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LOCAL PRIVATE SECTOR ENGAGEMENT

A brief guide to outreach, solicitations, and awards that can support localization.

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INTRODUCTION

USAID’s commitment to advancing localization means shifting more leadership, ownership, and implementation to local actors. This includes not only increasing the number of direct awards to local actors, but also ensuring locally led co-design, priority setting, implementation, and evaluation. The local private sector - including for-profit companies of all sizes, business associations, corporate foundations, and financial institutions – can play an important role in this shift, as partners, advisors, co-creators, co-investors, and even direct recipients of USAID funding to implement development solutions. Local private sector engagement (PSE), leveraging private sector expertise, innovation and resources, can create market-based solutions and more sustainable outcomes.

This brief guide provides practical tactics and tips that USAID staff can apply throughout the program cycle to increase local leadership and private sector participation.

THE UNIQUE VALUE OF ENGAGING THE LOCAL PRIVATE SECTOR

Local private sector actors can bring unique value as partners, including their deep familiarity with local systems and context and their ability to lend credibility to USAID. The local private sector, by nature, has a long-term commitment to the local market and can sometimes be more flexible than foreign multinationals.

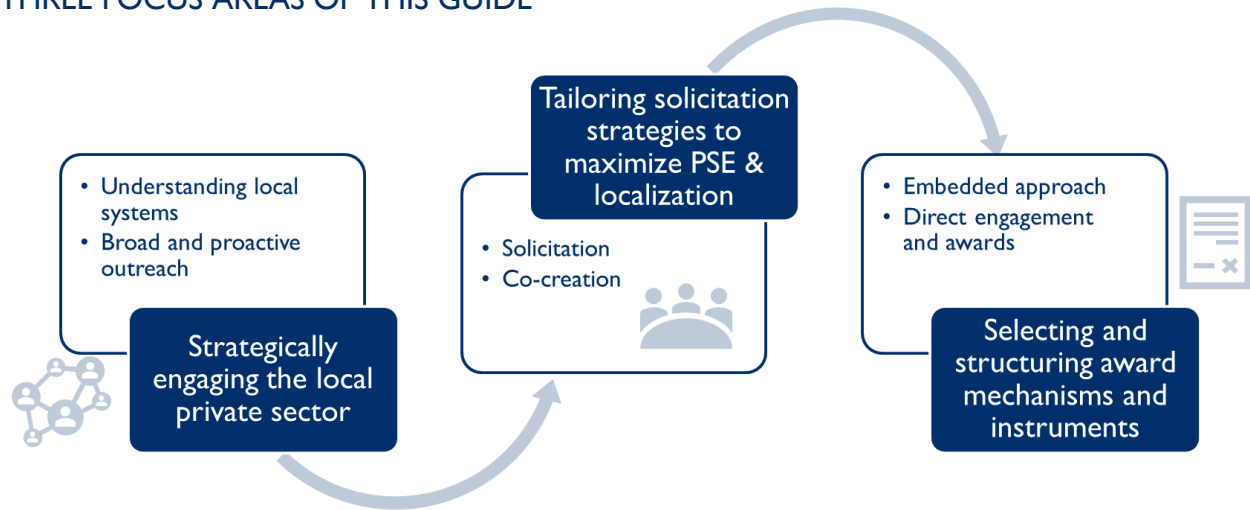
Local private sector actors can gain unique benefit from partnering with USAID, especially related to USAID’s convening power and connections to international networks and expertise. Depending on the local context, local private sector actors can also benefit from the credibility that a USG entity provides.

USAID defines market-based approaches as those that use business models and market forces to address development and humanitarian challenges more sustainably and/or at scale. While opportunities for market-based approaches will depend on context, solutions that are more market-based, or commercially sustainable, have a greater likelihood of continuing to generate results beyond USAID support. USAID has also defined a spectrum of the ways that locally-led development can be supported to shift decision-making power into the hands of local actors. In considering local PSE, we see both local leadership and more market-based solutions as key objectives, and have combined these spectra in the illustrative matrix below.

