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MARKETLINKS

REALITIES OF CO-CREATING WITH THE PRIVATE SECTOR (WEBINAR)

PRESENTATION TRANSCRIPT

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Presenters

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Moderator

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Kristin O'Planick: Okay. Better. Thank you. Okay.

Folks in the room, I think we're going to go ahead and get started. All right. Can everybody hear me now? Great. Okay.

So welcome to everyone in the room with us and to the many people joining us online from around the world. I'm Kristin O'Planick from USAID bureau and I'll be facilitating today's program. To put it out there, I'm feeling a little under the weather. If I need to step out, my dear friend Andrew is going to step in. Thank you, Andrew.

Okay. So, we are so glad to have you here for this special Marketlinks event on the realities of co creating with the private sector. For those of us in the room, please take a moment to silence your phone and be mindful of the room. We are recording the Webinar portion. Today's event will contain two parts. First, we'll have our panel discussion drawing from field experiences in three different market contexts of after that we will have to say fair well to our online friends as we move to an in person only discussion to delve deeper too see how we can better operationalize this in the field. We'll be gathering notes from the round table and producing a summary document that will be shared on Marketlinks with all the other resources. For those online and who didn't make it in the room space, you will have an opportunity to see that market.

Co creation with the private sector is a challenge. Successful to success in market development activities. And with USAID still fairly new, private sector engagement policy, we are even more attentive now to how we approach our engagement within market systems activities. This is, perhaps, the most localized and most nuanced private sector engagement within the USAID portfolio and the co creation processes might look different than what we would see within multinational circles. So we need to be open to how to contextualize and localize you're engagement modalities. We are fortunate to have with us, the activities who are effectively navigating the co creation, collaboration, learning, and adapting or CLA, market systems facilitation, and private sector engagement. That's quite a mouthful. It seems like quite a lot to take on. They have learned some useful things along the way, which they're going to share with us today. Most importantly, from on market systems perspective, is this idea of shifting mind sets around what it means to cocreate with the private sector. Let's be clear, the co-creating that we are talking about here is not just a process to come to an agreement, but much more.

Now, to briefly into our speakers, their bios are on the links. Luca Crudeli is the Mozambique, he is a market systems expert with more than 16 years of experience providing analysis and advice to the government in the private

sector for the development of inclusive markets in Africa, Asia, and Europe. He has worked with a variety of donors across more than 14 countries. Fun fact, he previously served as an economic advisor to the president of Tanzania and is team leader for Enable in Nigeria, the first product to use the market systems approach to stimulate business environment reform. How are you, Luca? Anyway. [Laughter].

Marcos Moreno, until recently, was the chief of the feed the future Uganda implemented by Chemonics, which closes this July. He is an agriculture and youth development expert with more than 25 years of experience creating sustainable economic opportunities for the next generation via agribusiness the development products.

Throughout his career he's combined agricultural knowledge with innovator business expertise to link private and public sector resources to benefit target populations, including youth and women, create viable market driven economic opportunities along key value chains and promote sustainable skills and strengthen livelihoods.

Finally, Sergio Rivas is the chief of party of USAID transforming market systems. Since joining ECDI VOCA in 2008, he has been in Columbia, and he is a certified aid contracting officer's representative and agreement officer's representative. He has worked in Peru, Guatemala, Costa Rica, Afghanistan, and Sudan.

In 2015, the project he managed in Columbia received the order of democracy, the highest possible civilian distinction awarded by the Columbian Congress for its services to the afro Columbia population.

With that, Luca, over to you.

Luca Crudeli: It's actually happening. Hi. Good morning, everyone. So, we don't have much time for each one of us, so I will jump into it. Just for reference, I we work in agriculture. We are based in Mozambique, and we're about halfway of our life. There's more information around if you want to know more about the project itself.

I wanted to bring your attention there is a part in the engagement strategy that I particularly like in the introduction, I think, that is saying that we need to move to a position where we'll be steering more than growing, meaning nudging the private sector and leave the ownership of the private sector on the self-reliance. I wanted to bring that perspective a little bit to the reality of doing things in the field as well, because I do empathize with that proposition. However, I do think that we need to be conscious that co creation is or creation is a way to kick start the engine of growth somehow. So it's not

something that's gonna lead us to a new, what we really want to see is investing to become better and become more competitive and, therefore, grow and include more smaller farmers in the case of Mozambique into the market by employing them with services at better price, better quality, making it easier for them as well as buying from them.

So the way we relate to private sector partners, at least in the way we are being related, which I think has been innovation for me, is to really focus on those capacities for organic organizational growth. That, obviously, leads us to privileged metrics that are qualitative in nature, for example, geared towards measuring the number of relationships, the quality of relationships in the market, whether these relationships build value by for all the parties, whether the company is autonomously changing over time. For a country to be self-reliance, we need that country to be more capable of continuing innovation and narrowing the gap.

It's a dynamic perspective that I want to bring. That's the first takeaway. Oh, yeah, the clicker. So if—I don't think—yes. So that's the first slide. And the second slide is so the first point is how do we select the right partners? The right partners are not necessarily the largest partners in the market. They're not necessarily the ones that have the right technology, but we want to identify the distracters. We want to identify those that are committed to the business as usual. They can generate and kick start that engine. You want to be partnering with them. Obviously, considering where their position is in the market, in the sense that the networks that they have, the capacity that they have to generate replication and imitation across the market, or to build more relationships with other supporting functions. So, to be a leader for broader change.

And then you start negotiating the partnership. This is a little bit of adaptation of the AARE model from Springfield. Obviously, an adaptation from me, as you can see from the handwriting. But I think that the adapt, respond, and expand, which means working directly with an individual partner, helping the partner adopt a new innovation and then adapting it, and then respond the response you get in the market by noncompetitors, either your customers buy more of your products or support functions that support you. So, part of the—not by your competitors trying to compete with you. And then expand is ultimately the competitors are joining you.

