FEED THE FUTURE
The U.S. Government's Global Hunger & Food Security Initiative

Partnering for Innovation

PRIVATE SECTOR PERSPECTIVES

The building blocks of successful shared-value partnerships with the private sector

USAID
FROM THE AMERICAN PEOPLE

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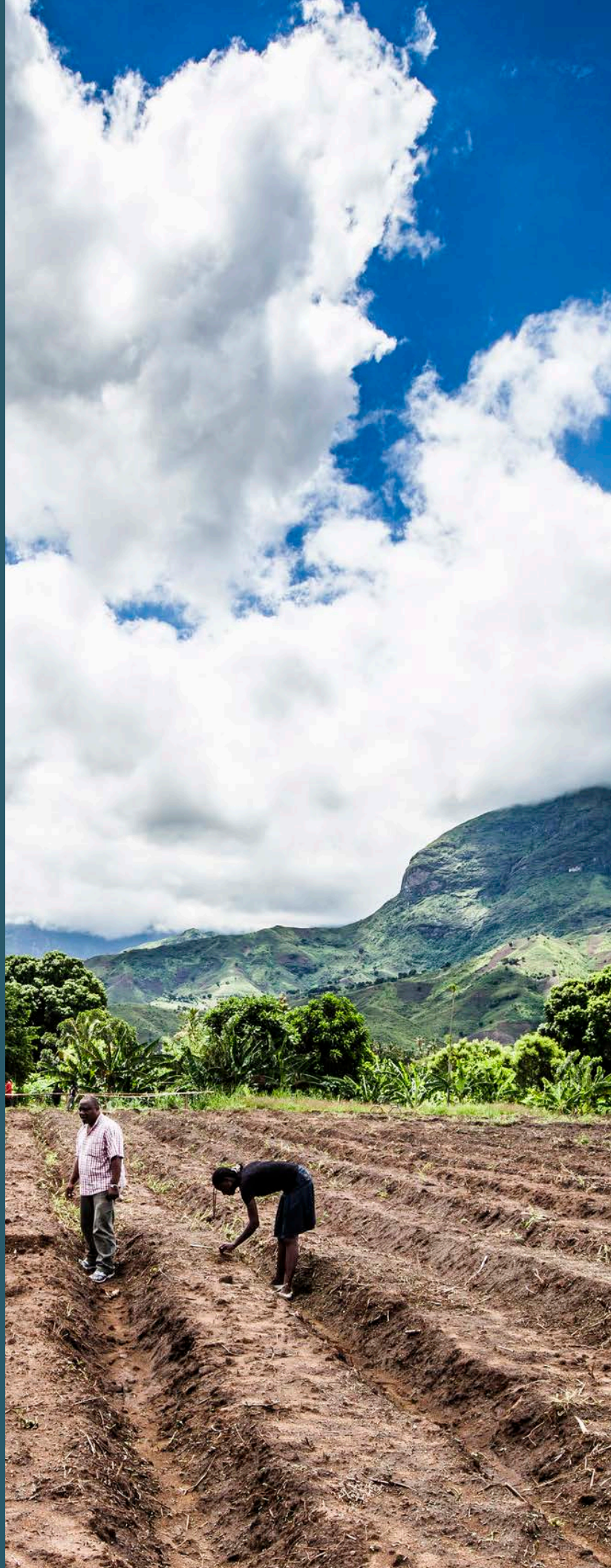


EXECUTIVE SUMMARY

The United States Agency for International Development (USAID)-funded Feed the Future Partnering for Innovation (P4I) program partners with private sector agribusinesses to sell transformational products, innovations, and services to smallholder farmers worldwide. The P4I program and its pay-for-results partnership model were designed to make donor funding easier to manage and more attractive to private sector companies, with the objective of aligning commercial interests and development objectives to achieve mutually-beneficial goals.

Over the course of nearly 10 years and 75 diverse partnerships, P4I has received a wealth of thoughtful feedback from the private sector about what makes for a successful shared-value partnership with the development sector. This report presents the key takeaways from P4I's analysis of that feedback in order to better understand what the private sector needs and values from a partnership with development organizations and donors. In particular, it draws on in-depth partnership exit interviews, results from a 2021 P4I partner survey, and P4I knowledge products rooted in partner experiences and inputs.

The key finding of this report is that, from the private sector's perspective, the success of P4I's partnerships is built on the **two core aspects of the P4I model**—a Private Sector-Friendly Partnership Structure and Capacity Building and Support Services—and **four partnership characteristics**—Alignment, Flexibility, Efficiency and Transparency, and Engagement. Taken as a whole, these components indicate that private sector companies value a fine balance from donors and development actors between:

- **Meeting private sector partners where they are:** Aligning with companies' core commercial interests and context, embracing their need for adaptation, and easing the burdens and bureaucracy of partnering with the development sector.
- **Adding unique, non-financial value:** Harnessing knowledge, networks, and influence to engage as business partners, offer guidance and support, and provide opportunities for networking, promotion, capacity building, and technical assistance.

P4I's experience is limited to working with agribusinesses to extend products, innovations, and services to smallholder farmers. However, the fundamental lessons learned regarding what the private sector looks for in a partnership with development actors are applicable beyond food security and agricultural development programming. As such, the audience for this report includes all development organizations, donors, and public sector actors pursuing shared-value partnerships with the private sector to achieve development goals.

1 INTRODUCTION

USAID and the global development community increasingly seek to engage, collaborate, and partner with private sector companies to achieve market-driven, sustainable development outcomes. Among other impetuses for leveraging private sector engagement to tackle development challenges, partnering with the private sector can enable or accelerate the market entry or expansion of companies critical to a well-functioning market system—including those that supply products and services to low-income or marginalized groups—by facilitating access to capital and de-risking new business activities. However, partnerships between the development or public sector and the private sector must be structured and implemented in a manner that is private sector-friendly and aligned with commercial goals in order to generate positive, transformational results.

P4I is a USAID-funded program that builds partnerships with private sector businesses to support them in selling transformational products and services to smallholder farmers. P4I partnerships are designed to align and achieve shared development goals and commercial business interests. Partnerships take the form of "pay-for-results" (i.e., milestone- or performance-based) financial grants to agribusinesses, whereby grant funding is disbursed upon the achievement of pre-negotiated, strategic milestones. P4I grants are intentionally designed to make USAID funding more attractive and manageable for private sector partners, many of which have little or no previous experience managing donor funds (see Primer on the P4I Model on the following page).

Over the program's nearly 10-year period of performance, P4I has implemented 75 partnerships across 24 countries. By de-risking partners' entry into or expansion in the smallholder farmer market segment, P4I partnerships have helped to commercialize 145 technologies and services, reaching over 1.78 million smallholder farmers worldwide.

P4I administered a partner survey in November 2021 to solicit feedback from past and current partners on what they need and want from engagement with development organizations and donors. The results of the survey are presented throughout this report.

Many of the resources that capture private sector engagement best practices—including those produced by the P4I program—are written from the perspective of donors or development organizations. This report instead seeks to capture the perspectives of the private sector on the critical question: What are the key components of a successful partnership between development organizations or donors and private sector companies? In other words, what makes a shared-value partnership successful, and ultimately "worth it," to the private sector?

