of systems thinking provide a rich source of experience and expertise for the Agency as we move forward with this approach.

#### Definition: Systems Thinking

**Systems thinking** refers to set of analytic approaches—and associated tools—that seek to understand how systems behave, interact with their environment and influence each other. Common to all of these approaches is a conviction that particular actions and outcomes are best understood in terms of interactions between elements in the system.

<sup>4</sup> In the language of systems, properties like resilience and sustainability are called “emergent,” as they emerge out of the interactions among a system’s constituent elements. Emergence is a central concept of systems thinking and a topic of considerable investigation. An important insight, which we intend to exploit, is that emergence is not always regular and uniform. Indeed, it can be quite complex. And accounting for complexity has implications for how we plan and engage local systems. See, for example, Ben Ramalingam’s *Aid at the Edge of Chaos: Rethinking International Cooperation in a Complex World*, 2013.

## 4 Engaging Local Systems: Ten Principles

This section moves from how USAID will apply systems thinking to principles that will guide USAID's efforts to engage local systems. These principles are grounded in existing good practice, but are particularly relevant as practical ways to work with our local and international partners to strengthen local systems and realize sustained development.

- 1. Recognize that there is always a system.** There are systems operating in every development context. No situation is a blank slate. As a result, thinking in systems terms and applying systems tools will provide valuable insights into the operating environment, including perspectives on why things are the way they are and what needs to change; the identity of key actors, key relationships and the contours of power and interests; and opportunities and impediments to improved development outcomes and their sustainability.
- 2. Engage local systems everywhere.** As we find local systems everywhere, and as sustainability ultimately depends on strengthening those systems, it makes good development sense not only to think systemically but also to act systemically by seeking out opportunities to engage local systems in all situations. Certainly, the nature of that engagement will vary. Some systems will already be well-functioning and will require little support. Others will be problematic due to fragility, inequity, conflict, corruption, weak institutions or political stagnation. But even when local systems are weak, contested or perverse, there will likely be actors or locations committed to reform. It is important to identify and find ways to support these nodes of reform, as they are the poles around which strong and sustainable systems can emerge.
- 3. Capitalize on our convening authority.** One of USAID's strengths is our ability to gather together diverse actors to address development challenges, whether at the global, national or grassroots level. This convening capacity is a valuable resource when engaging local systems, whether assembling multiple stakeholders in a joint mapping exercise, facilitating consultations around priorities or organizing opportunities for local actors to provide feedback on system performance. We can further use our convening authority to link local actors with international thought leaders and social entrepreneurs to catalyze innovative responses to their development challenges.
- 4. Tap into local knowledge.** Local people understand their situations far better than external actors. They will understand the ways that multiple layers of history, politics, interests and formal and informal rules shape the current situation and what is possible to change. They will have views, perhaps divergent, on the contours of a local system—its boundaries and the results that matter, what works and what does not, and what an external actor can usefully contribute. For these reasons, we should regularly seek out local perspectives, paying particular attention to the voices of marginalized populations, as we map local systems and plan, design, implement, monitor and evaluate our interventions.
- 5. Map local systems.** The centerpiece of a systems approach is a deep and nuanced understanding of the systems we engage. Drawing on local knowledge, the aim is to sift through varying perspectives to reveal the contours of a local system—its boundaries, the key actors and their interrelationships, and system strengths and weaknesses. The intent of this mapping is not to

create a separate and stand-alone analysis, but to apply a systems lens to any analysis or assessment we undertake. A number of tools are available to assist with these analytical processes; several already are part of USAID's repertoire, including the 5-R tool described in Box 5.<sup>5</sup> But more important than the tool or assessment methodology is the systems thinking it promotes.

Ideally, these mappings are undertaken collaboratively with local and international actors. The involvement of others taps into local knowledge, promotes a common understanding of a system and its dynamics, and establishes a common ground for coordinating multiple interventions.

- 6. Design holistically.** A good project design will engage a local system holistically. Building on the understandings of a system's contours elicited during the mapping phase, a good project design will address that system as a whole, incorporating discrete activities and interventions that together will

### Box 5. The Five Rs

One approach for making sense of local systems focuses attention on the 5Rs—resources, roles, relationships, rules and results:

- **Resources:** Local systems transform resources—such as budgetary allocations or raw materials or inputs—into outputs.
- **Roles:** Most local systems involve a number of actors who take on various defined roles: producer, consumer, funder and advocate.
- **Relationships:** In a similar fashion, the interactions between the actors in a local system establish various types of relationships. Some may be commercial; others more administrative and hierarchical.
- **Rules:** An important feature of local systems is the set of rules that govern them. These rules define or assign roles, determine the nature of relationships between actors and establish the terms of access to the resources on which the system depends.
- **Results:** The concept of “results” is expanded to include measures of the overall strength of the local system as well as traditional outputs and outcomes.

