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Localizing Bilateral Finance for Community Rights

Recommendations for United States Agency for
International Development



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Acronyms

ADP	Afro-descendant Peoples
APS	USAID Annual Program Statement
CDD	Community-Driven Development
CLARIFI	Community Land Rights and Conservation Finance Initiative
CSO	Civil Society Organization
DGM	The World Bank's Dedicated Grant Mechanism for Indigenous Peoples and Local Communities
FAA	Fixed Amount Award
FY	fiscal year
GATC	Global Alliance of Territorial Communities
IP	Indigenous Peoples
IPO	Indigenous Peoples' organization
LC	local communities
LWG	The Path to Scale Localization Working Group
MoU	Memorandum of Understanding
NPI	New Partnership Initiative
NGO	Non-Governmental Organization
NUPAS	USAID Non-U.S. Organization Pre-Award Survey
OECD	Organisation for Economic Co-operation and Development
OU_s	USAID Operating Units
P2S	Path to Scale
PEPFAR	President's Emergency Plan for AIDS Relief
PES	Payments for Ecosystem Services
PRO-IP	USAID's Policy on Promoting the Rights of Indigenous Peoples
SDGs	Sustainable Development Goals
UNDP	United Nations Development Programme
USAID	United States Agency for International Development



1. Background and Context

There is increasing awareness that Indigenous Peoples, local communities, and Afro-descendant Peoples (IPs, LCs, and ADPs) are central actors in local and global efforts to mitigate climate change, conserve biodiversity and promote sustainable livelihoods. These rights-holder¹ groups hold an estimated 50 percent of rural landscapes around the world under customary, collective tenure,² including significant proportions of the world's remaining intact ecosystems,³ tropical forests,⁴ and above-ground forest carbon.⁵ IPs, LCs, and ADPs are among the best stewards of these tropical forests and rural landscapes, with lands governed under secure collective tenure demonstrating relatively low rates of deforestation, high biodiversity, and improved carbon storage.⁶

Despite clear evidence of effective stewardship where collective tenure rights are secure, rights-holders have statutorily recognized rights to only a fraction of the lands and forests that they customarily claim.⁷ Even though supporting IPs, LCs, and ADPs has been demonstrated to reduce deforestation, improve conservation outcomes, and contribute to community resilience, these groups remain historically underfunded by the global donor community. Recent research shows that, in a 10-year period from 2011–2020, projects supporting IP and LC tenure and forest management received the equivalent of less than one percent of Official Development Assistance for climate change mitigation and adaptation, or around \$270 million per year.⁸ Another study found that only 17 percent of initiatives focused on IP and LC tenure and forest management mention an IP or LC organization—indicating a low level of

funding flowing to rightsholders themselves—and only about one-third of project funding was explicitly gender inclusive.⁹

The international community is now starting to respond. For example, through the Indigenous Peoples and Local Communities Forest Tenure Pledge announced at CoP26 in Glasgow in 2021, the governments of the United States, Norway, United Kingdom, Germany, and the Netherlands, along with major private philanthropies, committed \$1.7 billion to support IPs and LCs in securing their tenure rights to tropical forests and to support grassroots efforts to manage and conserve these areas.¹⁰ Pledges such as the Forest Tenure Pledge are increasingly challenging donors to translate their ambitions for scaled-up financing into concrete support for collective forest and land tenure and management on the ground.¹¹

The Path to Scale (P2S) was convened as an informal network to help connect global donor ambitions with demands from IPs, LCs, and ADPs for greater access to international climate and biodiversity funding. Catalyzed and hosted by the Rights and Resources Initiative (RRI) and co-chaired with The Tenure Facility, it consists of individuals from donor organizations, non-governmental organizations (NGOs), and other intermediaries and rightsholder organizations committed to securing Indigenous and community rights, local livelihoods, and the conservation of lands and forests. Participants have committed to advancing two ambitious targets: i) support the recognition of the tenure rights of IPs, LCs, and ADPs to at least 400 million additional hectares of tropical forest by 2030; and ii) mobilize \$10 billion of new funding dedicated to advancing Target 1 by 2030 in tropical forest countries.¹²

To support the achievement of these targets, the P2S has advanced knowledge on key principles for ensuring that donor support to rightsholder organizations is fit for purpose, defined as funding that is IP- and LC-led, flexible and long-term, gender-inclusive, timely and accessible, and mutually accountable.¹³ It has also published an analysis of innovative practices to increase fit-for-purpose financing for collective tenure and forest governance¹⁴ and developed the first open-source online dashboard offering easy access to data on donor funding for IP, LC, and ADP tenure and forest management.¹⁵

Through this work, P2S participants have identified that bilateral donors face particular challenges when compared with private foundations in providing scaled-up financing to rightsholder organizations. The agendas, requirements, and budgets of public donors are defined by policymakers and funded by tax dollars or other public revenues; thus, bilateral donors generally have less flexibility than private philanthropies to adjust funding priorities and grant requirements. This limited flexibility has also hampered the implementation of the broader initiative among bilateral donors toward “localization”, which focuses on increasing funding to and decision-making by local, in-country organizations.¹⁶

Among bilateral aid agencies, USAID has made localization a centerpiece of its development strategy.¹⁷ USAID’s localization commitments extend to the full range of in-country organizations, including the rightsholder organizations that are the focus of the P2S. USAID’s participation in the IPLC Forest Tenure Pledge, its Climate Strategy,¹⁸ Gender Policy,¹⁹ and its Policy on Promoting the Rights of Indigenous Peoples (PRO-IP),²⁰ which commits to ensuring that USAID

programs respect IP rights and engage IPs as partners in development, reinforce common agendas between USAID localization and the P2S.

Through informal conversations in 2023, USAID leadership expressed interest in working with the P2S to identify best practices for funding local rightsholder organizations in keeping with the Forest Tenure Pledge and its localization agenda. Accordingly, this report aims to influence the localization agenda and improve bilateral policies and practices to ensure that more direct, fit-for-purpose support reaches IPs, LCs, and ADPs and their supporting organizations to secure tenure rights and conserve key ecosystems and biodiversity. In the sections that follow, this report:

- Provides a brief overview of USAID localization efforts.
- Discusses key challenges to their implementation, especially for rightsholder groups governing forest and rural landscapes.
- Reviews best practices for overcoming these challenges and advancing more accessible and culturally adapted funding practices and systems.

The report concludes with priority, action-oriented recommendations for USAID to further the localization agenda, specifically for IPs, LCs, and ADPs to secure tenure rights and manage forests. It also identifies how USAID can use the findings to influence, inform, and inspire other bilateral donors to take similar actions focused on ensuring that more resources reach IPs, LCs, and ADPs.

Members of a P2S Localization Working Group (LWG) helped guide the preparation of this report by identifying challenges and good practices and prioritizing key recommendations. An analysis of relevant literature and interviews with experts from rightsholder organizations, USAID and other donor agencies, NGOs, and other intermediaries helped inform the report's findings and recommendations (see Appendix for details). Additionally, the report draws from meetings, interviews, and informal discussions with experts and USAID representatives undertaken by members of the P2S Secretariat in 2023. Feedback sessions with USAID staff further strengthened its findings and recommendations.



2. Localization Overview

USAID defines localization as “the set of internal reforms, actions, and behavior changes USAID is undertaking to ensure our work puts local actors in the lead, strengthens local systems, and is responsive to local communities.”²¹ It is motivated by USAID’s recognition that development and humanitarian assistance needs to be more responsive to the needs and priorities of local actors and communities and embrace their ideas for how to address them as this is “critical for greater equity, effectiveness, and sustainability.”²²

Localization

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In addition to improving development and humanitarian assistance outcomes, USAID's localization efforts are motivated by long-standing criticisms of the large proportion of USAID funding that has historically flowed to a small number of US-based implementors, including consultancy organizations and US-based NGOs.²³ While localization has a longer history, it has been a priority of the current USAID administration since 2021.