I think the original model is quite static, while we are really focused on those feedback loops that generate further innovation. So how your supporting functions help you to learn more about your customer base, for example, and continue to provide services and so on. So you engage the partner at one of

these entry points. All of these entry points are possible ways to start negotiating a possible.

A lot do not have enough evidence or do not know enough to be able to commit themselves to change. So, a lot of the role of the programs are about building that awareness for increased commitment to change in kick starting the engine. Otherwise, you would typically have a DILL note. We negotiate flexible DILL notes, either cost sharing for innovation and testing. So, your options are then the typical kind of supports we would provide to a partner.

Then here is where things become chaotic, because our experience tells us I mean, it's like discovering hot water, maybe. But our experience tells us that in markets obviously you have a lack of services and supports for companies to be able to continue to innovate. So, you tend to have companies that are very personalized, it's like capitalism with a face, if you want. You don't operate strong organizations, but rather organizations that pivot around individual entrepreneurs if you're lucky enough to strike a deal with an innovative entrepreneur that has a vision and has that commitment, you will need to deal with that personality. And that capacity of learning, the learning and the organizational learning is actually almost nonexistent. It pivots around an individual person.

That individual person, like entrepreneurs that are successful are often experts and fanatics at the same time. They are experts because they know they leave the experience of the enterprise on their own scheme. So their learning is experiential. They're often over optimistic with what they can achieve or the changes that can happen.

So there is a clash in culture, between a project like ours. We have adopted a lot of innovative and flexible tools, like our mechanism is very flexible. I've given a handout that speaks about that. We had a couple of blogs on Marketlinks as well that explained that our mail plan is very flexible. We have rigidity of probes, and we're very flexible at that level as well. However, we still need to be able to negotiate around the sitting around the table based on some level of evidence and clarity on what is the next step.

While the culture typically is impatient in terms of we know it's gonna work, we just want to get on and do it and then we will see. So an evaluation in learning that happens almost postmortem, if you want, ex post, and therefore, that's often, if you want, as a higher probability of failure as in the learning process that we would be prepared to accept.

So I think this is another takeaway I would like to give in the nature of how organizations in markets where enterprise is very personalized, how that

learning happens, and how you need to how you build your capacity to interaction with that way of learning, given where you're coming from and our need intoxicate based on data before we imagine the change and adapt. So a lot of that effort, the private sector, even if they see the value of it or able to tech that's knew point.

So I wanted to give an example this is an example I often use, because I'm quite excited about the changes that is bringing to Mozambique. So building on previous efforts from USAID as well, we have been working for a number quite some time with a large input distributor, relatively speaking and getting larger. And to help, really, build up their footprint in the country and make access easier to the smaller farmer. So start being focused on winning government contracts for distribution of inputs or selling to a number of agri dealers, thinking that they are their clients, to moving to thinking they are the farmers. We need to make it more accessible.

So it's change for a company of that kind. And so we start negotiating. First of all, the first phase was building awareness. So we took them around the country. They were not very convinced. We did village days where they were in touch for the first time with the smaller farmers themselves. And they figured that, actually, there was more demand than they expected. So there's some level of latent demand out there. And no research would have no evidence brought to them unless they have experienced that themselves, would have moved them to the next stage.

Then, starting to negotiate on what we call probe, which are those green things in terms of the other changes we want to put in place, and we want to measure to see whether they work.

Then, obviously, this blossomed into build also the efficiency and the volumes you need to identify the pain points. And then you can push it further into the last model.

From a point of view of a company, very interesting and exciting journey as a first mover, and so refer to the two points that was making before. First, in times of Dynamism, these are the first, not in forms of financing. If you think in dynamic terms, that advantage that a company captures is actually the engine for growth and distractive creation. You want to have that issue for the company to capture to be able to continue to grow, and then competition is generated by catching up and then putting pressure to local retailers as well to provide better services and so on and so forth.

Secondly, from experiential point of view, some of these innovations are faster at taking place because the entrepreneur is convinced that this may work, and

others are slower. No, sir, because the entrepreneur has not bought into them, but it has become less relevant or less important for the strategic vision that they may have. Therefore, their level of effort in analyzing data or modifying or pivoting is much slower. That means that we need to have a lot of adapt ability based on our plans or based on our reporting that takes that into account.

So there is a few takeaways that I wanted to offer at the beginning of this. In terms of the realities of dealing with the process of learning in a private sector context where you have individual enterprises.

Marcos Moreno: Thank you, Luca.

So good morning. This is a design that started in 2016 and ends as Christina had pointed in July 2020. YLA is set to reach 350,000 youth in a career path in agriculture. However, we quickly found out that the only way to succeed in this is with partnership with private sector. It's actually private sector who needs to engage youth. Our activity reaches 350, but private sector is responsible in engaging. So I want to make sure that I point to that flip of words, because we commonly get confused in who needs to engage. And we design and we work towards an activity that's all thought out, but if we ignore exactly who actually we're working to benefit and who we need to actually partner with, we tend to lose focus on the how to do this.

And one of the things that allowed us to actually learn that is by understanding that we're consciously trying to adapt to manage, to improve. And at the center of YLA's approach is the concept of adoptive management, which is a rigorous learning process that allows YLA to build on successes, learn from failures, and make timely evidence based course corrections, which I think Luca had pointed to to improve outcomes.

One of the most fundamental processes in adoptive management, and I guess I'm happy to hear that that is a key element, is the pivot. The idea that successful entrepreneurs and businesses change directions based on evidence or new information, but they stay grounded in what they have learned. Over time pivoting may lead an activity from their original set of interventions to new ones, but with a common thread that link its iteration to its foundational principles and contractual objectives. Within this approach there are several key themes that emerge as success factors that have allowed YLA to constantly evolve and pivot in response to the needs of private sector, while also promoting sustainability and inclusion.

You know, this pivot is something that if we take the time frame of an activity, we've learned to actually see, actually, where those pivots occur and at what

frequency these pivots are occurring. I'll touch base on this a little bit further in our guiding principles.