Applying this framework helps identify strengths and weaknesses in existing local systems and provides a guide to systems-strengthening interventions. For example, in the mid-1980s, limited access to quality fertilizer was suppressing the yields of food and cash crops in Cameroon. An assessment revealed that the problem was not price—fertilizer was heavily subsidized by the government—but erratic ordering and hold-ups throughout the fertilizer marketing system. These deficiencies all were traceable to the government's monopoly on fertilizer importation and distribution.

Working with the government, distributors, cooperatives and banks, USAID developed a multifaceted project that addressed *rules* (modifying regulations to permit free entry into the fertilizer marketing systems), *resources* (establishing a revolving credit fund to facilitate private importation and distribution), *relationships* (facilitating connections and interactions between actors as they became accustomed to the new arrangements) and *roles* (providing technical assistance to the government to develop its capacity as a steward rather than manager of fertilizer supply).

The *result* was a more efficient and responsive system: Delivery times were cut in half, delivery costs were cut by one-third and farmers had the types of fertilizers they wanted when they wanted them.

Source: S. T. Walker, *Crafting a Market: A Case Study of USAID's Fertilizer Sub-Sector Reform Program*, 1994 (available at: [pdf.usaid.gov/pdf\\_docs/PNABR906.pdf](http://pdf.usaid.gov/pdf_docs/PNABR906.pdf)).

<sup>5</sup> Available tools include USAID's frameworks for: (1) assessing civil conflict (*Conflict Assessment Framework 2.0*,

2012, available at: [pdf.usaid.gov/pdf\\_docs/pnady739.pdf](http://pdf.usaid.gov/pdf_docs/pnady739.pdf) and the related document, *Systems Thinking in Conflict Assessment: Concepts and Application*, 2011, available at: [pdf.usaid.gov/pdf\\_docs/PNADY737.pdf](http://pdf.usaid.gov/pdf_docs/PNADY737.pdf)); (2) analyzing value chains (*Training Curriculum on Facilitating Value Chain Development*, available at: [www.microlinks.org/library/training-curriculum-facilitating-value-chain-development](http://www.microlinks.org/library/training-curriculum-facilitating-value-chain-development)); and (3) mapping local organizations ([usaidearninglab.org/library/usaid-local-capacity-development-mapping-tool](http://usaidearninglab.org/library/usaid-local-capacity-development-mapping-tool)).

strengthen the system and produce sustainable results. In doing so, project designers will need to draw artfully from the full range of available development modalities, including technical assistance and capacity development through grants, contracts or from USAID staff directly; policy reform and other forms of performance-based assistance; localized aid; facilitation; and public-private partnerships and multistakeholder alliances—and in all cases choose the combination that is most likely to foster sustainability.

- 7. Ensure accountability.** Strong accountability relationships are essential to durable and adaptive local systems. These relationships provide the feedback channels that give a system its dynamism and ultimately its sustainability—feedback that the system is generally working well and feedback that adjustments are needed to better respond to citizen demands or adapt to changes in the larger operating environment. (Box 6 provides some clear evidence of the power that local feedback has on service quality.) Accountability relationships can take a number of forms, from formal political processes, to direct feedback of consumers and users, to input from providers of goods and services. But whatever forms they take, and consistent with USAID’s 2013 *Strategy on Democracy, Human Rights and Governance*, accountability relationships must be given serious attention in every effort to strengthen local systems.<sup>6</sup>

### Box 6. The Value of Local Accountability

When villagers and teachers, instead of school officials, are allowed to set their own priorities for improving schools and directly monitor performance, the results can be priceless. In Uganda, World Vision knew that community-based monitoring of school performance could help sustain improvements in education that building schools, supplying textbooks and training teachers alone could not. They tried two approaches: the use of a standard scorecard with performance questions identified by education officials and development partners, and a participatory scorecard, where community members defined the issues they would monitor.