This report draws on in-depth partnership exit interviews and results from a 2021 P4I partner survey, capturing the combined first-hand perspectives of 56 past and current P4I partners spanning 15 countries. The findings also pull from internally- and externally-produced P4I knowledge products and evaluations informed by inputs and feedback from private sector partners. In particular, it incorporates analysis from the Partnering with the Private Sector to Reach Smallholder Farmers: Lessons on Private Sector Engagement from the USAID Feed the Future Partnering for Innovation Program report, produced by the USAID Investment Support Program in 2019 (hereafter referred to as the "2019 Partnering with the Private Sector report"). This study drew on P4I data and insights—including in-depth interviews with 24 past P4I partners—to build the evidence base for how the development sector can engage private firms to deliver market-based solutions and achieve sustainable development outcomes.

> *"Changes in the global development context have increased the alignment of interests between the private sector and development actors. On their own, donor agencies are unable to fulfill their goals for sustainable development…The confluence of these trends provides a watershed opportunity for USAID, our partner governments, and civil society to increase collaboration with the private sector.*
>
> – USAID Private Sector Engagement Policy

PRIMER ON THE P4I MODEL

The below provides a brief overview of the core components of P4I's approach to identifying and facilitating partnerships with the private sector. For additional information on the P4I partnership model, please reference the Partnering for Innovation Practitioner's Guide.

1. RAPID MARKET ASSESSMENT

P4I gathers relevant information on the broader market context to identify a specific shared-value proposition—that is, where business and development interests overlap.

2. REQUEST FOR & REVIEW OF APPLICATIONS

Based on the market assessment, P4I develops and releases a Request for Applications with simplified requirements and advertises the opportunity heavily to ensure private sector engagement. Applications are evaluated based primarily on business metrics, including the business case and commercial viability of proposed activities.

3. DUE DILIGENCE

P4I conducts a thorough due diligence assessment to determine whether identified potential partners have the operational, financial, and administrative systems in place to achieve results.

4. CO-CREATION & NEGOTIATION

Scope of Work & Activities: P4I works with potential partners to negotiate and hone their core partnership scope of work (i.e., redesign, refine, add, and/or omit activities) to ensure business goals are realistic, strategic, and likely to achieve aligned commercial and development objectives.

Milestones: P4I and potential partners co-design strategic milestones against which partners will be paid. Milestones are results-based, represent clear progress toward overall partnership goals, and are based on common business metrics (e.g., total dollar value of products sold) or concrete deliverables (e.g., development of a marketing strategy or business plan).

5. BUDGET REVIEW & LEVERAGE

P4I negotiates how much the program will financially contribute to proposed activities and requires partners to co-invest ("leverage") an amount equal to or greater than the funding committed by P4I.

6. FINAL PARTNERSHIP AGREEMENT

P4I negotiates a milestone payment schedule (i.e., individual milestone costs and due dates) to balance the financial/cashflow needs of the partner, while also incentivizing the achievement of results-level milestones, and develops a final contractual partnership agreement.

7. MILESTONES & REPORTING

While the approach and activities in the agreement are meant to guide partners' strategies for achieving partnership objectives, once in implementation, P4I encourages partners to adapt and pivot activities as necessary in order to success- fully achieve their milestones—in other words, to manage for results. As partners complete milestones, they submit required documentation to verify results. Importantly, this documentation is designed to align with their existing business processes (sales receipts, invoices, etc.). P4I has eliminated burdensome monitoring and evaluation (M&E) and reporting requirements and instead asks partners to submit documentation they already produce as part of day-to-day business operations.

8. PARTNERSHIP MANAGEMENT

P4I partnership managers work hand-in-hand with private sector partners throughout implementation, supporting them to troubleshoot activities and achieve core partnership objectives.

9. EXPERT TECHNICAL ASSISTANCE

In some cases, P4I and partners will work together to contract an expert firm or consultant to deliver tailored technical assistance to tackle a specific problem impeding partner success.

2 WHAT MAKES FOR SUCCESSFUL SHARED-VALUE PARTNERSHIPS?

Understanding the private sector's motivations for engaging donors, development actors, and the public sector in the first place is a foundational step in identifying shared-value opportunities and structuring successful partnerships. Companies engage with non-private sector actors to achieve a range of goals, including access to networks, relationships, and influence; expertise and knowledge; and opportunities to advance corporate social responsibility agendas, among others.

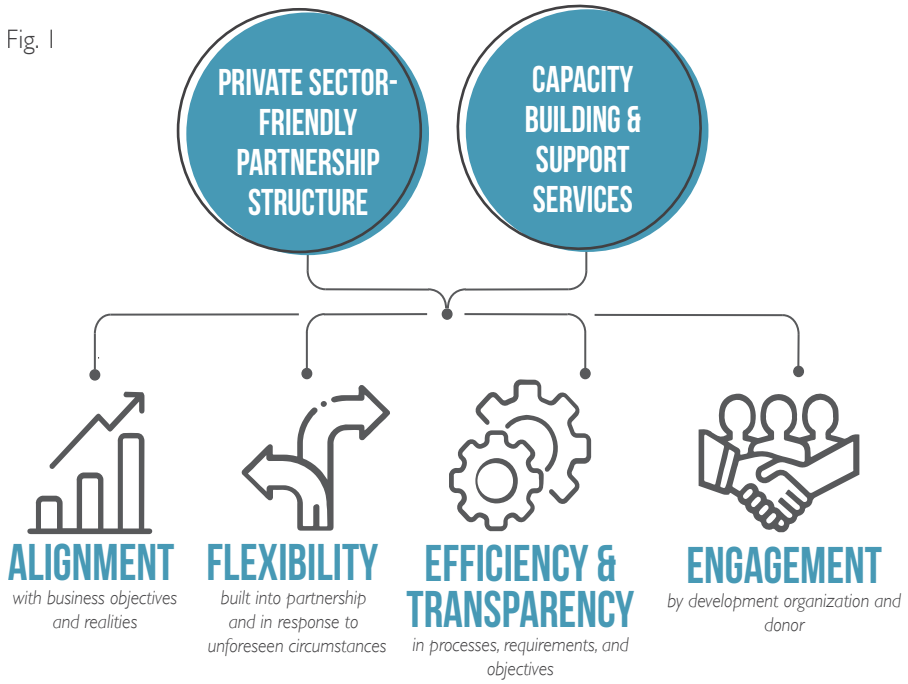
For P4I partners, the main impetus for partnering with the program is to access finance to de-risk strategic investments in product innovation or market entry or expansion. Private sector companies operating in emerging economies often face barriers to accessing the capital they need to grow (e.g., loans or commercially-oriented investments). This is particularly true for those companies seeking to grow in sectors or markets perceived as especially risky, such as smallholder agriculture. The 2019 Partnering with the Private Sector report found that, of those P4I private sector partners that faced barriers to market entry, 76 percent were constrained by a lack of or the prohibitively high costs of available capital.

Shared-value partnerships, such as those developed by P4I, offer an opportunity to leverage companies' interests in expanding into new markets by buying-down the risk of this entry through grants and other support services. These partnerships help businesses meet ambitious sales and growth goals while also helping to achieve development gains and outcomes targeted by donors and development actors.