Again, these guiding principles have allowed YLA to focus on the adaptive management intervention and include the principle of walking the talk. It reinforces the concept that YLA can have the most impact in achieving transformational results when it leads by example. And the principle of designing, in reverse, to co creation recognizing that sustainability does not happen by accident. So YLA, by understanding, has focused particularly on the needs of the YLA partners to work and promote lasting results. And when we're talking about design and reverse, there are four key aspects that work in letting this principle play out. One is letting demand set the agenda. Whose demand? And paying attention to actually the partner itself and the community to define, really, what are those business needs and identify the resources to meet those needs.

We commonly ask our partners what's holding you back? And shift from, really, being so prescriptive, I'm telling them this is what's holding you back. When we are allowed to ask that question, we can quickly identify exactly where are those bottlenecks that can unlock through a quick in/quick out approach, solution that the private sector needs and not necessarily what the project needs.

The second one is empowering partners to grow their networks. Private partners are continuously adapting, innovating, pivoting to scale their businesses. As partners grow in that direction, they also do so by connecting to new partners, which will in turn grow their networks. YLA facilitates that continuous growth by providing match making services. Literally we learned later on, the true nature of YLA is a sophisticated dating service to agriculture.

One thing that we learned, also, was, again, it came from feed the future activity, the shift from trying to establish boundaries based on, you know, districts that are focused districts and understanding that private sector doesn't operate within a set boundary. They operate within a business, and these business corridors that you need to be able to pay attention to, to be able to promote a market systems model.

To be able to pivot from a donor centric partner design to play a stronger facilitate I have role by adding value, not funding, through partnership agreements that significantly leverage private sector efforts rather than perpetuating donor funding mindset.

As businesses perform better, they will be better prepared to sustain scale, and the market system is the result of a critical mass of these private sector partners

sustainably. Walking the talk. We cannot emphasize that if we with the strength of this market system lies by leading by example. It starts with YLA being that catalyst for innovation in the agriculture sector so we can influence the way the actors that we engage, you know, work. By walking the talk, you know, we're trying to demonstrate the skills and the behaviors that we want our partners to emulate and that our staff are well trained, actually, with the skills and behavior patterns they need to use to make this successful.

So we strive to empower staff to be these business mentors to our partner. That required, actually, making sure that our staff understood well and how do they operate. We learned early on that we needed to make sure we had those skills in place.

Efficiently in the DL cycle. We expect efficiency from the private sector. If we can't have an efficient process itself, something as simple as putting a grant out, if it takes four months to actually use that tool to move things, we're not being very efficient, and we're expecting the partner to do so.

And to be able to be efficient, you actually have to invest in putting the right tools in place. We were discussing this earlier with Sergio, is how do you manage an activity that has five regional offices with staff scattered if you don't have the right tools and the visibility that we need to, basically, work in partnership with private sector? Well, private sector has the same challenge. Supply chains actually work the same way. How do you actually make sure the private sector has the right tools to do this?

Lastly, to engage youth. You see we're calling this (w) youth. By design, we agreed that it was very important to actually focus on the women youth, and we have an aggressive target of 70 percent women engaged in agriculture. So the reality is YLA is not an activity about youth. It's an activity about (w) youth. To actually add that element and that gender perspective, we have to work with private sector supporting them to build the business case for youth inclusion.

It's not as easy as just, you know, the adding factor of how many women. It's having the private sector understand what is the value when you move to gender. In quality and participation rates to focus on the quality of how youth participate by both female leadership in agriculture, more importantly, to do that again you have to invest in your staff that they're equipped and incentivized to promote inclusion.

Now, at the heart of that, you actually cannot succeed if you don't understand how to fail and see opportunity and fail. I want to leave you with a couple of lessons learned here that we quickly understood. And it's the failure to critically understand the partner and their business model, which made us go back to the

drawing board and rethink how to improve the quality of our interactions with the partners to get the information that we need and not the other way around.

We need to have to be able to talk, know how to talk about the intervention design with the partners. That's where the co creation part comes into play. It's clear that the intervention is not YLA or project focused, but focused on the specific partner need, a value-add proposition. Again, I can't stress this enough about stop thinking and trying to force that mindset of the partner that we, as a donor, are here to fund them. If what funding is required, the private sector needs to go to the bank. We're not necessarily the best tool for that. We do have resources, but the resources that we use are set to add value.

The failure of proactive involvement in grant in identifying issues early on, not everything that we touch turns into gold. We need to understand the process quickly and understand where our partners are struggling or where and recognize where we actually have the wrong partner. Then, I think, Luca, you talked about this is where are you, private sector partner? That's the biggest question. How do you find the right partner? It does take some hits and misses, but you do need to pay attention to quickly be able to identify the private sector and lock them in and take advantage of their ability then to work step by step by paying attention to the pivots.

The failure to recognize low partner capacity to achieve targets on schedule, and you need to empower partners and build upon the resilience, rather than being their auditors. You need to be able to share knowledge and knowhow with partners, through partner led forums events like Fail Fest, and help them understand the pain points.

While they shift to mindset of knower, and predetermining interventions to mentor and a learner focused approach in identifying solutions and add value and learning from failures.

Failure to support partner pivots can also result in stunted progress, slow growth, and lack of sustainability. You need to recognize and embrace the partner pivots quickly. Businesses are much more agile than a project and you need to pay attention to be able to draw on the skills that businesses bring. You need to listen to the partner in meetings and monitor to identify when they shift in direction. That's the pivot.

And they pivot much faster than we as an activity tend to have the capacity to pivot.

The failure to engage youth who need the most and are benefitting the least. You have to help make the business case for (w) youth engagement and to

maximize this engagement by having empathy to help and inspire women. It's not necessarily inherent for some businesses, including female business owners, which YLA has partnered with.

So YLA has been trying to apply, you know, different types of tools and forums to make sure that we have a better opportunity to build a business case for youth and (w) youth. We have to focus on the diffused impact on how the outcome of the work can be used to inspire other women, by ensuring that other communities, men and women, know what these women have achieved. And I will end it with that and pass it on to Sergio.