A randomized controlled trial revealed that the participatory scorecard delivered more than the standard scorecards. The participatory approach prompted higher efforts by teachers, as expected. But it also prompted higher efforts from villagers: Local politicians learned more about their country’s education policies and what they could advocate for on behalf of their constituents, parents increased their support of schools by contributing to midday meals



and children found a forum to report teacher absenteeism and other factors that hurt their education. In the end, although the standard scorecard made little difference in school performance, the participatory scorecard improved attendance by teachers and students and helped raise student test scores.

Sources: A. Zeitlin and others, *Management and Motivation in Ugandan Primary Schools: Impact Evaluation Final Report*, Center for the Study of African Economies, 2011. World Vision, *Citizen Voice and Action: Civic Demand for Better Health and Education Services*, 2010.

<sup>6</sup> Specifically, the *Strategy on Democracy, Human Rights and Governance* states (p.5): “[T]echnical efforts to promote poverty reduction and socioeconomic development must address democracy, human rights and governance issues, including a lack of citizen participation and poor government accountability” (available at: [pdf.usaid.gov/pdf\\_docs/pdacx557.pdf](http://pdf.usaid.gov/pdf_docs/pdacx557.pdf)).

- 8. Embed flexibility.** If we wish to promote adaptability within systems, then we need to engage them in ways that are themselves adaptable. We need to design and manage all of our interventions—be it technical assistance, localized aid, policy reform, or another arrangement—in ways that allow adjustments in the face of shocks or in response to learning. This emphasis on implementation flexibility is partly about modeling good practice, but it is also about having the ability to support—and strengthen—those adaptive responses that emerge during a project’s lifetime
- 9. Embrace facilitation.** Our systems strengthening mantra should be: *facilitate; don’t do*. In other words, our engagements with local systems should facilitate system interactions without assuming responsibility for performing them directly. When we facilitate, we recognize that the strength of the local system and its prospects for sustainability depend on its ability to operate unaided, and that intervening too heavily robs local actors of opportunities to craft a true local solution. In embracing facilitation, USAID has a growing body of experience to draw on, as summarized in Box 7.
- 10. Monitor and evaluate for sustainability.** The choice of monitoring and evaluation methods provides important opportunities to engage local systems and promote sustainability. Certainly, monitoring and evaluation need to be attuned to charting the progress of local systems toward sustainability. More participatory forms of monitoring and evaluation not only provide local perspectives on what is working and what could be improved, but also can ensure that monitoring and evaluation products are locally useful. And use of local monitors and evaluators deepens another source of localized accountability.

#### Box 7. Facilitation in Action

Facilitation is an approach to project implementation that minimizes direct provision of goods and services and focuses instead on catalyzing behaviors, relationships and performance as a way to support local systems.

An example is USAID/Ghana’s approach to supporting maize, rice and soybean smallholder farmers in northern Ghana. Through the Agricultural Development and Value Chain Enhancement Project, ACDI/VOCA works with larger-scale farmers and local firms to serve as intermediaries in the value chain that link smallholder farmers to agricultural services such as credit, inputs and tractor services. Using a facilitative approach, ACDI/VOCA mentors the intermediaries in their internal operations, and in their outreach upstream to service providers and downstream to smallholders, producing a network that links over 200 business service providers to 34,000 farm families.

Source: USAID, *Understanding Facilitation*, 2012 (available at [microlinks.kdid.org/sites/microlinks/files/resource/files/Facilitation\\_Brief.pdf](https://microlinks.kdid.org/sites/microlinks/files/resource/files/Facilitation_Brief.pdf)).

## 5 Catalyzing a Systems Approach

Shifting thinking and engagement to be more attentive to systems and sustainability must be complemented with shifts in the incentives that motivate USAID staff and, by extension, the Agency’s implementing partners. Specifically, staff should be rewarded for thinking systemically, engaging local systems holistically and investing development resources in ways that support sustained development. A compelling vision, strong leadership commitments, a suite of accessible tools and effective training all catalyze more effective practice, but these measures need to be reinforced with clear expectations that key programming decisions will be made in ways that support the locally owned, locally sustained development we seek.

Two sets of incentives deserve early attention: USAID staff need to be encouraged to design and implement projects in ways that produce sustained impact as well as rapid results, and staff need to be empowered to make investments in those actors, organizations, agencies, or sectors where the prospects for sustaining results are greatest. Addressing the first requires broadening how we think about results, and the second requires recalibrating how we think about risk.