Overall, USAID localization aims to achieve two interconnected, Agency-wide targets that USAID Administrator Power announced in November 2021:²⁴

- 1. Direct Local Funding:** USAID will provide at least 25 percent of program funds directly to local partners by the end of the 2025 fiscal year.²⁵
- 2. Local Leadership:** By 2030, 50 percent of Agency programs will place local communities in the lead to set priorities, codesign projects, drive implementation, and define and measure results.

The Direct Local Funding target is being measured as a proportion of the total development and humanitarian Acquisition and Assistance funds obligated in USAID's Global Acquisition and Assistance System in a given fiscal year.²⁶ To measure progress toward the Local Leadership target, USAID launched a new Locally-led Programs indicator in 2023 that identifies 14 good practices clustered into four categories: i) Direct Local Funding; ii) Creating Effective Local Partnerships; iii) Investing in Local Capacity; and iv) Engaging Communities Directly. USAID activities that use at least two good practices from a minimum of two categories in a given fiscal year are counted toward the 50 percent target.²⁷

To achieve these targets, USAID is promoting and implementing a wide range of commitments and actions, including:

- Integration of localization in high-level USAID policies and guidance, such as USAID's overall Policy Framework,²⁸ new Partnership Principles, a new Local Capacity Strengthening Policy,²⁹ an updated Risk Appetite Statement,³⁰ and the Agency-wide Learning Agenda.³¹
- Revision of the USAID Acquisition and Assistance Strategy³² guiding how USAID manages its grants (Assistance)³³ and contracts (Acquisition), which together made up about 85 percent of its expenditures in 2023.³⁴ Key actions to promote localization in the strategy include:
 - Expanding and adapting the USAID workforce, including hiring more Agreement and Contract Officers to handle the anticipated larger number of smaller grants;
 - Reducing barriers for local partners to begin working with USAID;
 - Investing in local capacity strengthening;
 - Promoting mentoring roles for non-local USAID partners; and
 - Increasing use of "pay for results" grant mechanisms.

- Implementation of targeted initiatives, such as:
 - Local Works³⁵ is a Congressionally appropriated, central pot of funding that USAID Missions can apply to for grants worth up to US\$2 million using simplified arrangements, specifically for local partners; and
 - The New Partnerships Initiative (NPI)³⁶ supports an internal team to partner with interested USAID Operating Units (OUs) on funding calls that embed a range of measures to expand USAID partnerships, including with local organizations.

In addition, USAID has committed to serving as a global public advocate for the localization agenda, using its convening authority, partnerships, voice, and power of example to persuade other donors to localize their funding.

2.1 Results to date

2.1.1 Toward the Direct Local Funding target³⁷

- In FY22, USAID reported that Direct Local Funding to individuals, organizations, or corporations based and legally organized in a country where they implement USAID-funded work reached nearly US\$1.6 billion, or 10.2 percent of obligations. In FY23, this declined to 9.6 percent.
- In FY22, Missions/overseas units—which have the greatest opportunities to support local entities as they primarily support projects in-country—provided 18 percent of “attributable acquisition and assistance obligations” to local partners. In FY23, this level declined to about 14 percent.³⁸
- USAID points to positive signs in FY23 in that both the number of new awards to local partners and the number of local partners has increased over the last three years.
- Much of USAID’s Direct Local Funding is in the health sector, including a large proportion from the President’s Emergency Plan for AIDS Relief (PEPFAR), which was already largely localized.

Even before publishing its 2023 fiscal year Progress Report, Administrator Power had informed Congress that USAID would not meet the 25 percent direct funding target, citing “bulk procurement” (large contracts given out due to USAID capacity constraints) as a key issue.³⁹

2.1.2 Toward the Local Leadership target

The indicator to measure the Local Leadership target was developed in FY22. In FY23, USAID piloted this indicator across approximately half of the Agency’s portfolio—including one-third of its Missions and three technical Bureaus, those for Humanitarian Assistance, Global Health, and Conflict Prevention and Stabilization. The pilot found that 53 percent of programs met the indicator’s criteria for using at least two good practices across the above-mentioned categories. At the same time, the pilot revealed that the ambition of the indicator is likely too low. In

particular, the indicator counts as good practice even if applied to only one stage in the project cycle (for example, Monitoring and Evaluation) rather than comprehensively across them (for example, including project design and implementation). USAID plans to raise the indicator's threshold to account for the full project life cycle and estimates that applying this approach to the current pilot would result in 25 percent (rather than 53 percent) meeting that target.⁴⁰

2.1.3 Other related actions⁴¹

- USAID has hired new Foreign Service Officers, contract specialists, and other staff to manage the increased time requirements of locally led approaches.
- USAID has launched a new website (workwithUSAID.org) as a user-friendly source of information on partnership opportunities with USAID.
- A recently launched translation service provides Missions with access to on-demand translation services for documents associated with award-making processes.
- In 2023, USAID revised its guidance on pre-award surveys of new partners to be more flexible and tailored to the capacity needs most relevant to a particular award.
- To catalyze broader global action, USAID spearheaded development and adoption of the Donor Statement on Locally led Development,⁴² signed by many bilateral donors and private foundations.
- In April 2024, the US Office of Management and Budget, which issues regulations for federal agencies, also updated its guidance in ways that simplify its requirements for federal assistance, such as by increasing indirect rates and audit thresholds.⁴³

Devex also analyzed changes in localization funding between 2022 and 2023.⁴⁴ By using a stricter definition of local organizations, counting a different proportion of USAID's budget as eligible for localization, and focusing only on grants (excluding contracts), Devex found that approximately 5–6 percent of FY21–FY22 funding had gone to local partners (lower than USAID's estimate). In 2023, the proportion increased to almost 8 percent, but only because overall spending on grants decreased in 2023; the dollar value was approximately the same as in the previous year.

Similarly, a recent report published by the Shift the Power Movement titled "Too Southern to be Funded" finds that low levels of funding to local organizations are common among bilateral donors, with over 90 percent of all OECD Development Assistance Committee members' civil society support going to organizations in donor countries.⁴⁵



3. Challenges

The development community has been actively monitoring and assessing challenges to the implementation of localization commitments by USAID and other bilateral donors. While many challenges are common to all local organizations, IPs, LCs, and ADPs often face distinct and additional barriers to funding partnerships due to their specific situation within national contexts. For example, rightsholder groups often face discrimination, are relatively politically marginalized, work in places with limited financial and other services, and operate far from the national capitals where donors are based. This section provides a brief overview of challenges most relevant to the P2S goals of securing collective forest and land tenure and scaling up financing to rightsholder organizations, integrating broader localization challenges with those more specific to IP, LC, and ADP organizations. While the “headline” challenges are broadly common to bilateral donors, the text focuses primarily on USAID in keeping with the focus of this report.