Sergio Rivas: Thank you, Marcos. So hopefully this section will complement nicely what Luca and Marcos just shared with us. Remember what Luca said, finding distracters. What Marcos just presented was pivoting over time. That's very important.

We're gonna talk about a transforming market systems activity in Honduras. This is the youngest of the three activities. We started in 2018. We have about a year and a half of implementation now. It's a five-year program designed to create jobs in Honduras.

We had our first initial inception phase in which we were allowed to experiment and talk to engage public and private actors thoroughly and find out what were their pain points. This allowed us to learn a lot. But two things came out very clearly: One, there was a vast and diverse world of actors there at public and private entities beyond the usual suspects. Usually you think about the one association, the one municipality, one service provider or entity or whatnot. The truth is, you know, as we always say but don't realize, reality is complex and it's messy.

The issues we were confronting were mesmerizing and sometimes overwhelming and complex. There was a multiplicity of potential intervention points. So it was really hard to analyze. What we arrived at is that the differentiating factor was the partner. You can actually track your partner, whether it is an issue where you're observing that if we only had a partner that did this, or if we only had a partner that reduced this kind of risk or did this and the other, so the differentiating factor was the partner.

Somebody told us, you know, what you're doing is you're learning from the investment world, which is they have a model, which is invest in the partner and not the idea. The idea will evolve over time. You can actually pivot but invest in your partner. That is the long-term relationship. Focus on that.

What that brought to us for implementation, that initial inception base, was a lot of riches. And it had a lot of program and implications for us. First off, we

had to throw out the traditional approach and rethink how to best support these partners to experiment, learn, and adapt over time. Secondly, if we wanted to actually do that, we needed to move away from negotiating a prebaked idea, which is usually the relationship with partners.

The prebaked idea can either be the programs or USAIDs, or it can be theirs. The relationship and the dialogue is we have a prebaked idea, and I'm going to hold you accountable for implementing that idea. That is a very narrow view. We wanted to expand from that and we wanted to try something different.

In practice, it looks like we have three distinct modalities for procurement. What I'm going to discuss is the procurement instrument that we're using.

The first kind of modality is a light touch. Sorry. So the first kind of modality is the light touch. It's a low risk. It's accompaniment, where you're just working together towards a common goal. For example, just to illustrate, we have a partnership with the Central Bank of Honduras. They made a pledge in early 2019 to the general public and to the president himself to modernize finances in Honduras. They said we're going to bring financial technology. It's going to be the year of tech in Honduras. Fantastic. They didn't have a plan. It was an honest pledge. It was not lack of planning, either. It was just an intention to bring modernization in Honduras.

We started discussing, and they said would you like to be part of it? Of course. This is a systemic change we would like to be behind. We started financing workshop. They financed the second workshop. We started exploring and mapping who is doing Fin tech? Who should had been the actors and so forth? The relationship evolves from that. Sometimes you fund a workshop. Sometimes you co fund a consultant. Sometimes you start meeting on a regular basis and the relationship evolves from that.

This type, this modality, works best when you're not quite sure about the partner, and not because it has intrinsic weaknesses, it's just because you're not sure whether you have the right partner, like Luca and Marcos were saying. Maybe you initiate the relationship with that partner, but then later on you need to bring another partner or you need to you both need to decide something else.

The second modality is direct alliance. And a classic example of this in Honduras is our partnership, our alliance with Nestle. We're doing two things together; one is youth migrant training and the second is solar dry and techniques. Both very much needed in the sector and etc. This is the case where you want to incrementally fund an idea towards a set of targets and goals and whatnot. This works best when you are absolutely sure that you have the right partner, that

you have somebody who is leading in the industry, who has the influence enough and who has even funding power to make the changes.

This is the case where we came up with the market actor co creation umbrella instrument. We call it the MACU. In order to come up with this instrument, we looked a lot into different examples we had in a project, other USAID experiences. We reached out to Luca. We looked at the instruments they're using. We adapted that to the realities in Honduras. We're using this as an IDQ type of instrument that allows you to incrementally fund different. This alliance I just mentioned with Nestle is using two types of instruments. One is to give in kind grants to solar dryers, and the other is for the training, which is a direct branch.

That instrument is really flexible and allows you to evaluate over time, make adaptations, and continue with the next phase.

The third modality that we're using, and we need to pay attention to this one, is multi-stakeholder alliance. This, for example, is when you need to bring multiple partners, private sector firms, public sector firms, other donors and whatnot. A classic example of this is we're supporting the government of Honduras to train and place youth in the cruise ship industry. Turns out that the government of Honduras had made an alliance with the Florida Caribbean Cruise Associate for thousands of jobs, but they just needed to start to issue a law to set up the training facility and so on and so forth.

Of course, we're partnering with the Ministry of Labor there, but we also needed to bring in the Ministry of Tourism, so two agencies within the government. We needed to bring in the merchant marine service for the appropriate seafarer trainers. We needed to bring in the training in Honduras for the hospitality for the training. We needed other types of actors, including even the embassy, because seafarers will touch the ports and they needed a Visa.

We're thinking now, after a year and a half of implementation, we're learning that this might be the type of partnership that we want all of our partnerships to escalate and evolve to. For several reasons. Think about this alliance that I just mentioned. If not 100 percent, at least 95 percent of the actors involving this subsystem are represented there. So it's the system acting; therefore, automatically USAID is a minority donor, which is exactly what we want, to make reality on the private sector engagement plan and journey to self reliance and whatnot.

The second is that it's especially valuable to private sector actors. Private sector firms will tend to partner with USAID because we bring the reliable partner.

Okay. So I'm going to make an intervention on this, but only if USAID intervenes. If we bring another minister, another donor, it's highly valuable for the trust that it generates. Lastly, it's the one possibility to actually experiment with actors that don't necessarily want to receive funds from USAID. They say, look, I'd love to participate, but I don't want to receive your funding. I don't want to learn a whole body of regulation or even vocabulary or just get messy with managing USAID funds. We want our alliances to work towards this modality.