## 5.1 Seeking a Broader Set of Results

USAID staff and our implementing partners spend considerable time and energy collecting and reporting annual performance data. This attention to annual targets and results often comes at the expense of attention to the capacities, relationships and resource flows that are crucial components of lasting local systems. Box 8 provides a poignant illustration of what happens when a project focuses on project outputs rather than the underlying system. The implementers were able to create conditions that led to increases in certain nutritional practices during the project period; however, an ex-post evaluation found that mothers abandoned some practices when the project supports disappeared because those practices were insufficiently embedded into the local health system.

The challenge is to create a results architecture that keeps attention focused simultaneously on outputs and outcomes *and* on the condition of the system that will produce those outputs and outcomes over time. The first step is to expand the conception of a result to include key attributes of a well-functioning system as well as the outputs and outcomes it produces. The second step is to develop reliable ways to measure those attributes. Adding measures of system durability and adaptability to existing indicators of project outcomes will provide a more insightful basis for assessing the effectiveness of investments and for reporting progress in meeting near-term targets and attaining longer-term sustainability.

### Box 8. Insights from an Ex-post Evaluation

The Office of Food for Peace recently conducted a set of ex-post evaluations of the Title II Program in Kenya, Bolivia, Honduras and India. The study examined project characteristics that facilitate sustainable activities, and explored how the process of “exiting” affected sustainability.

In Kenya, for instance, the study examined health and nutrition practices one and two years after exit. The study revealed that low- or no-cost practices, such as mothers exclusively breastfeeding their infants, were sustained. But practices that relied on donor-funded resources, such as feeding during diarrhea, declined over time.

Overall, program components that focused on strengthening local relationships and built local capacity were more likely to be sustained than those that did not. This lesson will serve Food for Peace as it designs future projects.

Source: J. Coates, and others, “Exit Strategies Study: Kenya,” as part of *Ensuring the Sustainability of Program Impacts: Effectiveness of Title II Program Exit Strategies*, 2012.

## 5.2 Recalibrating Risk

In the same way that we need to deepen the way we think about results, we also need to sharpen the way we think about risk. As a starting point, we recognize that all development efforts are subject to risks, ranging from political instability, to natural disasters, to weak governance, to unexpected resistance to change. And should any of these risks become a reality, it would undermine the impact of our investments and the prospects for sustained development. To operate effectively in these environments requires an ability to assess risks rigorously and comprehensively so as to identify the

sectors, local partners and funding mechanisms that offer the best opportunities for strengthening local systems and producing sustained development.

Supporting USAID staff to seek out and take advantage of those opportunities requires deepening the Agency's approach to risk in three ways.<sup>7</sup> First, we need to create opportunities to think about risks comprehensively and comparatively,<sup>8</sup> starting by naming and classifying the important types of risk that can undermine our goal of sustained development, such as set forth in Box 9. The next step is to round out our suite of rigorous risk assessment tools so that we have the same ability to identify the contextual and programmatic factors that can undermine sustained development that we currently have to assess fiduciary and reputational risk.<sup>9</sup> Then we need to structure key decisions more often as choices among multiple options, where a comprehensive risk analysis identifies the particular configuration and levels of risks associated with each choice. Assessing risks comprehensively and comparatively is particularly important in both strategic planning—to help identify which sectors or systems to prioritize—and project design—to inform the choice of local actors to engage and funding arrangements to use.

Second, we need to weigh the upside potential of development investments against the possible threats to them. In other words, we need to consider rewards as well as risks, and the consequences of not acting at all. This broadened conception is particularly important when the reward is sustained development.

Some interventions may be difficult and will take time to produce change. Thinking only in terms of risk may preclude these types of investments. For example, USAID/Rwanda has committed to supporting the

### Box 9. Sources of Risk

Development activities face many types of risk, but four stand out:

- **Contextual risk** captures the possibility that various occurrences particular to a specific area or context adversely affect the realization of development outcomes. Examples include risks of a natural disaster or civil unrest.
- **Programmatic risk** refers to the possibility that characteristics of an intervention, including the way it was designed or implemented, adversely affect the realization of expected outcomes.
- **Reputational risk** highlights the possibility that a loss of credibility or public trust resulting from how a project is implemented or the choice of partners adversely affects the realization of development outcomes.
- **Fiduciary risk** refers to the possibility that the misuse, mismanagement or waste of funds adversely affects the realization of development outcomes.

