Report on the Plan to Assess Effective Innovations Brought to Scale through USAID

Overview

This report is submitted pursuant to Section 7019(e) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2024 (P.L. 118-47) and Senate Report 118-71, which states:

> "Not later than 120 days after the date of enactment of the act, the USAID Administrator shall submit a report to the Committees on Appropriations on the following: (1) a plan to assess the percentage of projects supported by the Development Innovation Ventures program and other USAID incubators that prove capable of increasing the effectiveness of foreign assistance, whether such projects are subsequently brought to scale by USAID missions and bureaus, and how to increase such outcomes; (2) the design and implementation timeline of an aid delivery pilot program in which payments are made directly to logistics, technology, and healthcare providers only after verification of successful delivery targets; and (3) enhanced performance metrics to measure contractor and subcontractor performance, including on direct delivery of aid and bid partner participation, and a projected implementation plan and timeline for improving associated award data transparency."

USAID submits this report on the requirements outlined above.

Section #1: *(1) a plan to assess the percentage of projects supported by the Development Innovation Ventures program and other USAID incubators that prove capable of increasing the effectiveness of foreign assistance, whether such projects are subsequently brought to scale by USAID missions and bureaus, and how to increase such outcomes;*

Background

Innovation within United States foreign assistance can generate high social returns when it is centered on the creation of and reliance on rigorous evidence of impact on global development outcomes, emphasis on cost-effectiveness, and prioritization of financially sustainable solutions that can achieve large scale.

[Development Innovation Ventures](#) (DIV) is USAID's evidence-driven, open innovation grantmaking program that invests in identifying, rigorously testing, and scaling cost-effective solutions that address development challenges across every sector and country in which USAID operates. DIV's tiered-evidence strategy is designed to take greater risk at early stages and mitigate risk at later stages, ensuring that funding is targeted to impactful and cost-effective solutions.

DIV is joined by other incubators and innovation programs across USAID, including:

- Exploratory Programs and Innovation Competitions (EPIC)/Bureau for Inclusive Growth, Partnerships, and Innovation
- Research Division/Bureau for Inclusive Growth, Partnerships, and Innovation
- Center for Innovation and Impact (CII)/Global Health Bureau
- Innovation Team/Bureau for Humanitarian Assistance
- Experimentation, Innovation, and Learning (EIL)/Democracy, Rights and Governance Bureau

Through DIV and other innovation incubators, USAID tests new ideas, builds evidence of what works, and positions proven solutions to scale. The Agency is able to now easily leverage DIV and other innovation programs' models and highly effective investments to drive results into broader programming. USAID's innovation funds and programs focus on catalyzing internal uptake and scale through broader Agency programming, with a particular focus on highly cost-effective solutions that can maximize the impact of foreign assistance.

Description of plan
USAID will utilize the following definitions and approaches to report on this requirement.

a. To assess *"the percentage of projects supported by the Development Innovation Ventures program and other USAID incubators that prove capable of increasing the effectiveness of foreign assistance"*:

USAID will include those projects that have:
- Demonstrated rigorous evidence of causal impact on an important development objective or outcome(s), through:
    - A randomized controlled trial, or
    - Another quasi-experimental research method that allows for the strongest possible causal inference; i.e., designs that identify program and comparison groups which are highly similar in key pre-intervention characteristics and appropriately adjust for any minor differences, such as a regression discontinuity design, in cases where random assignment is not feasible. Note that this evidence could be gathered either with or without USAID funding.
- A pathway, public or hybrid, to scale, relying on donor funding in whole or in part;
- Completed a USAID award; and
- Demonstrated relevance to USAID programming.

To calculate the percentage, USAID will divide the <u>total number of supported projects that have met the proven effective criteria above</u> by the <u>total number of projects supported that are intended or designed to be delivered or supported at scale through foreign assistance</u>.

b. To assess *"whether such projects are subsequently brought to scale by USAID missions and bureaus"*:

For the portfolio projects that have met the criteria above, USAID will review spending data, conduct a targeted data call, and/or reach out to awardees to determine if any other USAID operating units have provided additional funding (outside of the funding from DIV or another innovation incubator) toward those projects that have met the effectiveness criteria noted above.

c. To *"increase such outcomes"* of spurring uptake and scale of proven effective projects within the Agency:

USAID will continue to pursue several ongoing workstreams and continue to identify new opportunities, including:

- **The DIV Stage 4 Initiative:** The DIV Stage 4 Initiative is an internal opportunity for USAID Missions, Bureaus, and Independent Offices (M/B/IOs) to receive funding and technical assistance from DIV to replicate and scale selected solutions from DIV's portfolio into their programming. This initiative is made possible through a [$45 million gift from Open Philanthropy](#) to support the scale-up and integration of evidence-based, proven development innovations into broader USAID programming. DIV has selected innovations from its portfolio that are eligible for the Stage 4 Initiative based on evidence demonstrating that they are proven to be among the most cost-effective approaches to improving development outcomes and their relevance to USAID priorities.