A few examples of how this is moving away from the transactional relationship. A, not all co creation is about funding. As I said, the example with the Central Bank of Honduras. There's not always funding involved, so long as we are clear on the targets, on the transforming changes that we want to implement together.

But, there's no pitch element. The partner is not selling us something by presenting our proposal for our call for proposals. They don't need to do the, quote/unquote, "selling us" on the idea. We both left hand transparent in terms of what needs to be done. Who needs to be put money? We don't have enough, let's find another partner. But it says just a very honest relationship.

It's also moving away from the transactional relationship, because it elevates the role of the partner to be continuous. I hear a lot of instances where people call co creation what is really codesign. It's an instance where you call a partner and you codesign. The co creation ends. Somebody was telling us I'm just coming out of co creation with this and this and that partner.

Co creation for us is the actual implementation. You're creating where you're implementing in the partner, so long as they're part of that, they're part of co creation all along. Co creation doesn't stop. Thirdly, it's moving away from the transactional relationship, because they're not distracted from their core business. They don't need to learn from language, regulation, insistence. They need to focus on what they do best, creating jobs. That's what we want them to excel at. We'll manage the other part of the bureaucracy.

Lastly, one message that co creation and market systems is not just agriculture. I just mentioned policy. I just mentioned tourism. I just mentioned other types of activities that are very much market systems implementation approach.

Kristin O'Planick: Okay. Thank you. And we will move into now the Q&A portion of this panel. Of course, we have questions coming in online. Please type those in the chat box. For those of you in the room, we're going to kind of go back and forth from online questions and in the room questions.

I think, for me, taking away a couple highlights here, really thinking about are we finding the disrupters and not just any other partners to say we have a partnership. Are we prepared to support business pivots? I don't think we ever really talk about this. I think that's something we need to think hard about. And I really like this idea of rather than always having a one to one partnership mental model or engagement mental model, how do we graduate more things to a multi-stakeholder engagement situation? You're right, ultimately that is how these systems function and if we're talking about sustainable situations in the long run, that is where we needed to be headed.

Great value up here. I guess I will ask one initial question. So I think it's interesting to think about something that you said, Marcos, has come up in a couple of conversations now where from a traditional view, when we think about creating a good engagement with the private sector, there's kind of that diagram of USAID and the private sector, and that middle portion is the shared value that we're striving to achieve, where what we're looking at here is just throwing that out the window. And USAID is not part of that diagram. It is the private sector and the community where we want to see the development impact happen.

The shared value is that intersection, where USAID is behind trying to facilitate that to happen. I would be interested in just hearing a little bit more from any of you that would like to comment on how do you shift to that mindset? Because when people hear private sector engagement, it's immediately that USAID private sector diagram. How do you break that?

Marcos Moreno: Thank you. Sergio, you also touched upon this a lot. Thank you for that very interesting question. At the beginning, YLA precisely thought that the way to engage private sector would be what we've typically done private sector time over time was send us our idea. It might work. You might have some interesting ideas, but when you set the tone that way, you're actually, again, setting yourself up for USAID, the project is in the front seat and not necessarily the partner. So how do you take that step back? And this, for me, I think, in our activity was the hardest part. How do you ask the relevant questions to the private sector? And who asks those questions? How can I empower my staff to be able to ask the same questions? How can I make them overnight see what I see in private sector engagement?

I have to rely precisely on the capacity of everybody on the team being the sniffer. So sniffing for opportunity, how do you find opportunity? How do you find the private sector partner? That's definitely takes a lot of hits and misses, but it actually flips around at one stage of the game when you are actually able to open the dialogue with private sector and let them actually see you as a

facilitator and stop this dialogue of oh, I'll come to you because you are the funder. And when you ask private sector questions that actually hit upon why they need to focus on this, and I'll just give you an example, is the common denominator is when you hit the ground, is you're the cash cow. So everybody comes to you thinking that that's what is gonna happen is you'll finally get a grant or funded to do that, X, Y, Z.

The typical story is I've been in business for ten years. When you ask them, so what you've shared with me, that is the problem? That for the past ten years this has been holding you back? As you've described it, you know, I can't believe that for ten years you were waiting for USAID to come to solve your problem. So we need to actually be able to ask, really? Is this the problem? Is this really what's holding you back?

When you actually challenge and are receptive to listening, I think that's the entry point to kind of start shifting the mindset of how you work with private sector.

Secondly, is time. We need to take a step back. And I'm glad that we have all touched upon it, is this quick in/quick out approach. If we're actually going to be able to solve what's holding you back, it can't be something that's gonna take 18 months. I'm not saying that there aren't problems that don't take that time frame, but where we can add value and get private sector to actually own it is to paying attention precisely on that is where we can add value needs to be these things that in a shorter time period we can actually see the change. That actually leads to your next pivot. I'm not saying that there's not a lot of opportunities. But if you break it into smaller chunks and work with private sector, you have a better chance of mitigating risk, of focusing and helping build the right partnership relationship so that they understand it. We'll be there, but we're not just gonna give you a blank check. We want to work with you and actually see results and have an opportunity to pivot much faster. And because they were always pivoting. We as an activity have a better chance of participating in the partnership making process.

Sergio Rivas: If I can add to that, I'm trying to articulate a couple ideas. One is we're trying to mimic the private sector; right? The private sector would make decisions on a partnership on an instant where they see the opportunity, they grab it, as well as when they see signals that this partnership is not working and it's causing loss, they cut it.

So we're trying to mimic that. I'm wondering, you know, in that space, the sniffing around constantly for opportunities is a key critical factor. We need to be, you know, promoting that. I'm wondering to what extent that makes

bores a hole into the procurement regulation and the competition regulations, for example. That's not to say that the contractual and legal implications such as technical instrument, grant document and so forth are not present in what we do. They're very much present, but they are a secondary thought. They are a byproduct. The primary thought and we need to be focused not on the legal language of our relationship, but in what we're trying to achieve. So that mindset, that change in mindset is really where the paths cross. You can go one route where the articles of the relationship are more partner and you focus on the objective and the change you want to promote. I guess striking a balance between the two is the key. But we're learning.