> *The partnership allowed [our company] to formalize…new ideas that may not have taken place otherwise because the funding mitigated some risks of taking on new activities.*
>
> – Agribusiness and food company, Zambia

Feedback from P4I's private sector partners highlighted two aspects of the program's model and four characteristics of individual partnership design and implementation as the most important factors for success of shared-value partnerships (see Fig. 1). Identified aspects of the program's model highlight what partners found most important about the way P4I approached engagement with the private sector, while characteristics of partnership design and implementation emphasized what partners liked about the way P4I worked with them on an individual basis. An overview of these factors is included below, with more detail provided in sections 3 and 4 of this report.

Fig. 1



Program Model

Two aspects of the program's model for private sector engagement were considered essential for success by private sector partners:

1. **A Private Sector-Friendly Partnership Structure.** Private sector partners felt that P4I's approach to partnerships was designed with their needs in mind. Under the P4I program, a private-sector friendly partnership structure meant a financial grant that was: milestone-based (i.e., pay-for-results); fixed term (1–3 years); tailored to the projected costs of achieving a specific business objective; and financially-matched at least one-to-one by the partner.
2. **Capacity Building & Support Services.** Private sector partners want more than just financial support from their partnerships with development organizations and donors. P4I partners appreciated opportunities for capacity building that were both built into the core P4I partnership structure and provided in the form of tailored complementary services (e.g., strategic guidance, knowledge-sharing and network-building opportunities, and expert technical support).

Individual Partnership Design & Implementation

Within their individual partnerships, private sector partners found the following characteristics of how partnerships were designed, implemented, and managed to be the most important for success:

1. **Alignment.** The parameters of the partnership—in particular, partnership milestones, targets, and timelines—should reflect core business objectives, metrics, capacities, and the enabling and limiting factors of the operating context.
2. **Flexibility.** Partnerships should enable private sector actors to adapt and adjust their approaches based on new market information or unforeseen circumstances encountered during implementation.
3. **Efficiency & Transparency.** Processes and reporting requirements should be streamlined and straightforward, and both sides of the partnership should communicate expectations and objectives clearly to minimize inefficiencies.
4. **Engagement.** Partnership management should be hands-on, collaborative, and built on trust.

3 THE PARTNERING FOR INNOVATION MODEL

When asked to consider the P4I model overall, private sector partners identified the private sector-friendly partnership structure and capacity building and support services as the most important components to the success of their partnerships.

Private Sector-Friendly Partnership Structure

P4I's analysis found that the private sector seeks a partnership structure that is easy to manage, integrates into existing business activities, and facilitates—rather than distorts or hampers—the achievement of core business objectives. To that end, partners considered the milestone-based nature of the P4I model the most critical feature to the success of their partnership. Other characteristics that private sector partners felt made the P4I model business-friendly included that it was fixed-term, tailored to the projected costs of achieving a specific business objective, and financially-matched by the partner company.

The importance of a private sector-friendly partnership structure was a key finding of the 2019 Partnering with the Private Sector report, which underscored that it was not just USAID's investment itself, but *how* the investment was structured, that accounted for the success of P4I's partnerships and their long-term impact. Based on in-depth interviews with P4I partners, the study identified four characteristics of the P4I model that were the foundation of its private sector-friendly design: milestone-based, cost-based, one-time, and matched (see Box 1). In the 2021 partner survey, P4I asked partners to rank these same four features from most to least important to the success of their partnership (Fig. 2). This section discusses the perspectives of P4I's partners with regard to the benefits of each of the four core structural elements of the P4I model in order of perceived importance.

Box 1

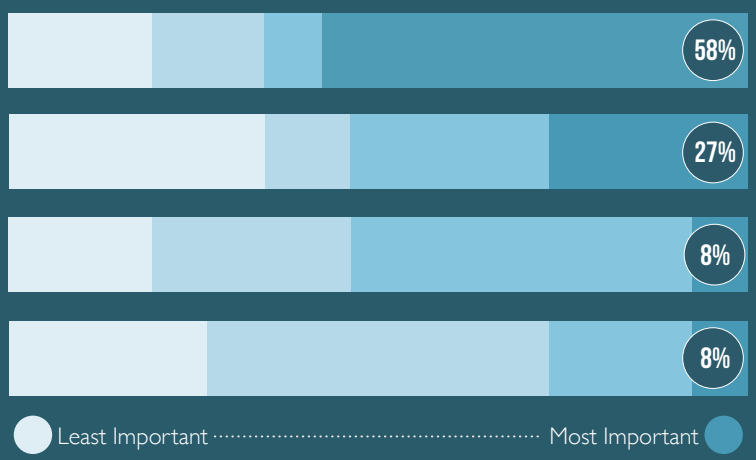
"For grant funding to be an effective catalyst for companies entering or expanding to serve the smallholder farmer market segment, its structure needs to be 'private sector friendly.' Four design principles help to effectively structure investments that drive outcomes and share typical risk. Ideally, grants should be:

1. **Milestone-based** to ensure companies are motivated to achieve agreed-upon outcomes rather than merely complete activities.
2. **Cost-based** (i.e., amount represents the cost of planned activities) so requirements to achieve results are not underestimated or overestimated and therefore distort the business model.
3. **One-time** (rather than ongoing) to motivate companies to achieve commercial viability during the program and plan for the end of the investment at the outset.
4. **Matched by company contribution** (ideally 100 percent) to generate internal commitment to the program and ensure that program-funded activities are cost-effective."

– Dalberg Advisors. Partnering with the Private Sector to Reach Smallholder Farmers: Lessons on Private Sector Engagement from the USAID Feed the Future Partnering for Innovation Program. 2019.

Fig. 2

Which features of the P4I partnership were most critical to its success?



Milestone-based model
payments based on achievement of negotiated deliverables and targets.

One-time grant
with a finite time period, focused on a specific business objective.

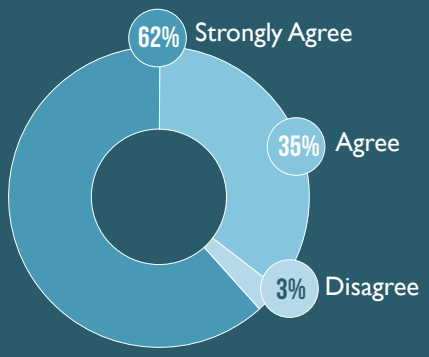
Tailored funding amount
based on projected costs required to achieve objectives.

Co-investment
of company funds to help achieve grant objectives.

> *Milestone payments make it so that we didn't have to go out of our way to achieve the partnership goals and get paid; they allowed us considerable flexibility, and aligning the milestones with our business objectives made it easy for us to hit our targets while maintaining our agility.*
>
> – Agricultural input and service supplier, Mozambique

Fig. 3

"The performance-based milestone approach kept us accountable to meeting targets, while allowing sufficient flexibility to adapt and pivot as necessary"



Note: 0% of respondents chose "Strongly Disagree"

Milestone-based

Partners overwhelmingly considered the milestone-based model the most important characteristic to the success of their P4I partnership, with 58 percent rating it the most critical partnership feature.