- **Continued support for the rigorous testing of promising innovations:** Scaling innovations requires learning what works–and what doesn't–at earlier stages of development. DIV and other incubators will continue to serve as research and development (R&D) hubs for the Agency by supporting the piloting and rigorous testing of innovations to de-risk future, larger scale Agency funding. This includes Mission and Bureau uptake of rigorously demonstrated innovations outside of the Stage 4 Initiative.

- **Open Innovation Community of Practice:** Over the past year, regular convenings have been held between innovation teams across USAID with the understanding that many are facing similar challenges in effectively supporting innovation and unlocking scale within the Agency. A community of practice was formed to provide an opportunity for continuous dialogue and knowledge sharing across the teams to collectively unlock some of the barriers that inhibit the scaling of innovation.

***Section #2**: the design and implementation timeline of an aid delivery pilot program in which payments are made directly to logistics, technology, and healthcare providers only after verification of successful delivery targets;"*

USAID's Global Health Bureau (GH) has been and will continue to test and implement different pay for results approaches. Notable examples of past and ongoing work are outlined below.

- In 2017, USAID launched the Utkrisht Bond, the first Development Impact Bond (DIB) mechanism for health in Rajasthan, India as a way to incentivize both quality maternal and newborn health outcomes and engagement from commercial investors. In this program, USAID as the outcome funder only paid when results were achieved. UBS Optimus Foundation took on the risk of not achieving the outcome but also gained a premium if the outcome was achieved, thereby shifting the focus of development work from inputs (e.g., technical assistance provided) to outcomes, in this case the achievement of quality standards for maternal and newborn care. Over five years, the Utkrisht program improved the quality of maternal and newborn care in 405 small private healthcare facilities throughout Rajasthan, reaching an estimated 450,000+ mothers and newborns, and saving an estimated 13,000+ lives. It also delivered a financial return for both its investor and implementation team based on the achievement of these health results.
- USAID/GH's supply chain program logistics partners are paid on "Proof of Delivery" of the health commodities at the designated delivery points. Similarly, the health commodity manufacturers from whom USAID/GH procures are only paid once their products have cleared a vetted quality control process and have made the products available to the freight forwarder for onward shipping. These practices are fully institutionalized in the payment process of our prime contractors.
  - For example, in Mozambique, the Commodities for Health: Ensuring Guaranteed Access and Reliability (CHEGAR) provides services for an effective and efficient transportation system to the last mile nationwide for medical commodities by engaging the private sector to provide transport and transport management solutions. The contract began in 2021 and includes performance incentive fees which are awarded based on the successful achievement of result indicators of on-time delivery and in-full delivery of health commodities to health facilities.
  - In Ghana, since 2017, third-party logistics firms (3PLs) contracted by USAID (through the USAID Global Health Supply Chain Program-Procurement and Supply Management project) to deliver health commodities from 10 regional medical stores to over 3,000 health delivery health facilities across the country are paid for services rendered upon submission of proof of delivery notes duly signed by the commodity managers at the respective service delivery points (last mile), thus ensuring accountability and promoting commodity availability at the last mile, in furtherance of universal health coverage in Ghana.

__Section#3__: enhanced performance metrics to measure contractor and subcontractor performance, including on direct delivery of aid and bid partner participation, and a projected implementation plan and timeline for improving associated award data transparency.

Measuring contractor and subcontractor performance

The Contractor Performance Assessment Reporting System (CPARS) is a key tool measuring prime contractor performance. Annual CPARS reports support USAID's stewardship of development programs, both in terms of identifying and resolving performance deficiencies and ensuring we select contractors that perform successfully.

To support this process, USAID has developed an internal CPARS guide. This guide provides our Acquisition and Assistance (A&A) workforce with additional guidance in writing quality narratives when completing assessments in CPARS. The guide includes Rating Worksheets for Assessing Official Representatives, which assist in drafting comprehensive and accurate narratives for CPARS reports. As a result of this additional guidance, the Agency has been able to provide more precise and comprehensive past performance ratings.

As a result, USAID has been able to provide more precise and detailed past performance ratings. These ratings are crucial for assessing a contractor's capabilities and past performance, informing decision-making processes for future contract awards. In addition, the improved quality of performance narratives ensures that comprehensive and accurate past performance data is available within CPARS. This data is only accessible to USAID and other federal agencies and is utilized when reviewing contractor technical proposals before awarding contracts.

As part of our commitment to transparency, USAID has developed an online internal dashboard to further enhance our contractor performance measurement. This dashboard tool, which crosswalks data from CPARS with data from our procurement system and is updated monthly, is available to all A&A staff and senior leadership. It provides a monthly snapshot of the Agency's past performance reporting compliance, offering a clear view of the metrics being entered. This tool allows us to monitor performance trends, identify areas for improvement, and ensure that our performance evaluations are thorough and consistent, keeping everyone informed and involved in the process.