3.1 Challenges to finding common ground and partnership opportunities

Some challenges create barriers to donor and rightsholder organizations’ ability to connect and identify opportunities to work together, such as:

- **Political sensitivities:** Since bilateral donors are branches of their governments, the political relationships between donor and host countries, and in turn between national governments and Indigenous and community groups within them, will affect whether rightsholders perceive sufficient common ground—and safety and security in some cases—to enter into discussions with bilateral donors about a funding partnership. At a minimum, these political dynamics often require more up-front dialogue about donor government agency policies and alignment of interests.
- **Limited communication and transparency:** Rightsholder organizations tend to have limited access to information about funding opportunities from USAID and other bilateral donors. Barriers include limited outreach to rightsholder organizations working in rural, forested areas or the use of communication channels familiar to them. Interviewees involved in current collaborations noted that funding opportunities have often resulted from more ad hoc or personal connections. Communication in English only has been a significant problem, one that the recent launch of USAID’s translation service offers the potential to overcome. Research by the Publish What You Fund network also notes that USAID consistently falls short in publishing information of greatest interest to potential in-country partners, such as project budgets and available sub-awards.⁴⁶
- **Insufficient dialogue and alignment:** With much of the decision-making regarding funding priorities set at higher levels of the United States Government and USAID, rightsholder organizations often feel that their key concerns are missed or that they must conform to the issues defined by USAID (and other donors). A recent study found no consistent procedures for local actors to provide input into USAID policies.⁴⁷ Meanwhile, international climate and conservation financing has been criticized, in general, for operating without sufficient engagement of local actors in projects or control over activities that affect them.⁴⁸
- **Lack of dedicated program resources for land rights and Indigenous Peoples:** USAID programs on Land and Resource Governance and Indigenous Peoples—two of the most relevant areas for the P2S priorities—lack dedicated funding for grant-making (“earmarked” from Congress).⁴⁹ Instead, staff must make their case and integrate their issues within USAID sector programs that have Congressionally mandated funding allocations. Funds to Indigenous and community organizations are also not disaggregated within broader localization targets for local organizations, making investments in these partners and priorities difficult to track.⁵⁰
- **Financing structured in ways that are not accessible:** Bilateral financing is often structured in ways that create serious obstacles for rightsholder organizations. The size of grants—often significantly beyond the administrative capacities of these organizations—is one key issue. In USAID, a significant additional impediment is the use of “cost reimbursement” mechanisms for most USAID grants, which require highly complex financial management and reporting capacities, substantial up-front expenditures outside the reach of most local organizations, and substantial risks of unreimbursed costs.⁵¹
- **Lack of supportive enabling environments:** In many countries, national laws and regulations restrict civil society space and local organizations’ ability to receive donor funds; for example, by putting obstacles in place of legal registration and bank transfers and/or not approving projects where donors require national endorsement.

3.2 Institutional challenges

Another set of challenges concerns how various institutions involved in funding relationships are organized. Challenges include:

- **Persistent dominance of large domestic contractors:** Despite localization efforts, USAID remains set up to rely mainly on large, mostly US-based implementing partners; as of FY22, these non-local organizations still received 90 percent of USAID financing.⁵² Even within this group of large organizations, funding allocations remain concentrated, with 10 groups winning more than 50 percent of every USAID contract dollar.⁵³ Evidence also shows very little re-granting to IP, LC, and ADP organizations; for example, an independent analysis of USAID funding over five years (2017–2021) showed that US-based aid contractors distributed only about 14 percent of funds to local, frontline organizations (and often less than they were promised for participating in proposals).⁵⁴
- **External constraints:** While USAID has two years to program funds appropriated by Congress, Congress is consistently late in passing budgets, which must then go through White House and State Department approvals, leaving staff limited windows of time before funds are clawed back (which also undermines future budget requests).⁵⁵ Congress also decides how much funding goes to specific sectors and subsectors, with allocations to each country further detailed at higher levels of government, leaving little discretion (and time) once funds reach USAID Missions. These pressures incentivize “bulk contracting” to large intermediaries with systems in place to absorb large amounts of USAID funding.⁵⁶
- **Internal constraints:** Recognizing that localization requires greater staff capacity to manage a larger number of smaller grants, USAID has prioritized hiring, especially contract and agreement officers and Mission staff. Interviewees also highlighted the significant challenge of changing staff behavior across a large bureaucracy. Staff may not be knowledgeable about—or at least not confident applying—new and evolving policies that offer more flexibility to grantees. They may be overly sensitive to risks, with the result being that they fall back on conservative interpretations of what is allowable. Critics assert that USAID already has the legal authorities it needs to pursue a comprehensive localization agenda but chooses not to use them.⁵⁷
- **Staff dynamics:** For projects involving IPs and LCs, some interviewees reported limited awareness by the operational staff of the situation, priorities, and governance of local partners, interacting with them more as service providers than mission-driven or representative organizations of rightsholder communities. In some cases, USAID imposed changes to project objectives, staffing, or monitoring and evaluation; it was also shared that staff supervision is often closer and more frequent than with other donors (including other bilateral donors).
- **Rightsholder organization capacities often do not align with donor project management demands, and responding to them can risk undermining what they do best.** Most IP, LC, and ADP organizations focus on political advocacy (such as for land rights) and/or land governance, activities that have enabled them to sustain their environments and generate climate and conservation outcomes. They have not

generally focused on building capacities for proposal writing, grant management, financial reporting, and other requirements of bilateral donors. Responding to these requirements involves major new capacities but also risks diverting attention away from the priorities and constituencies that have made rightsholder organizations effective.

- **Emerging networks of rightsholder-led and -focused funds provide opportunities to bridge this gap, but the scale and complexity of USAID/bilateral funding also challenges their systems.** Over the last decade, a range of national, regional, and international organizations—including Indigenous-led funds—have developed capacities and relationships of trust enabling culturally appropriate grant-making to IP and LC organizations. However, organizations accepting bilateral funding sometimes feel squeezed between the heavy grant management burdens of bilateral donors and the local realities of their grantees; others have held off on pursuing bilateral funding for this reason.
- **Investments in the strengthening of local organizational capacities remain limited.** Respondents noted that the current structure of USAID grants makes it difficult for local organizations receiving sub-awards or small grants (such as Local Works projects) to build the capacities needed to become direct grantees or handle larger awards. In the common situation of short-term grants with low indirect rates, local organizations struggle to cover even the immediate costs of managing USAID funds, with limited scope to strengthen their institutions. For USAID, it has reportedly been difficult to invest in stand-alone capacity-building initiatives due to concerns about maintaining open competition and the focus of grant-making on development outcomes rather than institutional strengthening.

3.3 Onerous grant management

A third category of challenges identified in this analysis is onerous grant management requirements, with many viewing USAID's requirements as challenging even relative to the generally high demands of bilateral funding. Issues include:

- **Stringent partner eligibility requirements:** Interviewees highlighted barriers to partnership, such as USAID's requirement for established indirect rates and audited financial statements, match and up-front financing for projects, and project staff qualifications disconnected from local realities and project needs. The USAID Non-U.S. Organization Pre-Award Survey (NUPAS) sets a high bar for new partners, assessing issues ranging from legal registration to financial systems, procurement processes, human resources, past performance, and organizational sustainability.⁵⁸ Requirements for sub-awardees are less stringent and are largely up to the discretion of lead grantees, but leads reportedly often use NUPAS-like reviews as they are responsible for compliance with the full project.
- **Complex financial management:** The majority of USAID grants are structured as “cost reimbursement” contracts, which require very detailed financial planning, procurement, accounting, and reporting to ensure that all costs are documented in ways that can

be reimbursed.⁵⁹ USAID also requires audits using United States Government-specific methods and approved auditors.⁶⁰ While bilateral donors are obligated to account for the expenditure of taxpayer dollars—and rightsholder organizations also stress their commitment to accountability—donor procedures are often not well-suited to the conditions under which local organizations and communities work. For example, procurement using multiple bids is often not feasible in remote areas where few suppliers are available to provide needed services, and receipts may not be available from local providers. Waiting for cost reimbursements also slows implementation. It was noted that large international organizations with multiple USAID grants and local organizations with only one are both audited once, resulting in an imbalanced level of scrutiny for the local organization. In general, donor requirements are designed to be fulfilled by NGOs or governments and are not well adapted to rightsholders' organizational capacities and strengths.⁶¹

- **Rigid technical requirements:** Standard proposals tend to be lengthy and require the preparation of results frameworks, theories of change, and other specific analyses that local organizations are often unfamiliar with. While USAID recently launched a translation service, the requirement to submit materials in English has been an issue to date. A lack of financial support for proposal preparation time and activities, including the co-creation of projects between USAID and local organizations (an innovation that aims to increase local leadership), is often challenging for rightsholder organizations. On the reporting side, USAID and other bilateral funding generally requires lengthy written reports, whereas the cultures of rightsholder communities tend to be more oral and visual. Monitoring, evaluation, and learning systems require specialized technical expertise, while pre-defined donor indicators often do not address community priorities.