Of the four structural characteristics of P4I partnerships, partners also most frequently discussed the milestone-based approach in their exit interviews and survey responses. Partners shared that structuring their grant around the achievement of strategic milestones:

- **Facilitated alignment with core business objectives**—by achieving their partnership milestones, partners achieved their own commercial goals.
- **Kept teams focused, on schedule, and accountable to results** as opposed to process. Partners said that the milestones pushed their businesses to prioritize and proactively channel resources into achieving their business objectives.
- **Encouraged flexibility and creativity in achieving targets,** allowing for strategic pivots in response to evolving contexts and new information (see Fig. 3).
- **Minimized burdensome technical and financial reporting** typical of some donor-funded activities.

The vast majority of P4I partners found the pay-for-results model easier to manage and preferable overall compared to other grant arrangements. However, some partners also voiced their frustrations with the milestone-based approach:

- Cash flow was sometimes difficult to manage under the results-based model, given that companies were expected to make upfront investments in order to achieve and be compensated for milestones. Additionally, the financial risk that this model places on partner companies made it difficult for some partners to initially "sell" the partnership internally (e.g., to boards of directors).
- The inflexibility of targets was at times frustrating for companies, particularly those that found themselves in the situation where partial achievement did not translate into partial payment.

Feedback on the milestone-based model—both positive and negative—emphasizes a point that was raised time and again by P4I partners: milestones must be aligned to individual core business objectives and on-the-ground realities in order for the milestone-based model to be successful (more on this in the Alignment section).

> *We liked working with P4I because you did not tell us how to achieve the desired results, just to hit them. This approach works better for businesses, particularly the budget flexibility.*
>
> – Day-old-chick and feed supplier, Ethiopia

One-time

Partners considered the "one-time grant, with a finite time period, focused on a specific business objective" characteristic the second most important to partnership success, with 27 percent considering it the most critical and an additional 27 percent considering it the second most critical feature. In the 2019 Partnering with the Private Sector report, researchers drew on partner feedback to conclude that "the finite nature of the program was a strong incentive to reach commercial viability…by the end of the partnership."

Regarding the timing of the grant overall, some partners raised concerns that the grant period was not long enough to achieve the objectives of the partnership. P4I partner feedback indicated that the success of a one-time grant relies heavily on how well the partnership activities and targets are aligned to the award time frame, and vice versa.

> *The timeline—the brevity of project—worked well. We were able to stay engaged [and] focused.*
>
> – Fruit processing company, Nigeria

Cost-based

While a mere 8 percent of partners found a "tailored funding amount based on projected costs to achieve objectives" to be the most important characteristic to a successful partnership, 46 percent considered it the second most important feature. This quality goes hand-in-hand with the finite nature of P4I grants: both the timing and dollar amount of the grant are tailored to a specific objective, encouraging partners to channel resources into its achievement. In the 2019 Partnering with the Private Sector report, partners voiced that they "valued that the resulting investment amount did not distort their financials or core business by providing too much funding—or too little."

Matched

P4I partners considered the contribution of company funds the least critical component to partnership success, suggesting that this feature may be more of a priority for development organizations and donors. From the perspective of the development actor, requiring a private sector partner to match or exceed a donor contribution ensures that they have "skin in the game," which can be critical to the long-term sustainability of the investment. It also encourages partners to achieve their objectives in a cost-effective manner and augments the impact of every $1 spent by the development sector.

> *[The partnership] allowed us to leverage our funds with institutional funds. Balance was fundmental.*
>
> – Agricultural input and service supplier, Mozambique

Capacity Building & Support Services

P4I private sector partners emphasized the value that non-financial capacity building and support services add to a partnership with a development organization or donor. Partners conveyed that the opportunities and services the P4I model provided enabled them to strengthen core business capacities and processes, refine their strategic vision, make connections critical to the growth of their business, and increase their company and product visibility.

Universally, P4I partners reported having improved a range of internal capacities thanks to their partnership experience. Partners developed or strengthened capacities in Business and Strategic Planning (71 percent), Operations (62 percent), Marketing (56 percent), and Finding Investors (15 percent) (Fig. 4). In addition, all partners reported improving at least one organizational process thanks to their partnership, and 76 percent reported improving two or more.

> *Working with Partnering for Innovation made the company more systematic in sales and logistics. Because of lessons learned through the partnership, new procedures were adopted and business targets and measurements became standard. Before the partnership, [the company] worked one year at a time, but now it is looking ahead to growth five years from now.*
>
> – Potato seed supplier, Ukraine

Fig. 4

Which capacities did your partnership with P4I help your organization/ company to develop or strengthen?

BUSINESS & STRATEGIC PLANNING
including establishing business targets and developing a strategic plan to achieve them

OPERATIONS
including strengthening operational and management processes (financial management, supply chain management, planning, etc.)

MARKETING
including conducting market/customer research and tailoring business strategies to research findings.

FINDING INVESTORS
including articulating a value proposition and vision (through marketing materials, pitch development, etc.)

While access to cash was the key reason private sector partners sought out grant funding from P4I, partners expressed that the non-financial opportunities afforded by the P4I model set it apart from a hands-off loan, grant, or other source of capital. P4I partnerships offer a number of opportunities for private sector partners to advance their business capacities and objectives; these opportunities are both embedded in the partnership model, as well as provided as complementary services:

EMBEDDED
opportunities endogenous to the P4I model

Partnership Co-Creation & Management
The processes of co-creating and negotiating partnership activities and milestones and managing for results—activities inherent to the P4I model—serve as important capacity building exercises for many partners.

Acceleration Milestones
P4I co-creates "acceleration milestones" with all of its partners and incorporates them into partnership milestone plans. These milestones include deliverables such as strategic plans, customer surveys, or marketing and outreach strategies that incentivize companies to commit time and resources to activities that will set them up for long-term success.

COMPLEMENTARY
services offered to partners

Partnership Support
P4I provides partners with a range of support services, including facilitating networking and relationship-building opportunities, providing access to relevant resources and insights, and advancing partners' visibility through external promotion.

External Expert Support
When P4I partner companies identify a unique obstacle that they do not have the internal expertise to address, P4I will in some cases extend supplementary support to the partner by contracting an expert firm or consultant to deliver customized strategic support services.

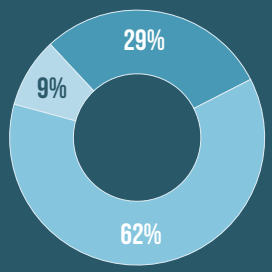
Partnership Co-creation and Management

P4I partners expressed that the intensive upfront co-creation and negotiation process core to the P4I model pushed them to refine their long-term vision, critically examine their strategic plan, and establish ambitious targets (Fig. 5). Partners also reported that the act of managing for results enabled them to strengthen internal processes, with one partner noting their "management practices have strengthened as a great deal of planning, organization, and forward thinking is necessary to achieve the milestones."

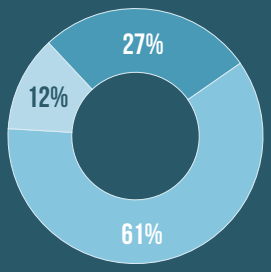
In fact, some partners shared that they ultimately adopted specific practices company-wide based on their partnership experience—from process-oriented activities (e.g., requesting quotes for large purchases) to more transformational changes (e.g., setting internal performance targets and improving monitoring standards).