While oversight of subcontractors is ultimately the prime contractor's responsibility, the subcontractors engaged by prime contractors are an integral part of USAID's partner network. As such, USAID has invested in a number of approaches, shared below, that aim to increase transparency and equity across the subcontractor community.

Each year, USAID conducts a partner experience survey – including subcontractors and subrecipients – to collect feedback on organizations experience engaging with USAID. A diverse set of small businesses, nonprofits, and NGOs from various countries participated. The latest survey indicated that 84% of respondents indicated that their experience as a sub-partner was a positive one, 12% responded neutrally, and only 4% disagreed. When asked about the relationship between the prime and sub, 80% of respondents agreed that they feel respected by their prime partners, with 9% responding neutrally and only 12% disagreeing.

USAID continues to be committed to ensuring fair and equitable treatment of subcontractors, as demonstrated in the agency's Acquisition & Assistance (A&A) Strategy and its accompanying implementation plan. For example, one item from this plan that supports the involvement of

new and local partners is USAID's launch of a sub-opportunities page within WorkWithUSAID.gov. This portal provides a space for prime contractors to post their subcontracting opportunities and provides the ability for interested parties to search for opportunities in one central location. Since its launch, more than 300 opportunities have been posted to allow for increased participation of new partners in subcontracts and subawards.

USAID also actively monitors data related to subcontracts. Prime contractors are required to report applicable subcontracts in the FFATA Subaward Reporting System (FSRS) under the parameters included in their award terms (e.g., FAR 52.204-10). This data reported in FSRS, which is publicly available on USASpending.gov, allows USAID to monitor and track subcontracts. There are additional measures in place to monitor the use of small business concerns and assess subcontract data reported in the Electronic Subcontracting Reporting System (eSRS). When applicable, contractors must comply with the requirements in the FAR 52.219-9 ("Small Business Subcontracting Plan") clause included in their contract. USAID's A&A workforce reviews and evaluates the information reported in eSRS.

In addition to the formal FSRS and eSRS reporting, there are other ways USAID monitors subcontracts. During the solicitation phase, USAID requires offerors to submit budgets that identify subcontracts; USAID reviews this sub-tier information carefully during the evaluation process. Later during implementation, it is possible to further monitor subcontract activities and spending in a variety of ways, including via certain approvals processes (e.g., Contracting Officer consent to subcontract) and as part of periodic programmatic and financial reporting requirements.

Improving award data transparency
USAID is committed to maintaining the highest standards of transparency and accountability in our award processes. USAID complies fully with all Federal Funding Accountability and Transparency Act (FFATA) and Digital Accountability and Transparency Act (DATA Act) requirements for prime contract award data. This ensures our award data is available to the public and is accessible via USASpending.gov.

To further enhance the accuracy of our award data, USAID conducts quarterly independent verification and validation (IV&V) assessments on contract awards. These assessments are crucial for ensuring that the data we report is accurate and reliable. Through IV&V assessments, we can identify discrepancies or errors in our data and take corrective actions as necessary. In addition to the quarterly IV&V assessments, we have implemented weekly data quality checks on all reported awards. These checks are designed to catch and correct errors promptly, ensuring that our data remains accurate. By conducting these frequent checks, we can address any issues in a timely manner and maintain the integrity of our reporting processes.

USAID is dedicated to providing greater accountability and continuous improvement in our award reporting. To this end, we have developed internal dashboards that track and monitor identified errors. These dashboards are key tools in our transparency efforts. They are updated

regularly and are accessible to our A&A staff and senior leadership. The dashboards offer a comprehensive view of our award data quality, highlighting areas that require attention and enabling us to track the resolution of any identified issues.

USAID has made a number of efforts to strengthen the oversight and quality of subcontract award data reported in FSRS. USAID has issued multiple communications to our contractors to remind them of their reporting responsibilities. USAID also routinely monitors and analyzes data reported in FSRS to proactively identify potential discrepancies. Based on certain reporting anomalies identified through this analysis, USAID has conducted direct outreach to multiple contractors to discuss further and request corrections.

More recently, in January 2024, USAID issued a series of new tools to further improve the quality of data reported in FSRS. USAID published a new blog post on WorkwithUSAID.gov, which highlights FSRS guidance documents and provides a "one-pager" with tips and best practices on entering and updating data in FSRS. Internally, for agency staff, USAID developed a new "Subaward/Subcontract Data Quality Dashboard" in our agency Enterprise Reporting Portal for monitoring contractors' compliance with FSRS reporting. This dashboard populates with data from FSRS in a user-friendly format, empowering USAID staff to review subcontract information, drill down on potential data quality discrepancies, and follow up with contractors to request corrections, as needed.

Finally, USAID's Systems Support team has provided troubleshooting assistance to our contractors experiencing technical difficulties with the FSRS system itself. Many prime contractors report challenges in maintaining the accuracy of their reported data in GSA's FSRS system, as it is a legacy system that requires significant updates by GSA to improve its functionality.