4. Good Practice Solutions

This section reviews a range of practical solutions for increasing fit-for-purpose support to IPs, LCs, and ADPs, with a focus on addressing some of the challenges described in Section 3 and exploring solutions that have been tried and tested. The examples used to illustrate good practice are drawn from USAID's own experience, as well as from the experiences of other bilateral donors, multilateral donors, private philanthropies, NGOs, civil society organizations (CSOs), Indigenous Peoples' organizations (IPOs), and advocates well-versed in USAID operations.

4.1 Enable partnerships with rightsholder organizations

4.1.1 Maintain regular two-way dialogue with rightsholder organizations

Creating spaces for regular dialogue between bilateral donors and rightsholder organizations is critical for enhancing mutual understanding and opportunities for partnership. A key benefit of such dialogue is to inform donor staff of the concerns, priorities, and expectations of IP, LC, and ADP organizations. Dialogue should inform overall donor strategies—such as Country Development Cooperation Strategies in the case of USAID—and high-level concepts so that

consultations are not left to later stages when project scopes are already largely defined. Two-way dialogue also provides opportunities for donors to clarify their policies, address political sensitivities, and identify ways financing can be made more accessible to rightsholder organizations. Increased transparency is key, including sharing information on the sectors and issues that Missions/programs have funding for⁶² and being open where there are limits on what USAID can support. Having internal donor capacity for engagement with rightsholder groups is important to facilitate more regular, direct dialogues.

The government of Norway, for example, maintains dedicated in-country capacity in Brazil focused on engaging with IPOs on development cooperation. This capacity has enabled Norway to support the strengthening of Indigenous representative associations and networks, including women's networks, and the development of Indigenous-led financing mechanisms such as the Podaali and Rio Negro funds.⁶³

Within USAID, the Guatemala Mission has a senior Indigenous Advisor responsible for regular outreach to IPOs on USAID activities. While this was reportedly the only such Mission-level position in USAID until recently, interviews indicate that other Missions in Latin America have begun establishing Indigenous Advisor positions in 2024. In Kenya, USAID conducted consultations (with support from the NGO Maliasili) over two years to inform its 2022–2027 Environment Strategy,⁶⁴ leading to an emphasis on partnership with local institutions and support for community-led conservation. USAID's Locally Led Programs indicator also includes (and thereby encourages) a set of good practices for engaging communities directly.⁶⁵

4.1.2 Create dedicated programs in line with rightsholder priorities

Enhanced dialogue should contribute to developing donor programs that support the priorities of rightsholder organizations, such as securing land and resource rights, supporting community-led land governance, sustaining traditional knowledge, and protecting environmental defenders.⁶⁶ One benefit of dedicated programs is the allocation of donor funding to these priorities. Benefits go beyond this, however, as dedicated programs increase the visibility of donor efforts to potential local partners; enable long-term engagement for transformational change (in contrast to short-term projects);⁶⁷ provide a space for operational innovations and dedicated donor capacity to advance rightsholder-led action; and provide a foundation for broader alliances.⁶⁸ Where bilateral funding is earmarked for specific sectors, creativity is needed to ensure that the roles of IPs, LCs, and ADPs are recognized and prioritized within relevant sectors, such as climate, biodiversity, food security, disaster risk reduction, and good governance. To the extent possible, grant programs that integrate or cut across multiple sectors should offer greater flexibility to support the holistic approaches and solutions of rightsholder communities.

Among bilateral donors, Norway is notable for its programs focused on IPs and LCs, with a dedicated line of work under the global Climate and Forest Initiative (NICFI) and an Indigenous Peoples' Program based in the Norwegian Embassy in Brazil. These dedicated programs and capacities have enabled Norway to provide direct funding to Indigenous and community organizations that far exceed that of other bilateral donors.⁶⁹ Much of this direct funding comes

from the Brazil Embassy. Within the global program, Rainforest Foundation Norway and The Tenure Facility are key implementors and both re-grant funds to IP, LC, and ADP organizations.⁷⁰

USAID funds a range of projects focused on IPs and forest governance from specific Missions (such as the Amazon Indigenous Rights and Resources project⁷¹ with the FSC Indigenous Foundation) and global units (such as the Indigenous Peoples Alliance for Rights and Development project⁷²); however, these are not currently integrated into an overall Agency-wide program. One key limitation for USAID is that there is no Congressionally mandated grant program funding for land governance or IPs, requiring “creativity” on the part of program staff to build related priorities into existing sectoral programs and budgets.

4.1.3 Structure program financing in accessible ways

Once local priorities are integrated into funding programs, getting funds to rightsholder organizations requires changes in how that financing is structured. The following practices have enabled bilateral donors to make their financing more accessible:

- **Scale the size of grants:** One way to decrease the size of grants to a scale more appropriate for IP, LC, and ADP organizations is for bilateral donors to issue a larger number of smaller grants. However, since this can generate staffing challenges for bilateral donors, another approach is to invest in re-granting organizations with the capacity to work more closely with rightsholder groups, including pooled funds and networks. When investing in such mechanisms, bilateral donors should ensure they are complying with good practices for intermediaries, including working with rightsholder-led and trusted partner organizations (see section 4.2) and that they are not simply passing onerous administrative requirements onto re-grantors and their grantees (see section 4.3).
- **Avoid prescriptive calls and limit competition to local actors:** Donors can make financing more accessible by putting out funding calls that limit competition to local actors and describe the donor’s development objective rather than prescribing how to meet it. In USAID, an Annual Program Statement (APS) is a type of call that outlines broad priorities and outcomes, allowing applicants to propose their own approaches to achieve them.⁷³ USAID has reportedly also revised its operating policy to allow competition to be limited to local organizations for awards of any amount. As recommended by Unlock Aid, localized funding can be further incentivized by requiring Missions to set localization targets and/or by issuing a global APS on localization with requirements that Missions buy in with their funding.⁷⁴
- **Use flexible, results-based mechanisms:** Using grant mechanisms that provide funding for agreed-upon results provides greater flexibility for communities and rightsholder organizations to pursue their own adaptive solutions. They also reduce the need for complex finance and administrative systems and reduce risks to grantees from disallowed expenditures. Government payments for ecosystem services (PES) programs in several Latin American countries provide examples of results-focused initiatives with greater flexibility for communities to define how to achieve those results.⁷⁵