Fig. 5

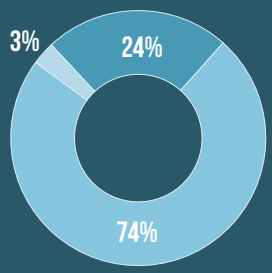
"The P4I partnership helped us to better understand our target market and/or customer segment"



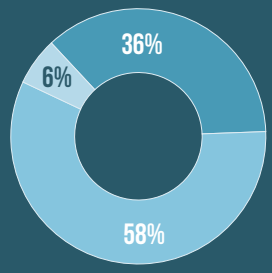
"The P4I partnership helped us to develop or refine our long-term vision."



"The P4I partnership helped us to develop or refine our strategic plan."



"Engaging in in-depth, upfront negotiations over activities, targets, and costs helped set our partnership up for success."



Disagree Agree Strongly Agree

Note: 0% of respondents chose "Strongly Disagree"

> *Through a better understanding of customer sub-segments and their different levels of understanding and experience, [our company] was able to better tailor outreach strategies.*
>
> – Poultry farm and breeder, Nigeria

Photo Credit: ATEC Biodigesters International*

Acceleration Milestones

P4I partners shared that acceleration milestones allowed them to take a more proactive approach to tackling business challenges or charting new strategies, encouraging an "internal stretch" that companies found useful. In particular, partners noted that the acceleration milestones helped them:

- Get to know and better target existing or new markets and customer bases.
- Think through the company's long-term strategy and goals.
- Foster organizational capacity, including streamlining operations, building new marketing or communications channels, or diversifying supplier networks.

One thing that was really helpful for us was the milestone for the updated strategic plan; as a CEO, we always ask 'how much did we make this quarter?' but we rarely look back at our stated goals to assess if we're achieving them, or if we're having the impact we expected.

– Financial Services Company, Kenya

I think a lot of the lessons learned and the marketing strategy [we] ended up using in the other half of the company. A lot of professionalism was transferred to other areas.

– Biofortified seed supplier, Guatemala

Partnership Support

Partners found "networking and relationship-building opportunities made possible by P4I and/or USAID" the most useful form of partnership support that they received from P4I and USAID (Fig. 6). Partners shared that they were able to build a network with other market actors (e.g., suppliers, distributors), including other P4I partners, both through one-to-one connections and at P4I-convened events. Some partners expressed that it would have been useful to have an even greater level of engagement between P4I partners or with USAID and/or local governmental officials.

Overall, partners found day-to-day "access to relevant expertise and insights" more useful than "access to resources and information" (see Engagement section). When partners were asked which resources or information-sharing platforms accessed through their partnership were most helpful, they expressed a strong preference for resources that were specific to their industry and/or local market, indicating that more general resources were less helpful. As one partner put it, there is "too much noise out there, so [it is] difficult to spend time on materials that aren't relevant."

Finally, companies often mentioned that it was helpful to leverage their partnership with USAID to build company and brand awareness: 66 percent of respondents found this component Useful or Very Useful.

Working with USAID also helped to establish a positive public image of the company and the new line of business.

– Agricultural input supplier, Ukraine

I was happy with the way P4I branded [our company] online. This has enabled the company to gain credibility and trust [with] other partners.

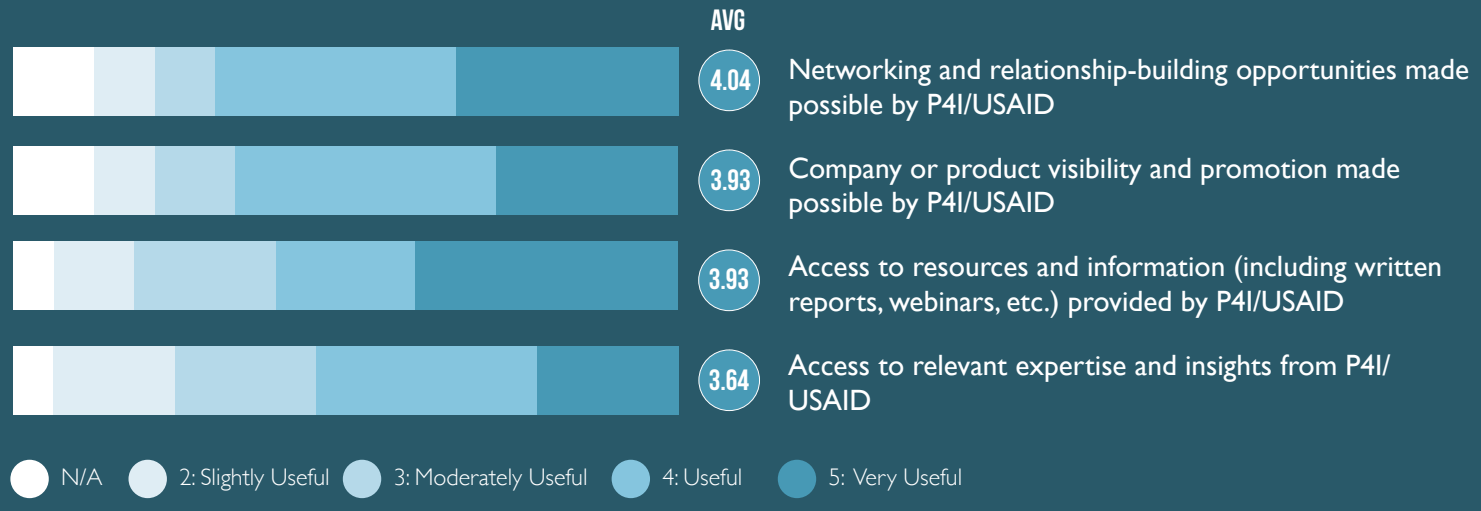
– Horticultural company, Tanzania

It would also have been great if there was more knowledge-sharing among the various companies receiving investment from Partnering for Innovation. Learning more about various business models, sales, and distribution would have been very helpful.

– Milk chilling technology provider, Bangladesh

Fig. 6

How useful were the following components of your P4I partnership to achieving your business/ organizational objectives?



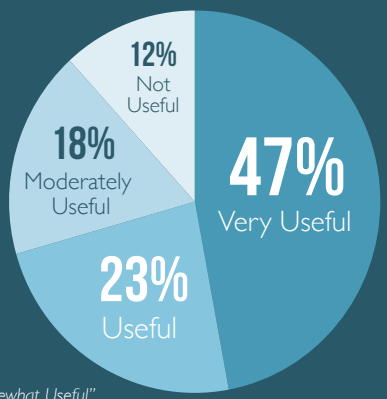
Note: 0% of respondents chose "1: Not Useful"

External Expert Support

Of those partners that received external business support services as part of their partnership, 70 percent found the assistance Very Useful or Useful (Fig. 7). The minority of partners that did not find the support useful reported that either the services were not sufficiently tailored to the unique needs and priorities of their company or that the service provider did not possess the local knowledge necessary to deliver relevant advice. These findings underscore the importance of involving partners both in identifying their own strategic gaps and needs and in procuring a service provider that can deliver appropriate and actionable support services.

Fig. 7

How useful to the growth of your business was the technical assistance you received?