<sup>7</sup> There is growing attention within the development community to issues of risk and how donors manage it. Examples include OECD/DAC, *Managing Risks in Fragile and Transitional Contexts: The Price of Success?*, 2011 (available at: <http://www.oecd.org/dac/incaf/48634348.pdf>) and ODI, *Localising Aid: Is it Worth the Risk?*, 2013 (available at: [www.odi.org.uk/publications/7568-localising-aid-risk](http://www.odi.org.uk/publications/7568-localising-aid-risk)).

<sup>8</sup> The steps laid out here follow the risk management framework used by the U.S. Government Accountability Office; for example in *Risk Management: Strengthening the Use of Risk Management Principles in Homeland Security*, 2008 (available at: [www.gao.gov/assets/130/120506.pdf](http://www.gao.gov/assets/130/120506.pdf)).

<sup>9</sup> USAID currently has a well-developed set of tools to assess fiduciary risks associated with partnering with governments (Public Financial Management Risk Assessment Framework [PFMRAF]) and with local civil society (the Non-U.S. Organization Pre-award Survey [NUPAS]). Attached to the PFMRAF is a separate analysis to examine the reputational risk associated with partnering with particular governments or government agencies.



government's plan to expand feeder roads. Building up the limited capacity of district governments to manage road construction and supervise maintenance will take effort and carries programmatic and fiduciary risks. Even so, it makes good sense when also taking into account the long-term benefits of a locally managed rural road network and the increased economic activity it will support.

Third, we need to calibrate risk mitigation more finely. The desired standard is to align risk mitigation efforts with the scale and scope of the risks to be faced. Achieving this standard requires refining measures of both the likelihoods and costs associated with all four types of risk, considering risk-sharing in assessments of fiduciary risk and determining the cost-effectiveness of common risk mitigation methods.

Among the methods we can employ to better understand the nature of risk, ex-post evaluation stands out. They offer the most direct way to examine the lasting effects of development interventions and to provide unique insights into the functioning of social systems. From a different angle, the same evaluation can provide data about programmatic risk, providing information about the gains realized—or foregone—in the years after an intervention ends.

Taken together, expanding the results we seek and deepening the way we consider risks will better ensure that we are investing and engaging with sustainability clearly in mind. Going forward, USAID will rely more on the approach of providing incentives in support of sustainability than on specifying targets for partnering with particular types of local actors or utilizing particular types of assistance.<sup>10</sup> A more holistic set of incentives, as laid out here, will help ensure that all of our potential investments are assessed in the same way for the results they generate, the risks they face and the rewards they offer. This even-handed examination of results, risks and rewards will empower staff to make the best choices about where to work and what partners to work with to support sustained development.

## 6 The Way Forward

The previous four sections have laid out a vision and a framework for advancing sustained development that relies on thinking and working more systemically. Earlier sections have also identified broad principles and incentives that serve as signposts directing us toward that destination. This section focuses on the initial steps necessary to making progress on our journey.

USAID can make some headway on its own, and as part of the Local Solutions initiative, we are committed to doing so. But significant progress toward making sustained development a more consistent reality will depend on many others across the globe joining with us in this effort. Therefore, as we work internally to identify, nurture, reward and spread good practice, we will seek out external collaborators who wish to join us, especially those willing to take these first steps along with us.

- **Spread systems thinking.** Thinking systemically is the essence of the Framework. Therefore, under the auspices of the Local Solutions team, USAID will spread systems thinking through the

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<sup>10</sup> To elevate attention to sustained development and embrace aid effectiveness commitments, the Agency established a target of increasing the level of localized aid to 30 percent by the 2015 fiscal year. That target remains. But as USAID looks forward, the focus will be more on how we use 100 percent of our resources to strengthen and sustain local systems rather than just the share that goes directly to local partners.

Agency by facilitating the dissemination of tools, techniques and good practices from those individuals, offices and missions that are more expert to those that are less so. We will promote communities of practice, peer-to-peer learning and consultation, how-to notes and other means for building up and building out good practice.