USAID has identified the expansion of its pay-for-results mechanism—the the Fixed Amount Award (FAA)—as a key localization action. While FAA payments are based on the completion of milestones defined in the grant agreement, the grant budget is based on up-front estimates of the financing required to achieve overall project results, and FAAs do not require detailed reporting on expenditures. As noted in a recent review of FAAs, “fixed amount awards are appropriate when activities have measurable goals and when adequate pricing data exists to establish the payment amounts.”⁷⁶ FAAs are currently limited to three years, but can be renewed for another two years and there is no ceiling on the total amount of a directly granted FAA.⁷⁷ For FAA sub-grants, USAID recently increased the ceiling from US\$250,000 to US\$500,000.⁷⁸ USAID’s FAA guidance notes that FAAs are generally lower risk for grantees and the Agency as they reduce the risk of disallowed expenses and offer greater assurance that results will be achieved.⁷⁹

As with other pay-for-results mechanisms, there is a risk of failure to achieve results due to changes outside the grantee’s control. However, FAAs also offer the flexibility to adjust milestones as needed. A review of USAID projects with IPs concluded with a recommendation to use FAAs,⁸⁰ while an internal audit showed that staff have appropriately assessed risks and tracked results when using FAAs.⁸¹ Financing through FAAs has increased from US\$97 to US\$141 million between FY2021 and FY2022.⁸² Nevertheless, FAAs remain a very small proportion of USAID funding: only 1.4 percent of new assistance by value in FY2022⁸³ and 2.1 percent in FY2023, according to Unlock Aid.⁸⁴ Localization advocates recommend going further and disbursing the majority of localized funding through FAAs.⁸⁵ One challenge with FAAs is that they generally require more staff time up front (to define milestones and validate budget estimates), although staff time demands are generally lower once awards are granted.

To maximize the benefits of using FAAs (and other pay-for-results mechanisms), good practices include:

- Integrate process steps, such as agreement signing and/or work planning, in milestones so that funding can be provided early in implementation and grantees are not pressed to find other sources of financing.
- Avoid overburdening agreements with too many milestones, as each milestone comes with reporting requirements.⁸⁶
- Draw on the Sustainable Development Goals (SDGs) and other established international frameworks to define standardized results to pay against, reducing the need for up-front analysis for each individual grant.⁸⁷
- Learn from other payment-for-results experience, such as national PES programs, to expand their use.
- Avoid adding financial reporting requirements typical of cost-reimbursement grants (described as “results plus receipts”).

4.1.4 Support the development of enabling environments

Where legislative and regulatory obstacles prevent local organizations from registering, receiving, or transferring funds and otherwise accessing donor funding, good practices include:

- Provide funding for in-country actions to reform the legal, regulatory, and financial obstacles that hinder the success of IP and LC organizations.⁸⁸
- Coordinate among donors to engage with governments on changes that create enabling conditions for IP- and LC-led initiatives.⁸⁹
- Include the intention to support sub-granting activities in country agreements and specify how funds can flow to local groups in keeping with national regulations.

4.2 Promote and support institutional innovations

Overcoming institutional challenges to localization requires changing roles and practices across the full range of organizations involved in grant relationships. This includes reforming the roles of traditional non-local partners, increasing support to rightsholder organizations and support groups, expanding philanthropic collaborations, and strengthening donor capacities to work effectively with rightsholder organizations. Institutional innovations should create multiple pathways for accessing finance—recognizing that local organizations may differ in whether they prefer direct or indirect partnerships—and enable rightsholder organizations to strengthen their institutions over time.

4.2.1 Mandate changes in the roles of implementing partners

With such a high proportion of funding going to large, US-based organizations, one key avenue for change is to reform the roles of these traditional USAID implementing partners from the current situation of controlling decision-making and absorbing large amounts of funding to being facilitators of access to financing by local organizations. There is a broad consensus that US-based and international organizations should play technical, compliance, and capacity-building support roles with local actors leading activity decision-making and implementation.⁹⁰ IP and LC leaders stress that they continue to need and value good partners; however, their organizations should be able to determine the partners they work with, and the relationships among partners should be more just.

Some key changes to transform implementing partner relationships include:

- Require that lead partners (those receiving funds directly, also called “prime partners” by USAID) sub-grant a significant proportion of each grant, with amounts increasing over the course of the project term.
- Change decision-making and power dynamics between lead grant recipients and local partners.
- Change the nature of lead partners to increasingly include rightsholder-led institutions.
- Support the development of a viable sector of fiscal sponsors; that is, organizations that focus on providing financial management and other administrative services to IP and LC organizations.

As one example of an effort to change power dynamics, in its 2019 Power of Voices Partnerships grant call, the Netherlands Ministry of Foreign Affairs required that applicants include a power analysis of relationships among consortium partners and demonstrate how local partners would have an equal say in decision-making on program design, budgets, implementation, and other matters.⁹¹ A central feature of the World Bank's Dedicated Grant Mechanism (DGM) for Indigenous Peoples and Local Communities (part of the Forest Investment Program) is that National Steering Committees of IP and LC members oversee and lead each country program, including selecting sub-projects for DGM funding, serving as principal counterparts to the World Bank.⁹² To overcome the challenges of granting directly to IP and LC organizations, the World Bank's EnABLE initiative⁹³ provides support through intermediaries but requires that 80 percent of the funding they receive goes to community organizations. EnABLE also requires capacity-building accompaniment from intermediaries.

Within USAID, programs supported by the NPI include a requirement that at least 50 percent (and up to 75 percent) of financing goes to new (including local) partners. Other NPI innovations include expanding the use of co-creation—a collaboration between USAID and partners on project design—and requiring non-local implementing partners to develop plans demonstrating how they will maintain accountability to local populations where they work.⁹⁴ Previously, USAID OUs were required to develop NPI action plans, but implementation is currently based on demand from OUs. Transition awards are another USAID mechanism designed to shift resources and power to new partners by building a requirement into awards that sub-grantees will become lead grantees in a subsequent grant.⁹⁵

Good practices for donors in relation to partners and intermediaries (partners that serve as intermediaries between donors and local organizations) highlighted by LWG members, interviewees, and relevant literature include:

- Enable IP and LC organizations to select the partner(s) they wish to work with.
- Select intermediaries that have built trust and long-term strategic partnerships with rightsholder organizations.
- Enable intermediaries to serve as a “buffer” between donors and rightsholder partners by simplifying donor compliance requirements and ensuring that burdensome requirements are not simply passed on.
- Support and ensure that intermediary relationships include institutional strengthening for local partners as part of the services accompanying sub-grants.
- Maintain open donor dialogue with IP and LC organizations on their priorities and experiences (with intermediaries acting as facilitators, not barriers, to dialogue).
- Support networking and the ability of diverse organizations to act together.
- Share best practices for intermediaries to improve their support to IPs and LCs.⁹⁶

Localization advocates call on USAID to step up the reform of partner and intermediary relationships by taking more ambitious and directive action to implement existing instruments:

- Require transparency, including through public reporting of sub-awards.⁹⁷

- Convert NPI action plans prepared by Missions and Bureaus into concrete grants and contracts and issue a global APS modeled on the NPI restricted to local organizations; require every Mission to publish an Addendum to it each year and set minimum amounts each Mission must invest in its Addendum.⁹⁸
- Focus all contracts with US-based for-profits on providing governance, management, and compliance support to local partners—and require that every umbrella contract to a US-based organization includes sub-grants.⁹⁹
- Create more pass-through awards in which US-based and local implementers jointly apply for funding, with the local partner receiving the vast majority of funding and the United States partner retaining a modest amount to provide oversight and mentoring support, building on the model of the American Schools and Hospitals Abroad Program.¹⁰⁰
- Incorporate mandatory transition processes in agreements with traditional partners.¹⁰¹