Note: 0% of respondents chose "Somewhat Useful"

> *We were about to abandon the project…[technical assistance] was the breakthrough event for us."*
>
> – Shrimp breeder, Bangladesh

...

> *In-market resources should always be prioritized over consultants outside of the market.*
>
> – Tractor-sharing service provider, Nigeria

4 INDIVIDUAL PARTNERSHIP DESIGN & IMPLEMENTATION

When asked about the characteristics of their individual partnerships, private sector partners found alignment, flexibility, efficiency and transparency, and engagement to be the most important contributors to their success.

Alignment

P4I private sector partners considered alignment of their partnership with their individual business objectives, metrics, and realities critical to partnership success. This was especially true of partnership milestones—including their substance, succession, means of verification, and cost—but also applied to other core partnership parameters, such as length and level of funding.

In the 2021 partner survey, 94 percent of respondents considered "alignment of milestones with core business objectives" Very Important or Important to partnership success (Fig. 8). A greater share of partners considered this quality Very Important (81 percent) than any of the other characteristics of individual partnerships.

Likewise, in partnership exit interviews, partners consistently raised the importance of ensuring that milestones—including the core objective they capture, as well as targets, timelines for achievement, and documentation requirements—were both feasible and in-line with company priorities. In fact, when partners were asked what advice they would give to other companies looking to partner with USAID, nearly 40 percent mentioned some version of "think carefully about your milestones."

P4I partners conveyed that an intensive negotiation and co-creation process was essential for ensuring alignment prior to award signature, at which point partners are more-or-less "locked in" to their milestone plan. In exit interviews, partners expressed that the negotiation and co-creation process was important for:

- Aligning development objectives with core business goals, to make sure that the partnership ultimately achieved both.
- Identifying internal and external factors that should be taken into account in activity and milestone design, including aspects of the operational environment (e.g., local agricultural production seasons, security concerns) and business conditions (e.g., cash flow cycles).
- Calibrating targets and timelines to ensure they were ambitious and pushed partners to achieve, but were also feasible.

Box 2

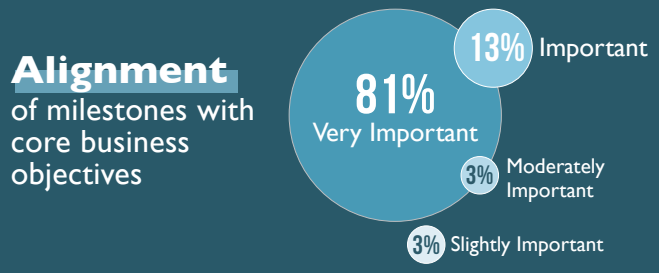
To the extent possible, partnerships should be aligned to private sector partners' core objectives, existing business metrics, and realities:

- **Core Objectives:** growth/expansion strategies and goals.
- **Business Metrics:** the means by which commercial partners are already defining and monitoring success.
- **Realities:** including internal (e.g., stage of growth or sophistication) and external (e.g., operating context, target customer/market, risk factors).

Fig. 8

How important to the success of your partnership was the following quality?

Note: 0% of respondents chose "Not Important"



By far the most common case of perceived milestone misalignment reported by partners was simply that partnership targets were set too high. Despite the fact that targets were initially set by partners in their applications and that many partners said they appreciated being pushed to establish ambitious partnership goals during negotiations, others found that their award targets were ultimately not realistic or achievable during the period of performance of the partnership. These companies expressed that they wished they had been more deliberate when setting targets, with one partner saying they should have "put [more] time into thinking about where the business would be in two years, and designing milestones to complement that." Another partner noted they "should have been more transparent during negotiations about realistic targets."

> *Milestones are the result of deep discussions upfront so that all requirements are clear from the outset.*
>
> – Agroinput supplier, Malawi
>
> ...
>
> *[Due diligence] help[ed] put in place some structure and timelines for major milestones that will help [our company] become commercially sustainable. It incentivized [us] to become more conscious and deliberate, and deliver a price point that is appropriate for the market.*
>
> – Milk chilling technology provider, Bangladesh
>
> ...
>
> *What worked well in the beginning were the pre-conversations before the deliverables...[were] finalized. They were really helpful to define what was realistic and to set the timeline. The back-and-forth conversations were very useful to make sure the contract was realistic [and] that we wouldn't trip up on our ability to deliver.*
>
> – Fruit processing company, Nigeria
>
> ...
>
> *If the project aligns with the company's objectives, it is easy for the company to mobilize support from internal teams. I found this to be critical to the project's success.*
>
> – Biofortified seed supplier, Guatemala

Partners also raised concerns regarding the following factors, which they considered misalignments between partnership requirements and on-the-ground realities:

- **Budgets.** Despite extensive upfront due diligence and negotiations, award budgets did not always align with actual implementation costs due to unforeseen challenges that present themselves over the normal course of business, such as supply chain delays or inflation.
- **Sequencing/interdependence of milestones.** Since partnership milestones typically build off of one another, delays in achieving one milestone affected the achievement of those subsequent to it.
- **Cash flow.** While milestone payment plans were carefully negotiated to ensure that partners would have the necessary cash on hand to cover partnership-related expenses, some partners still encountered issues managing award funds, in particular when milestones were delayed or unforeseen costs arose during implementation.
- **Means of verification.** In some cases, partners did not fully grasp the inflexibility of certain aspects of the milestone means of verification—for instance, that only sales made in a certain USAID geographic target zone could count toward the milestone target—despite the weight that P4I put on these specificities during negotiations.
- **New reporting metrics.** Partners sometimes found that new metrics they initially anticipated would benefit their operations—and which were therefore incorporated into their reporting requirements—in practice did not directly serve their business objectives.

For development organizations and donors, these scenarios highlight the importance of encouraging (and being receptive to) feedback and pushback from partners during the co-creation phase to ensure milestones and milestone payments align as much as possible with commercial priorities and needs, and that targets are aggressive but achievable. Facilitating alignment also requires donors and development organizations to be extremely clear regarding milestone requirements and programmatic policies from the outset so that partners can bear these in mind during negotiations.

Finally, a degree of flexibility is required to adapt partnership requirements based on new information—for instance, in some cases P4I will wave specific reporting metrics if in practice they are found to be overly burdensome or not useful to the partner's core business activities.

Flexibility

P4I's private sector partners found the ability to remain flexible and adapt to evolving contexts fundamental to their success. Partners reported that flexibility allowed them to respond nimbly to external circumstances (e.g., procurement delays, market volatility, climatic events, regulatory change) and pivot when partnership activities were not initially successful. Partners valued the flexibility inherent to the milestone-based model, as well as additional accommodations extended by the P4I program as necessary.

Regardless of how much time and consideration is put into aligning a partnership to business objectives and realities, private sector partners will inevitably still need flexibility to react and adapt to unforeseen circumstances during implementation. Survey results demonstrated the importance of flexibility to P4I partners: 76 percent of partners responded that flexibility was Very Important and 12 percent reported that it was Important to partnership success (Fig. 9).