Luca Crudeli: Business is the priority. Identifying where the value is for the business to go is the subject of the matter, when you discuss with the private sector. The first step is to build that awareness. That means we need to have tools and the capacity to go to the field, to action learning as quickly as possible, not necessarily through negotiating work plans or approval. For example, we are working with a large supermarket on the domestic market and sell Mozambique products, because we know that gets a premium. There is a premium there. The action research is let's grab a flight, let's go together and see whether there are products you could source and what are the qualities, prices. Let's figure that out together without a lot of thinking.

Then, another thing I wanted to also say going back to the point that I was making during the presentation. Co creation is about besides solving problems which I think is important, but I think that the main point is that co creation is about reimagining things. You're operating with private sector operators that they do their business day to day. They know their business. They know where the money's coming from, but you are bringing in helping them to rethink and identify new pathways that can lead them to either faster growth or more resources, more success.

So I think the capacity of providing that, which Marcos professed to as value edition, the capacity of being an agent of change ignition, I think, is very important.

Kristin O'Planick: I'm going to take a couple questions from the online audience, and then we'll go to in the room. So think about what you might want to ask.

So we've got a question from Joanne Sonneshine about partner identification. Maybe if you could get a little more specific about what criteria you're using to find the right partner, because it's not always about who has worked on these issues before or is currently. But how do you how do you really evaluate that

partnership, when it's we've talked about moving on, if it's not the right thing, which you should. But what are the criteria you're using for that?

And then, also, a question looking at what is the kind of ideal duration of these relationships in terms of how long might you invest in this partnership, in this engagement?

Luca Crudeli: How to identify partners? The way we have been doing it since the very beginning is very simple. On a two by two matrix. Is this a good idea? Is this a good partnership? A good partnership means a partner that is willing to put some resources driven by some level of entrepreneurial drive. If it scores a yes, yes, no brainer, we go. We start engaging as quickly as possible through those action or engagements that take less risk for us but allows us to take that idea further.

If some of this is unclear, that means we're gonna sit and develop and learn more. If it's a no, no, it's not worth engaging. It's a quickly management decision matrix.

A point I wanted to make more relevant, the longer the age of the project, the better the project is at identifying partners. We should not underestimate this, in the life of a project, when we are in a design. Not only because you learn which ones are the good partners and which ones are not, but primarily because your vision about how the market system can change develops and evolves. So you have a much better vision. I personally have a much better vision at year three of how I see the distribution market change or the supply chain market change. Even the actors that are playing, their willingness to change, the opportunities that I've seen, that that knowledge guides me towards engaging the certain types of actors versus others, because I know I'm gonna get more bang for my bucks in terms of real change.

So I think that is a knowledge. Every time we go through the knowledge cycle, we have one opportunity to learn a year. The first year you're doing your program documents and the last year you're closing out.

Marcos Moreno: Luca described it and hit it right on the spot. The project cycle is we learned exactly the same thing. Right when you figure things out and we actually have has momentum, in an instant it's time to shut it down. It's almost like we don't want to learn. We want to design new. We say we want to learn and take those lessons and fold them into new design, but it's always new. It's not necessarily, and I think that that's critical of actually a system, is understanding that it is a huge investment to find the right partner. I think that's the biggest there's not one recipe of finding the right partner. It does take a lot of hit and misses. And it did take exactly that, is it's a time factor for when you, your staff,

understand how to sniff better, giving them tools to do that also helps, and is an establishing process. That's something that we worked to actually make this criteria and the duration actually play out, is I basically asked everybody on our team to say you are actually a salesperson out there looking for opportunity. But I need to see it. You can't tell me week after week I'm working on it. And when I ask you how long are you gonna home in to an opportunity so that we know that we actually can work, the typical answer is, "Two weeks." Two weeks is kind of after magical time frame that multiplies by two-weeks' time, and you're still in the same phase of the partnership making deal. So giving our staff tools where the process, and I told them one thing that we all do on every activity is we network. We meet and we meet and we meet and we take notes in a notebook and we fill 10,000 notebooks of notes. When you want to find that information and make that information relevant as to, oh, I met somebody, you actually don't have an organized system of actually managing as a salesperson should do, is managing your contact and the reason why you met.

So having a process in place to do that, our criteria was very simple. If we can identify private sector, that needs to engage youth, not that wants to show us what they can do so that we can measure, is I need to understand why do you need to engage youth, and that helps me ask the questions. So what's holding you back? That's where the game changers start.

Luca Crudeli: To the point of the ideal partner, the partner you meet in day one will be a better partner in year two, and better partner in year four. You don't find an ideal partner. You find a partner and you commit to the partner and you evolve over time together.

The second thing is to the point on how do we identify partners, you don't go out seeking partners. You go out seeking opportunities, as Marcos and Luca pointed out. You go out seeking opportunities such as, oh, Honduras doesn't have a regulation on fin tech. That is an opportunity for us. Whether we have one partner or multiple partners, it will be a matter of just the architecture of how we do this.

Kristin O'Planick: Let's take maybe three questions. If you can state your name.

Audience: Good day, everyone. Mary Beggs. Thanks for this great presentation so far. So in addition to famous vin diagrams, there is a tendency to rush towards dollars leveraged and partnerships, but there's also a lot more that the private sector has to offer. Sergio, I was pleased when you said co creation is not just about funding.

So I wonder what are some of the other attributes or indicators that you all are using to measure successful partnerships and track them during implementation?

Audience: I'm Peter Boone from Palladium. I'm interested in all the discussions today. The discussion around selection of partners came up in all of our presentations. There was a certain amount of on disrupters and things like that, which could be a positive or it could be a negative. It's kind of like a Silicon Valley type term. But I think when we're anxious, sometimes to get on the bandwagons in terminology. We don't want to leave out things that are really important to us for years, those being a disrupter, being a reliable partner, a trustworthy partner. What we're trying for in a lot of cases is more structured and transparent, and fair trade and willingness to pay premiums and sharing value within value chains. So I think we shouldn't rush to really quick definitions. And I think we want to think about some broader characteristics, which I'm sure all of you are using in your selection. It's a question and a comment. But I think some of those other value attributes that I mentioned are very important to us in these partnerships.