4.2.2 Invest in rightsholder-led and -focused funds

A significant recent response to the limited international funding reaching rightsholder organizations is the growth of rightsholder-led financing mechanisms, which aim to complement the work of IP and LC organizations by specializing in fundraising, re-granting, and financial management in support of their missions.¹⁰² There is also a broader ecosystem of rightsholder-focused funds with relationships and knowledge of how to adapt grant-making to local conditions and needs, including organizations working at national, regional, and international levels.¹⁰³ These rightsholder-led and -focused funds bring the advantages of knowing their constituencies well, maintaining relationships of trust and accountability with communities, and knowing how to adapt grant processes to their needs. Some innovations reported by rightsholder-led and -focused funds include support to grantee proposal development, capacity building as part of implementation, simplified proposal and reporting protocols, and translation of donor indicators into locally relevant measures.¹⁰⁴

For bilateral donors, stepping up investment in these purpose-built institutions for channeling funding to local rightsholders provides a significant opportunity to advance localization goals. While some well-established funds have experience managing bilateral financing, donors should recognize that funds are in different stages of development and engage in dialogue with them to agree upon the most effective way to provide support. For example, for those still building their capacity to manage larger and more complex grants from bilateral donors, support could be provided through consortiums for capacity-building and piloting sub-grants, with more experienced institutions playing a buffering role.

Prominent among rightsholder-led funds are those participating in the Shandia platform set up by the Global Alliance of Territorial Communities (GATC), which includes the Mesoamerican Territorial Fund (Mesoamerica), the Podáali Fund (Brazil) and the Nusantara Fund (Indonesia).¹⁰⁵ Institutions in Brazil pioneered rightsholder-led funds starting in the 2000s.¹⁰⁶ Rightsholder-focused funds include those operating at national levels (such as the Casa Fund in Brazil), across regions (such as Maliasili's Landscape Conservation Fund in Africa) and internationally (such as The Tenure Facility and the Community Land Rights and Conservation Finance Initiative—CLARIFI).

A recent study for the Forest Tenure Funders Group estimates that US\$550 million could be disbursed annually by organizations focused on IP and LC tenure and forest management by 2026 and provides case studies of several rightsholder-led and -focused funds that offer pathways for increased donor investment.¹⁰⁷

USAID has initiated indirect support to the Mesoamerican Territorial Fund—a financing mechanism developed by the Mesoamerican Alliance of Peoples and Forests (AMPB)—through the B’atz Local Works project in Guatemala.¹⁰⁸ The project provides

programmatic and capacity-building support to the Fund with Rainforest Foundation US (a long-term AMPB partner) serving as the lead grantee for grant administration and technical support.



4.2.3 Invest in the long-term capacity development priorities of rightsholder organizations

Another good practice is to accompany activity funding with support for the institutional strengthening priorities of rightsholder organizations. Capacity building for project and financial management should not only enable organizations to manage a current grant but also better position them to directly secure and manage larger scales of funding in the future. At the same time, and for rightsholder organizations in particular, institutional strengthening support should encompass a range of self-identified needs which these organizations have prioritized for their own development.

Recognizing that IP, LC, and ADP organizations may not be in a position or wish to start as direct grantees of bilateral donors in light of the significant project management demands this entails, organizational strengthening support should be adaptable to a range of conditions, including:

- Where rightsholder organizations receive indirect support, include resources for organizational strengthening in the grants provided to leads so that they can provide this to local organizations (sub-grantees).

- Where rightsholder organizations receive direct support, increase indirect rates, integrate capacity-building activities within grants, and orient support toward long-term needs.
- Clarify and support a range of potential pathways for partners to move from indirect and smaller grants to direct and larger grants (if local partners choose to pursue this).

One relevant experience within USAID has been the inclusion of milestones focused on capacity building within FAA contracts to IPOs from USAID Missions in Guatemala and Colombia. While grantees needed to meet minimum capacity standards as assessed through the pre-award survey, their capacities for administrative and financial management, policies and procedures, and sustainability and gender equity plans were further strengthened during implementation by including specific changes as milestones alongside technical objectives. This approach has enabled these USAID Missions to award funding to organizations that may not have been able to meet the stringent financial, administrative, and reporting requirements of cost-reimbursement grants.¹⁰⁹

4.2.4 Collaborate with philanthropies to increase flexibility for grantees

Private foundations can play important bridging roles between local organizations and bilateral donors with their ability to provide more flexible co-financing and technical support. Ideas and examples of the kind of support philanthropies can provide include:

- Funding to develop project concepts and co-create full proposals.
- Match funding and up-front financing of project activities prior to reimbursements.
- Funding for capacity-building and institutional development of local organizations and for pilot activities.

For example, the Climate and Land Use Alliance (CLUA), a consortium of foundations, has provided support to the Mesoamerican Territorial Fund for institutional development and pilot sub-grants. Synchronicity Earth, a UK-based environmental charity, has supported local partners' capacity-building to secure and manage grants from larger donors and has served as a fiscal sponsor. The Tenure Facility has supported Coordenação Nacional de Articulação das Comunidades Negras Rurais Quilombolas (CONAQ) in Brazil to prepare a proposal for the Brazilian National Development Bank focused on scaling up Quilombola efforts to title their territories.

Within USAID, a recent USAID MoU signed with the Skoll Foundation is an emerging example of this kind of collaboration with philanthropies. In Brazil, the Skoll Foundation and USAID are leveraging philanthropic and bilateral funding to support project co-creation with a local partner who will, in turn, sub-grant the majority of its funds to smaller local organizations.

4.2.5 Increase donor staff awareness and ability to work with local partners

The significant challenge of behavioral change noted by many contributors calls for increased investments in new staff capacities. More concerted efforts are needed to inform, provide training, and create incentives for staff to apply new policies and regulations that contribute to localization, while removing the risks and perceived risks of adopting these more flexible measures. In addition, improving capacities to work with rightsholder organizations requires a range of actions, including training and awareness on engagement with IP, LC, and ADP organizations, hiring of staff with specific expertise in working with these groups, and hiring of a larger number of Indigenous staff members.

4.3 Simplify policies and procedures

4.3.1 Reduce barriers for new partners

Reducing barriers for new partners requires a combination of increased donor flexibility and more proactive outreach and training for potential grantees on donor requirements. In 2023, USAID revised its pre-award NUPAS guidelines to allow Agreement Officers more discretion for all types of awards, especially by focusing on the risks and capacities most relevant to the funded activity.¹¹⁰ FAAs also use a different—and simpler—pre-award checklist. These changes, and the greater flexibility offered by FAAs, offer the potential to streamline the pre-award process for new local partners. New online materials describing the NUPAS requirements and procedures have been created, although they may still be difficult for rightsholder organizations to access or understand and, therefore, to determine how or whether they wish to pursue direct funding relationships.

Good practices to lower some of the barriers to entry created by partner threshold requirements include:

- Provide regular proactive training and technical assistance in simple terms and multiple languages, including Indigenous languages, on new partner eligibility requirements.
- Eliminate or greatly reduce the match requirements for IP and LC organizations.
- Enable local organizations to make project staffing arrangements that fit their organizations and needs.