Results-based Awards: The use of results-based partnerships fundamentally encourage agility and adaptation in implementation. Once partnership awards are signed, P4I only expects that partners achieve their targets; how they achieve them—including whether they decide to make adjustments to their initially-proposed strategies and activities—is up to the partner to manage. Partners expressed that this "space to operate" was one of the key benefits of the milestone-based model, as it allowed them to continuously respond to new information and market signals.

Additional Flexibilities: In some unique cases, the flexibility built into the milestone-based model is not sufficient for partners to adequately adapt and succeed in the face of changing contexts. In these circumstances, P4I may work with partners to modify their milestone plan, from minor changes, such as pushing out a due date, to (in rare cases) changes to the nature of the milestones themselves (see Box 3). Those partners that found themselves in this position expressed that flexibility was absolutely critical to the success of their partnership.

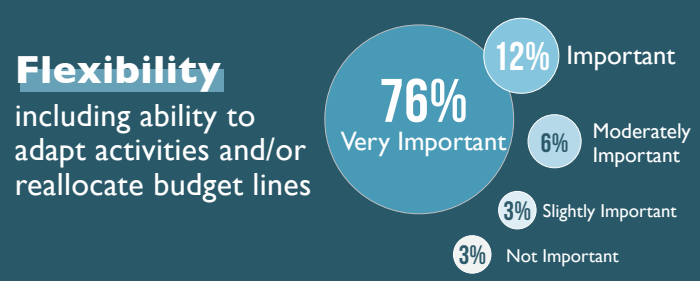
In addition to introducing flexibilities, P4I partners conveyed that it was important for development organizations and donors to be transparent during the negotiation phase about what types of flexibility are and are not possible, and under what circumstances, so that partners could balance their expectations both during negotiations and in implementation.

> *Flexibility to shift timelines and budgets…was very key to ensure that activities [took] into account the dynamic, ever-changing business circumstances.*
>
> – Seed producer and distributor, Zambia

Photo Credit: Hester Biosciences International

Fig. 9

How important to the success of your partnership was the following quality?



Box 3

Flexibility in Practice

- When international travel came to a standstill due to the COVID-19 pandemic, some partners transitioned planned in-person trainings to virtual platforms, repurposing their travel budgets to hire digital content developers. Thanks to flexibility in the milestone language, no modification was necessary to accommodate this pivot.
- When a P4I partner found that offering complimentary soil tests on smallholder farms was not incentivizing purchases of its fertilizer-producing biodigester unit, P4I worked with the company to pivot to producing educational videos and renegotiated/modified the milestone plan accordingly.

Adapting with us as the conditions changed was a huge highlight of the partnership. So many other donors would typically respond with 'we totally understand that things have changed, but we can't do anything unfortunately.'

– Small-scale biodigester producer and supplier, Cambodia

It is important to continuously innovate for success and pivot the business when necessary…[we] had initial assumptions of the market that proved to be untrue once implementation began, therefore… changes were necessary.

– Tractor-sharing service provider, Nigeria

Efficiency & Transparency

P4I's analysis showed that private sector partners value streamlined processes and procedures that reduce lead times, simplify reporting requirements, and generally minimize burdensome administrative tasks that divert energy from partnership activities. Partners expressed that of equal importance to partnership success was clarity and transparency on the part of development organizations and donors regarding their expectations, rules and regulations, and objectives.

In the context of shared-value partnerships with the private sector, efficiency and transparency are intrinsically linked in the sense that efficiency simply cannot exist without open and transparent communication. Clarity on both sides of the partnership can minimize surprises, reduce inefficiencies, and free all parties up to focus on results.

Transparency

Partners shared that open communication regarding partnership processes, expectations, and objectives was critical to success, especially for those partners that had not worked with USAID or other donors before. In particular, clarity from P4I was important with regards to:

- How the pay-for-results award would work in practice.
- Reporting expectations and requirements.
- Key points of contact and lines of communication with P4I and/or USAID.
- P4I and USAID anticipated timelines, in particular related to the approval and payment of milestones.
- U.S. government rules, regulations, and requirements (e.g., environmental compliance, procurement, reporting).
- USAID development objectives and priorities.

In particular, some partners that had not worked with USAID prior to their P4I partnership communicated that they would have liked to have had a better understanding of USAID rules, regulations, and processes going into the partnership, as well as a better understanding of development agendas generally. One partner noted "basic training on working with USAID would be helpful, things like monitoring and reporting" and another partner "it would have been beneficial to have some tools and resources [for] working with USAID up front."

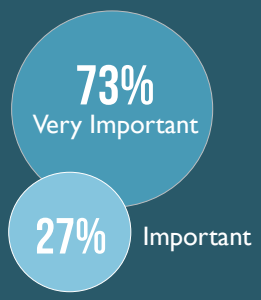
Finally, encouraging transparency and open information-sharing from the side of the private sector partner is key to ensuring partnership alignment from the outset and anticipating needs for P4I involvement and/or flexibility throughout implementation.

Fig. 10

How important to the success of your partnership was the following quality?

Note: 0% of respondents chose "Moderately Important, "Slightly Important," or "Not Important"

Streamlined, clear, and straight-forward processes



> *It would've been helpful to have a better sense of how long that review process would take so we could prepare in advance, or if we had a better understanding of the financial payment/approval timeline/deadlines.*
>
> – Fruit processing company, Nigeria
>
> ...
>
> *Partnering for Innovation helped to make sense of and uncomplicate the USAID relationship."*
>
> – Cashew processor, Benin

Efficient Processes and Procedures

While transparency is key to maximizing efficiency, partners made it clear that partnership processes themselves must be simplified and manageable to meet the needs of private sector companies. In the 2021 partner survey, "streamlined, clear, and straightforward processes" was considered Very Important or Important to partnership success by 100 percent of respondents (Fig. 10). In discussing efficiencies, partners pointed to P4I's simplified application process, minimal reporting requirements, and the clarity of milestone and means of verification language, among other partnership components.

When it came to reporting expectations, 81 percent of partners found "minimal reporting" Very Important or Important to partnership success (Fig. 11). This underscores the importance of minimizing reporting requirements that do not draw on metrics already being collected by the company and/or are not useful to the company's core operations.

In terms of inefficiencies, the highest degree of frustration expressed by partners was surrounding the budget preparation process, which was described as "labor intensive" and "challenging." Some partners reported confusion surrounding the nuances of the budget preparation process, while others shared that the volume of cost verification documentation required was difficult to manage. That said, the majority of partners came away with an understanding of why this stage of due diligence was in fact necessary and how it paved the way for streamlined processes in implementation. In fact, many companies expressed they learned from the process and that it was "good practice."

Standard procedures are there to guarantee you are not dependent on…people but on the process.

– Agricultural input and service provider, Mozambique

I really liked that we had the monthly call that was an open discussion, not one that required reports etc. that get administratively taxing. It was useful to the team.

– Microfinance organization, Kenya

The reporting requirements were not too much additional work outside our daily reporting and record keeping…We actually learned how to keep better records and collect better data through this partnership [because it] encouraged us to drill down…more deeply into who our customers are and where they can be found and develop better customer profiles for our business.

– Seed supplier, Zambia

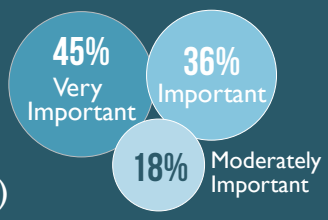
Fig. 11

How important to the success of your partnership was the following quality?