Kristin O'Planick: One more question in the room?

Audience: Megan Bolden. Looking at how we're pitching, not asking them to pitch us, there's no pitch. But there kind of is a pitch to some extent for why they should work with us. And so Marcos mentioned the match making. So you all were talking about failing fast. My question how do you break up when you fail? Do you breakup? What are the terms of the breakup?

Marcos Moreno: How do you measure success? We tend to keep it—try to keep it simple. When working with private sector, the one thing that in a way is a criterion that we call it a criteria, but it's a goal more than a criteria to actually be able to make sure that we can open the dialogue along same terms. That's kind of the biggest shift, is can you stop seeing the USAID logo on me first and let's pay attention to what are your drivers for success, not my drivers, but what are your drivers. One of the common things that we found again was when we had a chance to actually help private sector think about the fact that what I am really there interested, I'm interested in their success. I need to be worried about my project success. That's none of your business. I can take care of that. And I think, Sergio, you alluded to that as well. That's my job.

Where we really can work together is in focusing your business success and applying your business performance indicators and letting those business indicators speak to my contractual indicators. There definitely requires a lot of flexibility in dialogue with USAID so we can simplify that we measure and not

force onto our partners a whole bunch of metrics that are good to know, but not necessarily applied to business success. That's where the flexibility comes into play. How can we simplify that process so that we can let private sector do what they know how to do on a business? And how can we jump on that wagon effectively to know how to add value to that equation?

I think there was something you were talking about the disrupters. Sergio also, I think, built upon that, is partnerships are not a two-way street between the project and one set of businesses. It is actually the ability to open up that stakeholder relationship into more than one. While we are trying to shift this mindset, we also have to be cognizant of the fact that other activities, donors, projects, don't necessarily think along the same lines, which is a disrupter, too, where the incentives that we are actually trying to put on the table are actually being completely distorted by somebody else. When that happens, you just don't necessarily shut the door. You actually open the door. That's your next partner opportunity, is that is for me to actually walk into that other project and saying, listen, we need to partner because the reality is when there are so many donor efforts focused in one area, we're stumbling upon the same partner over and over.

And our private sector partners know that. So what they're talking to me, they're talking to Sergio, but totally along different lines. But when Sergio and I can talk and actually unmask that part, we can turn that and actually to a value add proposition and switch this conversation of leveraging at a whole different level, where we actually can show the partner we do want to leverage what you're putting on table, but you cannot just repeat the same thing you told me and to Sergio. We want to maximize where both of us, as partners with you, can add value.

Sergio Rivas: True, that question on how do you measure, that is an ongoing and very active discussion space. There are a lot of thought leaders discussing complexity measurement and so on. We are doing our part. Our plan is revolutionary in the way we see it. A lot of discussion forums on that, and we're trying sentinel indicators where you have a glimpse that the path of the changes is going in the right direction. We do quality assessments where we're asking the partners whether did our intervention really compel you to make institutional changes or changes in your industry and whatnot. So that is a very active and evolving discussion right now. We're trying to do our part in bringing some evidence.

On the value-added attributes of partners, I think I would only add to what Marcos said, that we look for power and interest. There's nothing like a committed partner to work with. They can have inherent weaknesses and they

can have limitations, but those are solvable to the extent they have a lot of commitment to really be part of it, put skin in game, and just work with you.

Lastly, how do you break up? There's not a nice way. But this market actor co creation umbrella instrumental allows for breathing spaces, positive reflects instances. When you're going to switch from one instrument to the next, the logical evolution, you have a lot of opportunities to assess and say, look, this is not working for us. You have to be absolutely transparent. We're going to leave it at this. We thank you very much for your participation. We're just going to continue by ourselves.

Marcos Moreno: Very briefly, on the indicators, our plan is also very revolutionary. We have all sorts of sentinel indicators. We look at market system health. It's very qualitative in nature. As I said, the number of relationships, the quality of the relationships, the number of times the company improves, whether this change before and after it crosses path with the project. For us it's very important. The point here is that that's not really the stuff we sell back to USAID because this is very difficult to explain. There's always suspicion behind a lot of words and blah, blah. At the end of the day a number seems to be more sincere. Therefore, the future indicators tend to be quite number driven. So, I guess, it's a blessing and a curse in the sense that to some extent is manageable. If your relationship with the counterpart in the mission is sensible and you can set reasonable targets that you can measure within your pilots, you have contributed, and then you can do the more intellectual part as what really drives your strategic vision. But I do think that there is space for improvement in that area.

The last thing I want to say is about disrupters, and so my obviously, after four years of Mozambique, I'm very familiar, and not necessarily the truth for other countries, but it's a country where the market is very thin. You have a few market actors and transactions tend to be spot. They're not repeated. They don't build value over time. So being a disrupter actually means to change that way of doing business. It means to establish a relationship with your suppliers, if they are the small farmers, growth oriented and repeated over time. That's the measure of the quality of the relationship. That's why it's important to measure that. So that's what disrupter is for us.

Megan, a partnership going sour, it does not happen overnight. The ability of us to actually help the partner see why they're failing and share that common work plan is the best tool to actually drive that decision in saying, look, unless we're seeing things differently, but we've agreed to share a common work plan. And you don't find out six months all of a sudden that the relationship is not going in the right direction.

Sergio Rivas: Since Marcos had two opportunities, why not? Also, just to add to that, pilot first. You know, we piloted, thank you very much. It was nice. We have a learning. If a pilot is six months or so, you will know if it's a good relationship or not.