4.3.2 Increase the flexibility and responsiveness of technical requirements

Technical proposal development and reporting is another area where there are multiple opportunities to adapt donor requirements to the cultures, situations, and capacities of IP and LC partners. Practices to simplify and adapt technical requirements include:

- Make two-step processes, starting with short concept notes, the default modality for applications¹¹¹ and provide funding for local organizations to participate in co-creation.¹¹²
- Support rightsholder-led funds and other grant-making organizations in their efforts to provide technical assistance to proposal development by community organizations.
- Develop and use simpler reporting formats and diversify reporting formats; for example, encourage oral presentations for proposals and videos for reporting, as the cultures of many IP and LC partners are more oral and visual rather than written.
- Change the frequency of reporting, such as from quarterly to bi-annual or annual reporting.
- Simplify monitoring and evaluation frameworks (for example, by reducing the number of indicators), adapt monitoring and evaluation to local priorities, and focus on learning and adapting (using tools like USAID’s “pause and reflect” sessions).
- Coordinate and harmonize reporting requirements where several donors are engaged.

For example, one of the ways the United Nations Development Programme (UNDP) Small Grants Program has made proposal submission more accessible—including for IPOs—is by accepting participatory videos for grant proposals. Proposal development can be further supported through small planning grants and translation services. Technical reports may also be submitted in the form of video reporting.¹¹³

USAID staff report increasing use of two-step application processes; these allow applicants to submit simple concepts that (once approved) are followed by the co-creation of projects between the applicant and USAID. A recent review offers lessons from eight project co-creation experiences with Indigenous partners.¹¹⁴ Interviewees familiar with co-creation have appreciated the approach but also recommend strengthening the methodology and ensuring it is culturally adapted to work with IP and LC organizations.

4.3.3 Streamline financial and administrative demands and shift their orientation from compliance to learning

While financial management is a key area of accountability for bilateral donors and subject to stringent controls, there are many ways to adhere to donor policies while adapting requirements to project and partner contexts. At USAID, the financial management requirements of FAAs are already much lighter than those of cost reimbursement awards, as payments are based on technical milestones rather than detailed cost accounting. While the use of FAAs is widely recommended for local organizations, other ways to streamline and increase flexibility in financial management include:

- Preparation and use of simple budget and financial reporting formats.
- Empower IP and LC partners to use community-based fiduciary controls, such as procurement committees, co-signatures for expenditures, and complaint mechanisms.
- Adapt procurement rules to local markets and cultures; for example, allow flexibility for direct contracting and “off the shelf” purchases where there are few sources of goods and

services or cultural considerations (such as payments to traditional knowledge holders) and set procurement thresholds.

- Change requirements related to receipts and proof of purchase; for example, rather than requiring individual receipts for each relatively small expenditure, a packaged receipt could consist of one combined receipt for a full activity, such as a workshop, in line with the activity budget.
- Learn from the experiences and simplified practices of funds that focus on community grant-making.
- Use international accounting standards instead of the current United States Government-specific ones, which reduces demands on local organizations to learn a new set of standards and expands the pool of auditors projects can use.
- Enable rapid and flexible adaptation of activities and budgets; for example, a review of Sida's risk management mechanisms found that Sida enabled partners to manage change and uncertainties by being flexible and open to negotiating changes in plans and budgets.¹¹⁵
- Conduct culturally sensitive and proportional auditing, such as by adjusting thresholds for audits, defining a minimum number of years for audits, and training culturally sensitive auditors. For example, while the InterAmerican Development Bank requires audits of all its grantees, it reports that grantees appreciate the auditing (and monitoring and evaluation) due to the associated learning—auditors are not just assessing compliance but are teaching what it means to have good financial systems in place, which helps grantees strengthen their capacities.¹¹⁶

To provide operational support for Community Driven-Development (CDD) projects, in 2012, the World Bank developed a Guidance Note for Design and Management of Procurement Responsibilities in Community-Driven Development Projects. The guidance note emphasized that the World Bank policies apply to all projects, but specific procedures must be scaled to CDD projects' requirements and conditions as well as local capacities and norms. Procedures include, for example, simplified procurement methods and accountability measures that make use of community social controls, such as public announcements of activities and expenditures and having more than one person sign off on a transaction.¹¹⁷

4.3.4 Support local, technical, and operational support organizations

USAID contracts multiple service providers to support work with grantees, such as for project co-creation or to ensure compliance with requirements (audits and monitoring, evaluation, and learning). When working with IP, LC, and ADP organizations, identifying and contracting more country-based service providers that have specific experience working with rightsholder organizations is good practice. Service providers should be enabled to provide culturally adapted support that promotes learning rather than just compliance and helps build partner capacities over time. For example, Rainforest Foundation Norway engages local organizations to provide training and technical support to IPO partners on financial management, accounting, and related issues as part of its portfolio of Norway-supported programs of work.



5. Recommendations

Building on the good practices described in the previous section, the recommendations below highlight key actions that USAID and policymakers can take to ensure that more fit-for-purpose support reaches IPs, LCs, and ADPs and their supporting organizations to secure tenure rights and conserve key ecosystems and biodiversity. Importantly, these recommendations are not exclusive; all the good practices detailed in this report are recommended for scaled-up implementation by USAID and other bilateral donors. It is clear that USAID has experience relevant to many of these good practices—whether from specific Missions or programs, pilot activities, or new regulations—and much of the current challenge lies in consolidating, elevating attention to, improving, and consistently implementing them across the Agency. In relation to this broader set of good practices, the recommendations here highlight the priority actions considered most impactful and relevant to USAID operations for advancing support to rightsholder groups.

5.1 Increase USAID program support for community resource tenure and governance

Within the current structure of USAID financing, increasing program support requires elevating the priority of and available funding for community resource tenure and governance

within sectoral programs where secure community resource rights and management are critical to achieving USAID's development goals. These include, among others, climate mitigation (sustainable landscapes) and adaptation, biodiversity, food security, gender equality, disaster risk reduction, human rights, and governance. A range of USAID strategies and policies, including the Climate Strategy, the draft Biodiversity Strategy,¹¹⁸ and the PRO-IP policy, provide a foundation for increased support by recognizing community land rights and governance as central to achieving their aims.

USAID should also increase its cross-sectoral coherence on community land rights work to enable stepped-up investment in the innovations and capacities needed to effectively support IP- and LC-led action (see Section 4.1). This will require coordinated efforts across multiple parts of USAID. For Missions, it means scaling up the consultative development of specific initiatives for rightsholder-led action, building on experiences to date, and, to the extent possible, pooling funds across sectors to enable more holistic and flexible community-led action. Key roles for global thematic units include: i) developing integrated guidance; ii) providing technical support; iii) tracking and communicating results; and iv) promoting the operational changes needed within USAID to facilitate increased support to IP and LC partners. In addition, USAID leadership statements, target setting, and coordination support will be essential to catalyze and sustain this work.

In line with USAID's stated ambition to serve as a global public advocate for localization, increased program support will enable USAID to leverage cooperation with other bilateral donors for the next IPLC Forest Tenure Pledge with more dedicated resources.

5.2 Scale up investment in the emerging ecosystem of rightsholder-led and -focused funds

The second recommendation of this analysis is to invest in rightsholder-led and -focused funds to increase the amount of USAID programmatic funding reaching IP, LC, and ADP organizations. There are now substantial networks of organizations that bring deep experience with re-granting funds to local rightsholders and ongoing development of an expanded range of rightsholder-led financing mechanisms (at the national, regional, and international levels). These organizations are purpose-built to bridge the gaps between bilateral donor financing and local groups and provide USAID with a substantial opportunity to advance its localization goals with a focus on IPs, LCs, and ADPs. In consultation with these groups, USAID could make relatively large grants to funds with established track records and relationships of trust with community organizations and enable them to make appropriately scaled sub-grants. This support should be structured to reduce administrative burdens on the sub-grantees so that re-grantors can make sub-awards in the form of results-based FAAs.