Note: 0% of respondents chose "Slightly Important" or "Not Important"

Minimal reporting expectations

(including progress and financial reporting)



Engagement

P4I's private sector partners expressed that they value a hands-on, high-touch approach to program management that prioritizes relationship-building through open and frequent dialogue and monitoring visits. The importance of hands-on management was not rated as highly as the other partnership qualities, however P4I's engagement style was often pointed to in exit interviews as a key component of partnership success.

While P4I partners rated "hands-on management by the P4I team and strong relationships/communications" the least important quality to partnership success, a significant share of partners found this quality Very Important (55 percent) or Important (21 percent) (Fig. 12). Overall, P4I partners expressed that a desire for efficiency and flexibility does not translate to a preference for a "hands-off" partnership—in fact, if anything partners expressed that they would have welcomed more engagement by the team. One partner described P4I's management style as "just enough—it allowed the organization to be independent and free to implement with its own creativity, but [we] always felt there was support." Another commented that they appreciated that there was "no fear of reproach" working with P4I.

> *The support was key. The advice, connections, and help helped us navigate a part of the world that we had no familiarity with. It allowed us to be more efficient, to have more focus on the program without neglecting the other part of the business. Without that support, either the program or the business would have suffered.*
>
> – Cold storage solutions company, Honduras

> *Partnering for Innovation was always immediate to communicate when a problem arose or a consultation was needed. [We] did not need to wait a week or more for a situation to be addressed or a problem to be solved since Partnering for Innovation was always happy to call…and willing to put in the effort to find the right solutions.*
>
> – Shrimp breeder, Bangladesh

Fig. 12

How important to the success of your partnership was the following quality?

Note: 0% of respondents chose "not important"

Hands-on management by P4I team

and strong relationship/ communications with key P4I point of contact

Characteristics of partnership engagement that P4I partner companies valued included:

- **Frequent communication.** Partners appreciated the chance to troubleshoot with the P4I team and "gain perspective" during monthly calls and through ad hoc informal correspondence. Partners said that participating in monthly calls also kept them accountable and made reporting requirements easier to achieve. Communication was especially critical when partners faced challenges in implementation and were considering strategic pivots.
- **Field visits.** Many partners noted that in-person engagement—both during co-creation and then annually throughout implementation—was a fundamental component of partnership success, with some expressing that they wished there could have been more of an in-country presence from the team.
- **Knowledge-sharing.** Partners appreciated that the P4I team took the time to share relevant technical knowledge, as well as lessons learned and best practices from other P4I partnerships.
- **Award support.** Partners welcomed assistance with reporting and milestones, from support activities as simple as sending reminders ahead of due dates or helping with English-language proofreading, to providing substantive feedback on strategic documents and plans. Particularly for those partners that had not previously worked with USAID or other donors, hands-on support with managing partnership compliance and reporting requirements was also crucial.
- **USAID involvement.** While partner feedback mostly reflected P4I team engagement, where there was substantial engagement from a local USAID representative, partners were quick to note this was an asset.

> *Communications and transparency is the key to the success of the partnership. Talking through both the technical implementation activities as well as the challenges a commercial partner is facing will… result in a jointly developed solution.*
>
> – Commercial bank, Mozambique

> *We worked as partners, unlike in other partnerships with a donor/recipient relationship.*
>
> – Agricultural technology foundation, Kenya

5 CONCLUSION

The features most valued by the private sector related to P4I's core model and its approach to individual partnership design and implementation can also be illustrated by what the private sector sees as barriers to engagement with development organizations or donors. Partners that had received donor funding prior to their P4I partnership often compared those experiences to their work with P4I, with many pointing out the challenges they had previously encountered working with the development sector.

For instance, partners shared that lengthy approval periods and burdensome compliance and reporting requirements had served as key obstacles to the success of their previous engagements. One partner noted that for other donor-funded activities, they had hired a position tasked solely with compliance, while another partner commented "sometimes partnering with an NGO or a funder…is so bureaucratic and burdensome that it's not worth the money." Other partners noted that a lack of flexibility or an outsized focus on development goals over commercial objectives had discouraged them from seeking out donor funding.

In the 2021 partner survey, when asked about their barriers to or hesitations about working with donors, 59 percent of respondents were deterred by burdensome bureaucratic processes and requirements, 47 percent by a perceived lack of alignment between donor and private sector objectives, and 44 percent by a lack of connections to or knowledge of donors interested in engaging the private sector (Fig. 13). Overall, 94 percent of private sector respondents had experienced at least one of the three barriers to working with donors, and 44 percent had experienced two or more.

In [other partnerships], the negotiations tended to be very lengthy (8-10 months at least) and were skewed towards achieving the goals of the donors. Our experience with P4I was completely different—we knew what the problems were, we shared them with you, and then the negotiations started from there, from our needs. That was really different from our other partnerships.

– Financial Services Company, Kenya

There's a common belief…that private sector and development are at opposing ends of the spectrum…I know what's put out there about the kinds of relationships [donors] say they want, but that attitude automatically makes the environment confrontational, uninviting, and aggressive.

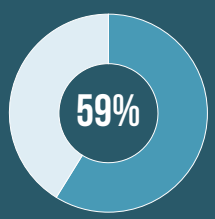
– Cashew processor, Benin

I am very reticent about partnerships with the public sector because they don't allow flexibility in the project and we work to meet their institutional objectives instead of the business objectives. [With P4I], we were able to align all [our] goals and this stands out from the whole process."

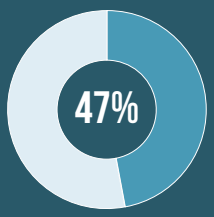
– Agricultural input and service supplier, Mozambique

Fig. 13

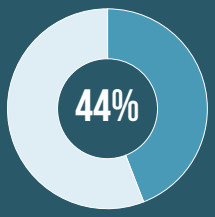
What have been your barriers or hesitations about working with donors?



Burdensome bureaucratic processes and requirements



Perceived lack of alignment between donor and private sector objectives



Lack of connections to or knowledge of donors interested in engaging with the private sector

These findings reaffirm the private sector priorities identified throughout this report for successful, shared-value partnerships between the private sector and development and public sectors. Commercial companies are looking for projects and programs that are specifically designed to engage with them by prioritizing their unique needs, operating realities and constraints, and goals. They need cash to expand and scale operations, and prefer for payments to be tied to business metrics. Beyond access to finance, they value non-financial support that tangibly helps them improve the way they do business. As far as how partnerships are designed and implemented, they need partnerships that are aligned with their business goals and give them the flexibility to respond to changing realities on the ground. They value close working relationships with development organizations and donors, but need minimal bureaucratic reporting requirements and a clear understanding of what is expected from them.

As the development community continues to prioritize the role of the private sector in achieving development gains, it becomes increasingly important to understand what the private sector needs from development actors and donors to participate in that process. This report, which serves to amplify the voices of private sector actors on what does and does not work for them, is just a starting point. There is a need for continued outreach to capture private sector perspectives to inform policy, processes, and objectives to build a knowledge base for effective private sector engagement.

Photo Credit: Sarah Caroline Mueller

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