MATRIX OF MARKET-BASED PSE & LOCAL LEADERSHIP



THREE FOCUS AREAS OF THIS GUIDE



STRATEGICALLY ENGAGING THE LOCAL PRIVATE SECTOR

Understanding local systems

The private sector in each unique country context includes a broad range of actors, with interconnected relationships and incentives. Mapping local systems can help identify potential leverage points and opportunities, providing USAID staff with a roadmap for integrating local voices and priorities into the planning process and determining when and how to collaborate. For example, if a few large companies dominate a sector or economy, USAID staff might consider how that company's reach and influence could contribute to development outcomes (e.g., hiring at-risk youth, sourcing from small farmers, providing services to underserved communities); but should also carefully consider political connections, how collaboration could exacerbate existing power imbalances, crowd out small businesses, or impact the environment. Check out USAID's [Local Systems Framework](#) and a [Brief on PSE and Market Systems](#) for more.

Broad and proactive outreach

Outreach should happen at multiple stages, the earlier in the planning process the better. **Early consultations and guidance** from local private sector actors can uncover business assets, allies, priorities, partnerships, and platforms that align with development goals, such as improving last mile service delivery in health or agricultural supply chains. **Outreach prior to solicitations** can lead to more local participation in implementation.

Go beyond traditional means. While Requests for Information (RFIs) and industry days are useful for soliciting perspectives, newer partners to USAID may be unfamiliar with these types of activities. Innovative outreach is critical for ensuring that local private sector actors are heard. The onus is on USAID staff to **proactively identify and reach out to prospective local partners in ways that are familiar and accessible to them.** Some examples include radio programs, traditional and social media campaigns, road shows, and dialogue with existing youth, business, and community associations, all dependent on local context.

Take an inclusive approach. The local private sector is not limited to large companies. Cooperatives, small businesses, even individual farmers can be co-investors and drivers of development outcomes. Because smaller private sector actors may have a more targeted geographic or sectoral focus than large actors, they can also provide important perspectives in determining what outcomes to prioritize, how to define success, how to get there, how to hold larger local actors accountable, and how to measure and evaluate success going forward to spark both sustainability and adaptation as needed.

Think about how best to reach actors of all sizes and those who may not have previously worked with USAID, avoiding jargon and using local languages in communications whenever possible. Consider the mediums most often utilized locally to communicate information and focus outreach through those channels.

Examine whether factors such as age, gender, or location influence engagement with various mediums and technologies. For more information on engaging new and underutilized partners (including the local private sector), visit the [USAID New Partnerships Initiative](#). Missions can also direct local organizations to [Work With USAID](#) for additional tools and resources.

Meet them where they are. Using various media can transmit messages and build awareness of opportunities, but in-person meetings allow for meaningful two-way exchanges. Think about how the private sector can reach the Mission if they want to connect. Get out of the Mission and out of the capital city, and consider industry-cluster events and community engagement sessions. USAID/Democratic Republic of Congo complemented radio broadcasts with meetings in rural communities and were so overwhelmed with interest that they had to find outdoor spaces to accommodate hundreds of community members.

Flip the script. We often start with USAID’s objectives, and think about how the private sector can support or fit in. The PSE policy’s [five questions](#) are a great place to begin thinking about local PSE and assessing opportunities for collaboration, but what about taking it a step further - **start with the local private sector’s objectives, and then think about how USAID might fit in.**

Consider first asking a potential collaborator about their goals for commercial growth and the barriers they encounter. In addition to their core business objectives, ask about their Economic, Social, and Governance (ESG) vision and how it applies to the unique development challenges in their local context. What are the potential broader effects of their commercial and ESG strategies, and how could USAID help reduce or share the risk of further investment and amplify positive local impacts?

GETTING CREATIVE IN EL SALVADOR

To better understand the local landscape and expand their PS network, USAID/El Salvador conducted a broad outreach campaign through Facebook and newspapers, asking local organizations to provide their contact information, sectoral and geographic focus, and experience collaborating with donors via online survey. Over 700 organizations responded, with 85 short-listed for deeper analysis.

While the original purpose was to understand the breadth of organizations working in the sectors of interest in the CDCS, the mission now utilizes this database for targeted outreach activities based on upcoming activities.



Key Concept:

Rather than starting with USAID’s objectives, start with the local private sector’s objectives and then think about how USAID can support initiatives to amplify positive impact.