Kristin O'Planick: Okay. So back to our online audience. Gary Alex posed an initial question which several people are interested in, as am I. So thinking about private sector engagement, from the donor perspective, we're interesting, and Gary, I'll paraphrase for you, interested in public good, of course. So how given that the private sector partners are motivated by their profits, presumably, but an increase in their profit doesn't necessarily benefit society, doesn't necessarily engage youth or the poor or reach the vulnerable populations that we have the development interest in.

How do you navigate this issue of public good contribution in these private sector co creations?

Luca Crudeli: First an apology. I tend to speak a lot about the private sector, but that's because our project is particularly focused on it. Taking partners, it could be government, with universities. We do partner with a number of universities. We find ourselves in a position where there is other DI implemented projects focused on business environment. We are collocating. And so at times we are limited in what we can do in the public space. But the point I wanted to make is that, first, partnership does not mean only partner with the private sector in terms of the public good. And the second point is that private sector the private sector engagement strategies is commonly accepted in this environment of cultural environment. That private sector generates value and then creates opportunities for you can provide opportunities for you all the members of society to participate and benefit from that value.

So I guess the point is that the project we engage in a partnership only if we see that that partnership takes us on a path of inclusivity. And a shift in the power between the small farmers and the other actor, because the market actors because disruptive in seeing the strategic value of seeing the value of working with the smaller farmers.

Just to conclude, we've been very lucky, because in Mozambique there's been a financial crisis. Then money and the amount of money spent on public subsidy. So it may be a good business opportunity, but there's high risk involved. To be a first mover and establish a solid base working with the bottom of the pyramid instead mitigates my risks, because it's a more stable source of income. There's a strategic element value of if you segment the market, you don't need to

make money everywhere all the time. You are diversifying your risk and having strategic perspective vision.

Marcos Moreno: Time. We're in a race against time. What comes first? When you're working with private sector, obviously, their bottom-line outcomes tends to be the first item. When you actually move past that set of holdbacks of getting the business structure right, you then have, like they're saying, hold on to your partner to actually start talking about these other things that are actually relevant to the private sector. Private sector does not exist in a vacuum. They're not a thing. They exist in a community. They invest in the community where the public aspect of their relationship is should be relevant.

So helping them when they're ready is start talking to private sector about these things when they're receptive listeners, when they can start seeing the value add of those propositions. A clear example is a business that, through our investment, grows exponentially. We've got several examples, all of us, where we started in year one, like with the seed. This company in Uganda by year three, what was a small mom and pop shop, all of a sudden has seven warehouses spread out through several areas of Uganda. But when you ask that business partner what made you invest in infrastructure and in the growth of the business and have you thought about who's gonna work for you, where is that workforce coming? And if you're working in youth, how are you investing in the next generation of your workforce?

That kid, who is ten years old, within the next five years will be 15. Odds are, because you're not on the right path to success, those that work for you are not going to be there, either. So it could happen that you're going to contributing to that kid dropping out of school and not completing the necessary education to build his skill set up, so their value to you ten years down the road. Your return on investment is paying attention to giving the right signals to youth and to those parents who actually have that kid as a ten year old to actually understand how you're connected to the community and how you can actually start now investing and how we can use that pivot as an opportunity to add value to that equation as well. You need more time.

Absolutely true. Three elements here: One, yes, to the extent that they're growing, they're generating investment and jobs. No matter what, even in it's only natural they will create jobs. Livelihoods is what we want for people. You can actually engage them in a more conscious conversation later on. That's true.

The second thing is new entrepreneurs, especially young entrepreneurs, they're conscious themselves from the get-go. The new generations of entrepreneurs, where conscious with society and to ask in fact. That's a realization.

Thirdly, in the end, they have their bottom line. You need to state your bottom line as well. If there is a business idea, like we found, we had a proposal in Honduras, actually, to fund movie production company and whatnot. It was beautiful. It was actually transformative on the social side. But our bottom line was just prevailed and we could not fund that because it was not a job generation activity.

Luca Crudeli: There's another thing that I think is interesting, and I would like to bring to your attention is that sometimes when I find myself talking to my colleagues in the business practice where we are, there's tension particularly when the other side comes from a technical solution area. There is a tension in the discussion, because in the way I'm not so interested in what technical solution it's going to bring, but bringing access at an affordable price, starting from this market segment that we are targeting, something that is a step up from their current condition. It is not necessarily the best technical solution it's not going to be the best seed variety. So obviously, the dark side of this is that the private sector has the power to sell stuff that is adulterated. So you think systemically, and you want to build the feedbacks in the systems matches that you can, because in this case the smaller farmer is the consumer has recursive measures. What I'm saying, there's a lot of tension between the technological solution and a more systemic solution, if you want, that is affordable and gets you on a path of growth.

Kristin O'Planick: Sadly, we are at the end of our time for part one of this event. But I think that we have heard a lot of really interesting thought-provoking things that we will be able to carry forward into part two or into our work for those of us joining online.

One additional comment on this measurement question, and I think particularly where we're looking at private sector engagement and co creation within a market systems development space. It is really critical that we move away from measuring the inputs, which is the leverage and the dollars and the number of partnerships, to really thinking about how are we measuring the outcomes. What are the results that we want to see in this market system for which we think that this engagement is going to contribute? Is it contributing to those results? That is the measurement we should be after.

Of course, someone at USAID will always ask you what the leverage is. I don't think that's going to go away.

So for those of you online, please, if you have any lingering questions that you haven't already typed into the chat box, please do so. We will capture those and attempt to do some written responses after the fact, as is our usual practice. For those of you in the room, we have an opportunity to do the same. So there are evaluation forms on each table. There is a section on that form. If you have a remaining question, please write it down there and we will capture that and add them to our chat box lingering questions.

So with that, thank you to our panelists for your insights and to the audience online and in the room for your great question. Goodbye to our online friends until our next Webinar. For those with us in the room, we'll attempt to take a 15-minute break. There is some food outside. The restrooms are over in that direction. After that we will commence our round table conversations. When you come back, if you are currently sitting with people that you work with regularly, please try to sit with people you don't. I think it will make for a richer conversation. Thank you very much.

[End of presentation]