Investing in this growing rightsholder-led and -focused financing ecosystem will enable a more rapid expansion of support to community organizations while overcoming limitations to USAID's capacity in many places to make a larger number of smaller grants with appropriate levels of responsive and culturally adapted support and accompaniment. USAID should approach these

investments with a long-term view, supporting action through well-established organizations willing to take on the responsibility of USAID grant management in the shorter term while building capacities to grow the network of rightsholder-led funds over time.

5.3 Accelerate and mainstream broader changes in the roles of implementing partners

Recognizing that USAID's work on community land tenure and governance will involve a wide range of partners in addition to rightsholder-led and -focused funds, USAID should ensure that all its implementing partners consistently observe good partnership practices in relation to rightsholder groups (as described in Section 4.2.1). USAID's own NPI experience provides a foundation for this with its provisions to re-grant at least 50 percent of program funds, use two-step application processes beginning with simple concepts, and co-create full program designs with local partners, among other measures. As concrete steps, USAID should implement the NPI action plans Missions and Bureaus have developed to date and expand implementation to priority sectors for community land rights and governance, such as the environment sector. It is further recommended that USAID clarify and expand the use of transition pathways for local organizations that would like to move from indirect to direct funding relationships over time.

5.4 Use results-based FAAs and adapted operational guidelines for community-led projects

To ease administrative burdens on rightsholder organizations, USAID should use results-based FAAs as the primary grant mechanism for community projects. While USAID has established many foundations for this, the use of FAAs should be rapidly expanded beyond the current small proportion of USAID awards, especially for grants and sub-grants to rightsholder organizations. As one way to facilitate this, USAID can develop and flexibly apply a results framework on community tenure rights and governance, drawing on the experiences of organizations such as Path to Scale members, thereby reducing the up-front effort needed for each grant. Sub-grants to IP and LC organizations should also be coupled with support for their own institutional strengthening priorities, including capacities to receive direct USAID funding in the future should they decide to pursue this route.

Another recommendation to ease administrative burdens is for USAID to develop and implement specific guidance for community-led and managed projects and activities.¹¹⁹ This guidance should adapt and simplify operational requirements—for procurement, financial reporting, and audits—to the contexts of these community-led projects, drawing on the good practices described in Section 4.3.3. In preparing these guidelines, USAID can draw on the innovations developed by multilateral organizations, such as the World Bank's guidelines for CDD projects, and on the experiences of rightsholder-led and -focused funds. Having Agency-level guidelines

that clarify what is allowable for contract and agreement officers will facilitate the implementation of more flexible approaches increasingly permitted under USAID policies (and reduce risks to individual officers). To the extent possible, these guidelines should be harmonized with those of other bilateral donors so local partners can work with substantially aligned operational systems.

5.5 To the United States Congress: Consolidate and advance USAID localization reforms with specific attention to community forest and land tenure and governance

Congress plays a critical role in setting enabling policies for USAID localization and catalyzing implementation. One action that Congress can take to further promote USAID's overall localization efforts is to pass the Locally-Led Development and Humanitarian Response Act, which details a range of provisions to clarify, consolidate or expand USAID's ability to make its funding more accessible to local organizations. These include, among others, provisions to:¹²⁰ i) increase the use of milestone-based awards (FAAs); ii) streamline partner reporting, including monitoring and evaluation reporting; iii) support "consistent and unimpeded" access of local organizations to full cost recovery; iv) competitions limited to local entities; and v) authorize USAID to accept internationally accepted accounting methods instead of United States Government-specific ones.

In previous years, Congress has directed USAID to develop its policy on IPs¹²¹ and adopt safeguards for activities supporting parks and protected areas.¹²² Building on this specific attention to IPs and LCs, Congress can further encourage localization efforts focused on IP and LC organizations by requesting reports on USAID's implementation of its contributions to the IPLC Forest Tenure Pledge. Ensuring that USAID has sufficient resources to carry out the four recommendations above, including for the core teams promoting and supporting USAID's work on land governance and IPs, will also be essential for their implementation.

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Appendix

Interviews and meetings

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Willy Elua, Actions for the Promotion and Protection of Threatened Peoples and Species (APEM)
Vy Lam, USAID

The insights and experiences shared by speakers at the Edge Funders Alliance May 2023 webinar on “Indigenous-led Funds: Challenges and Opportunities of Shifting Power” (<https://vimeo.com/951463963>) also helpfully informed this research.

Path to Scale

The Path to Scale is an informal initiative that aims to scale up global ambition to legally recognize the land and resource rights of Indigenous Peoples, local communities, and Afro-descendant Peoples—particularly women—at least to a level necessary to achieve the 2030 global climate and biodiversity targets. Catalyzed and hosted by Rights and Resources Initiative and co-chaired with The Tenure Facility, the Path to Scale is composed of individuals from donor organizations, international financial mechanisms, and their intermediaries committed to supporting international efforts to secure Indigenous and community rights, livelihoods, and the conservation of their lands and forests. Read more about the targets and actions proposed by the Path to Scale at www.pathtoscale.org.

Rights and Resources Initiative

The Rights and Resources Initiative is a global coalition of over 200 organizations dedicated to advancing the forest, land, and resource rights of Indigenous Peoples, Afro-descendant Peoples, and local communities, and the women within these groups. RRI's members capitalize on each other's strengths, expertise, and geographic reach to amplify the voices of local peoples and help governments, multilateral institutions, and private sector actors to support the realization of rights. By advancing a strategic understanding of the global threats and opportunities resulting from insecure land and resource rights, RRI also develops and promotes rights-based approaches to business and development and catalyzes effective solutions to strengthen communities' rights, livelihoods, and sustainable resource governance. For more information, please visit www.rightsandresources.org.

The Tenure Facility

The Tenure Facility is the leading financial mechanism specialised in supporting Indigenous Peoples and local communities to secure and sustain their land and their forest rights. We work directly with partners to provide targeted funding, along with technical assistance, to help achieve their vision through tailored projects. These efforts benefit our shared planet as well—by reducing deforestation, cutting carbon emissions, restoring ecosystems and promoting human rights.

While primarily a financial mechanism, Tenure Facility also works with its partners to support gender equality, encourage youth involvement, and local governance. Along with mapping, learning events and other areas of engagement, these collaborative initiatives reduce conflict and create a vibrant community of practice.

Endnotes

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▶ **Cover photo**

Opi Nenquimo, leader of the Waorani nationality of Pastaza, Ecuador.
Credit: Andrés Yépez for The Tenure Facility.



▶ **Chapter 1 photo**

Sumatra, Indonesia. 2022.
Credit: Jacob Maentz for Rights and Resources Initiative.



▶ **Chapter 2 photo**

Waypancuni community, Peru. 2024.
Credit: Juan Llacsá for Rights and Resources Initiative.





◀ **Chapter 3 photo**
Sumatra, Indonesia. 2022.
Credit: Jacob Maentz for Rights and Resources Initiative.



◀ **Chapter 4 photo**
Amazon rainforest, Venezuela. Credit:
Amazon Conservation Team.



◀ **Chapter 4 inside photo, p. 23**
Kwango province, Democratic Republic of the Congo. Credit: Ley Uwera for The Tenure Facility.



◀ **Chapter 5 photo**
Maji Moto Group Ranch, Kenya. 2023.
Credit: TonyWild Photography for Rights and Resources Initiative.

PATH TO SCALE

*Catalyzed and hosted by Rights
and Resource Initiative and co-
chaired with The Tenure Facility*



The Path to Scale is an informal initiative that aims to scale up global ambition to legally recognize the land and resource rights of Indigenous Peoples, local communities, and Afro-descendant Peoples—particularly women—at least to a level necessary to achieve the 2030 global climate and biodiversity targets.