TAILORING SOLICITATION STRATEGIES TO MAXIMIZE PSE AND LOCALIZATION

Solicitation and Co-creation

The key to getting broad participation and input is to **make the process as accessible and as manageable as possible** for prospective local private sector partners, who may be new to working with USAID or may not be proactively seeking to collaborate.

Consider Less Prescriptive Options. Write a statement of objectives (SOO), Broad Agency Announcement (BAA) or Annual Program Statement (APS) that focuses on broad development outcomes rather than a solicitation with a detailed scope of work, to encourage creativity, co-creation, and locally led solutions.



Key Concept

Encourage local innovation and leadership through an open-ended solicitation.

Try an innovative solicitation process. Consider challenges or prizes. Open Innovation or business competitions are good ways to identify and support local businesses that can have a development impact. USAID can structure these to provide capacity building support at each round (quarter, semi, finals) so that more organizations can benefit.

KEEPING IT SIMPLE IN PERU

When USAID/Peru created an APS, they framed it as an “invitation for co-creation and impact” to the local private sector. They did away with a complicated solicitation and asked for 2-page concepts (in English or Spanish), asking potential partners to take the lead in describing “the problem they’re trying to solve”.

The mission established 6 submission windows and gave feedback within two weeks. For greenlighted concepts, the mission entered co-creation and moved directly to award – bypassing a full request for applications – resulting in a concise and flexible program description used as a basis for a cooperative agreement.

Streamline Processes and Timelines. Simplify processes as much as possible to reduce the burden on applicants – understand that local private sector partners may not be familiar with USAID processes, jargon, and requirements. Shorten award decision-making periods when feasible, as local private sector partners may not be willing to wait months or years for partnerships to be finalized.

Provide Opportunities for Feedback and Learning.

Provide timely, actionable feedback for prospective partners – allow unsuccessful offerors to improve future submissions and to better understand how to work with USAID. Hold regular OAA events to familiarize the local private sector with USAID, involving COs and AOs

throughout the process. Consider meetings with potential partners to discuss concepts, enabling a conversation rather than just a submission. If parameters are set, and meetings are structured and consistent, teams can avoid issues of competition and procurement sensitivity.

Consider Private Sector Preferences when Structuring Co-creation.

Co-creation with the local private sector can take many forms – these include multi-day/multi-stakeholder workshops, one-on-one meetings, and asynchronous information exchange, among others. The right fit depends on your mission’s goals, and private sector preferences. For example, a company may not be comfortable sharing strategy-related information with competitors present, alternatively, they might find a multi-stakeholder event a great

Co-creation Workshop	One-on-one Co-creation
<ul style="list-style-type: none"> ✓ Networking opportunity ✓ Multiple perspectives ✓ More ideas 	<ul style="list-style-type: none"> ✓ Open exchange of info& ideas ✓ In-depth planning

opportunity to make new connections. It is good practice to discuss with them in advance. Some potential benefits of two types of co-creation are highlighted in the box above. Find more tips on effective co-creation with a broad range of partners in USAID's [Co-creation Guide](#).



SELECTING AND STRUCTURING AWARD MECHANISMS AND INSTRUMENTS

There is no one right way to structure awards for PSE; in fact, a broad range of assistance and acquisition instruments can be appropriate. Below we discuss some options for embedding local PSE into broader programs with traditional local or international implementing partners, and for direct awards to local private sector. The right fit will depend on the mission's desired outcomes, capacity and bandwidth, as well as private sector capabilities, desired role, and interest in managing USAID funds or co-funded activities.

Embedded Approach

PSE does not have to mean new, standalone partnerships. Engaging the local private sector can be part of new or existing activities with implementing partners across Development Objectives.

Move at the speed of business. When a Mission identifies an immediate opportunity, it may be best to connect private sector actors to current programs and implementing partners. They can often move more quickly to operationalize a partnership or collaborative activity than the Mission can directly, especially if the activity is within an existing contract or agreement's scope of work.

Provide more robust support. In countries and sectors where the private sector is emergent, larger programs can work to improve market systems and the business environment and incentivize greater private sector participation. When the private sector requires capacity strengthening or is new to working with USAID, implementing partners can provide technical assistance aimed at enhancing service delivery and strengthening institutional capacity going forward.