- **Embed systems thinking and local systems into the Program Cycle.** The Program Cycle is USAID's model for sequencing and integrating its programming, from strategic planning and project design to implementation, monitoring, learning, adaptation and evaluation. Thus, to modify day-to-day operations to support more effective engagement with local systems requires us to better integrate systems thinking and systems tools into the Program Cycle. To achieve this objective, we will tailor specific tools and techniques for use at different points in the Program Cycle and adjust training and guidance as we confirm good practice.
- **Add to the ways we can support local systems.** As we think and engage more systemically, we will need to use a broader suite of assistance modes than we currently rely on. Some modes, like staff-led policy dialogue and policy reform-based finance, are already available but not in wide use. Others, such as cash-on-delivery and other variants of performance-based programming, are promising but need piloting and vetting to determine how they are best used to support local systems.
- **Sharpen our risk management practices.** As spelled out in Section 5.2, we need to sharpen our risk management practices to ensure we are making the investments that are most likely to produce sustained development. To do so, we need to develop a risk management approach that assesses risks in conjunction with strategic objectives, considers both risk and rewards rigorously and comprehensively, and is integrated seamlessly into the Program Cycle.
- **Develop ways to measure systems.** In support of our efforts to broaden the results we seek, we will create a repertoire of approaches for measuring dimensions of system strength. Developing this repertoire is essential to tracking the effects of interventions on local systems to ensure they are advancing sustainability.
- **Initiate a series of ex-post evaluations.** The most direct way to assess sustainability is to examine the effects of USAID-funded projects three to five years after their conclusion. Ex-post evaluations provide opportunities to explore the impact that discrete interventions have had on a local system and contribute to a deeper understanding of programmatic risk. For these reasons, USAID will initiate an annual series of sectoral ex-post evaluations, each year examining a different set of projects with similar aims to understand their lasting effects.
- **Reinforce staff skills.** Embracing the vision of sustained development and the Local System Framework brings with it different staff roles. All staff, but particularly those in the field, will need to serve more as development facilitators and social entrepreneurs—convening, connecting and catalyzing local and international actors. For most staff, this represents an exciting and welcome transition, but this change requires both reinforcement of a new skill set and aligning staffing patterns and personnel rating and promotion processes.

Taking these initial steps, and indeed progressing toward the broader vision, will certainly require leadership, insight, creativity, resourcefulness and courage from many, both inside USAID and in the wider development community. But even more, such change will require

persistence. Realizing these changes will take years and will be challenging to sustain in the face of demand for immediate results and the attraction of the tried-and-true. Yet we must remain steadfast. Supporting sustained development is what defines us and is what the world expects.

## **Annex. The Consultation Process**

Developing this Framework has been an intentionally consultative process; in part because we recognized that relevant expertise was widespread inside USAID and in the broader development community and in part because we wanted to use the consultations to build as broad a consensus as possible for the vision and direction spelled out in the Local Systems Framework. Beginning with the November 2012 Experience Summit on Strengthening Country Systems, and continuing during the next 12 months, discussion and comment with internal and external audiences has been a consistent practice.

This Annex focuses on the feedback to the Consultation Draft distributed at the end of October 2013. The wisdom and experience that our many reviewers shared with us during that period, and at earlier junctures, has been humbling and inspiring. We appreciate these fulsome and candid reactions, and we have put them to good use.

### **Who We Heard From**

We posted the draft Framework online for comments internally through the Agency's ProgramNet and externally through the Agency website to elicit individual comments. The Local Systems team also organized 18 group consultations, including 8 hosted by external organizations. As a result, more than 400 people participated in this process, providing feedback on almost every aspect of the Framework.

### **What They Told Us**

Overall, the feedback was remarkably receptive to systems thinking in general and the Local Systems Framework specifically. Reviewers acknowledged the Framework's consistency with good development practice, its value in improving how USAID supports local development efforts and its usefulness in bringing together much of USAID's work in that direction. Almost without exception, comments focused on eliciting clarification on *how* to put this Framework into practice rather than questioning the value of moving in this direction.

### **How We Have Responded**

The most frequent request was for greater clarity on the operational implications of this Framework— what it means for each step of the Agency's program cycle, from how we define our projects to how we define and manage risk, engage with local stakeholders and measure success. There is no question that successfully embedding systems thinking and local systems into development practice will require translating a general approach and guiding principles into clear operational guidance. In the last section of the Framework, we start in that direction by laying out a set of priorities for moving forward. However, the detailed technical and operational guidance we all need will come in the guides and "how-to" notes that will follow.

Other recurring suggestions were to provide greater clarity on key definitions, such as "local" in local systems, sustainability and systems thinking; describe more clearly the connection between local systems and local solutions; articulate more precisely the role of politics and power in systems; address the incentives that USAID staff and implementing partners face in adopting this approach; and present more examples of system approaches in practice. In the final round of

revisions, we have tried to address all of these issues.

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