Reach scale. If the Mission seeks to engage a large number of local private entities, solicitations and awards can be structured to incentivize a traditional

implementer to achieve PSE goals, as a prerequisite to the payment of fee when using a Cost Plus Fixed Fee (CPFF) or Cost Plus Award Fee (CPAF) type contracts. A contract might also require that a large percentage of funding is allocated to grants or contracts to the local private sector. For example, USAID/West Africa required 63% of a \$96M award be used for private sector grants, with an implementing partner managing grants and TA to more than 300 private entities in the region.

PARTNERING FOR INNOVATION, AND SUSTAINABILITY

Feed the Future [Partnering for Innovation \(P4I\)](#) was a global contract that issued Fixed Amount Awards (FAAs) and provided TA to agribusinesses to provide products and services to smallholder farmers, enhancing productivity and income. FAAs were a good instrument choice for businesses that were mostly new to working with USAID, as they are milestone-based and have relatively few compliance requirements.

The P4I team learned how to effectively structure milestones – not focused just on achievement of USAID indicators, but on growth and development of the businesses, which led to greater alignment and sustainability. P4I issued FAAs to over 75 partners in 24 countries, which developed 154 agricultural technologies to sustainably serve more than 500 million smallholders.

Direct Engagement and Awards

There are several mechanisms that enable direct awards to local private sector actors. Instrument choice depends on the context, but whichever is selected, both Localization and PSE require a shift in traditional roles and thinking for many staff at the Mission level. Authentic localization - locally led and locally driven co-creation, priority setting, implementation, or evaluation – upends the traditional donor/contractor relationship in place of a true partnership. This requires changing mindsets, taking risks, and letting go of some control.

Assistance Options. Many private sector and local partnerships come about through the use of an APS, which limits instrument choice to assistance, rather than acquisition. Assistance instruments include Cooperative Agreements and grants. Cooperative Agreements include substantial involvement from USAID, enabling close collaboration. Among grant types, Fixed Amount Awards are increasingly popular for awards to new partners (see box on the previous page about how P4I used them). The box below includes following relevant solicitation options and examples to get started:

SOLICITATION EXAMPLES

[Global Development Alliance \(GDA\) APS](#)

[GDA APS Addendum](#) (Colombia example)

[Mission-specific APS](#) (Peru example)

[Local Works](#)

[Locally Led Development APS](#)

[Unsolicited Solutions for Locally-Led Development](#)

[Locally Led Development Innovation BAA](#)

[Cooperative Development Program](#)

But can I use contracts for local PSE? Yes. While assistance may seem more in line with the spirit of partnership, contracts may be appropriate, and may be more familiar instruments for the private sector. Missions can utilize available authorities for commercial procurements and Simplified Acquisition procedures that allow procurement of commercial items and services through request for quotation (RFQ) process up to \$7.5 million; these contract types are likely to be more familiar the private sector and require fewer flow-downs than other contract types. Performance-based fixed price contracts can also be useful; for example, the USAID Kenya Investment Mechanism issues fixed price contracts to deploy targeted incentives to increase financing in target sectors. These incentives encourage behavior change and reduce risk for local financial institutions and consulting firms to facilitate financing to underserved groups.

Weighing the risks. Note that USAID has a high risk appetite for programs “promoting sustainability through local ownership and resource mobilization,” noting that the potential opportunities outweigh potential threats. It will be important to conduct thorough due diligence on private sector partners, and structure awards to limit risk - e.g., start small, consider option periods, and use milestone-based awards and incremental funding. Missions can adopt an ‘investor mindset’ or take a portfolio approach, with some more established partners, and some with less experience or untested ideas. Working with new, local private sector partners may not be easy, but locally owned, market-based results can be worth the challenge and the risk.

Want to learn more? PSECC provides training in PSE for Acquisition and Assistance (A&A) Professionals across the Agency to support the A&A workforce to become more confident and capable of easily engaging the private sector in all aspects of the A&A process through a variety of methods. PSECC offers a four-module training series with a focus on operationalizing PSE strategies from outreach, through solicitation and award, as well as on-demand technical assistance to Missions. Please search for “PDT Innovators” in CSOD for courses or contact COR Ashlee Tuck for more information – atuck@usaid.gov.