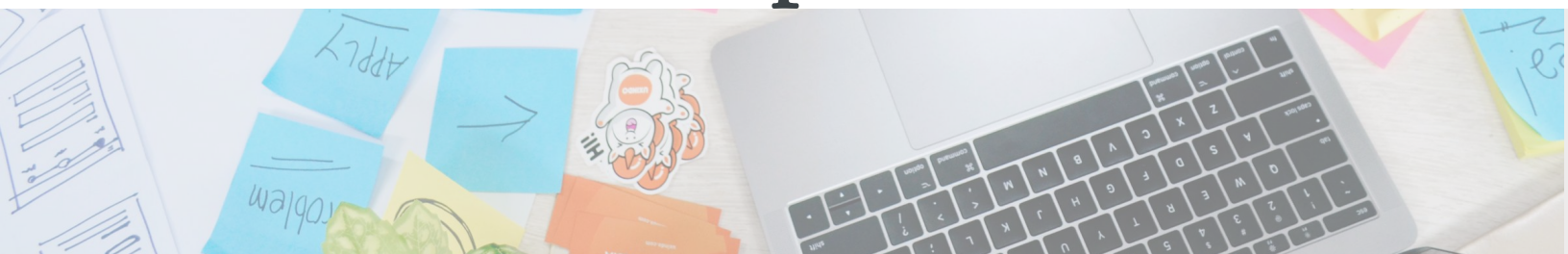# Private Sector Engagement (PSE) Checklist Tool for Identifying Bottlenecks & Root Causes in Partnership Processes

USAID FROM THE AMERICAN PEOPLE

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Background

USAID has been a leader in private sector engagement (PSE) within the development sector. This wealth of experience informs current USAID practices and processes when engaging the private sector (PS) and is the foundation for the PSE Policy. Through its PSE Policy, USAID has taken a strategic approach to consult, strategize, align, collaborate, and implement with the PS to achieve greater scale, sustainability, and effectiveness of development or humanitarian outcomes. However, despite an existing body of evidence on PSE practices and effects of PSE approaches, critical gaps remain in understanding how to most effectively engage with the PS to achieve and sustain results. To better understand USAID's PSE processes and potential bottlenecks, in 2018 the Center for Transformational Partnerships (Lab/CTP, now DDI/PSE Hub) funded the LASER PULSE[1] program to conduct USAID's PSE Process Analysis research. For details on the larger research project, please visit this link. For accessing the executive summary, please visit this link.

RESEARCH AIM & METHODS

Examined the causes and contexts of sub-optimal or unintended outcomes and looked to identify root causes, with an eye towards sharing appropriate lessons learned and opportunities for improvement in PSE throughout USAID.

The research team used a systems engineering and multi-stakeholder perspective approaches to examine the end-to-end private sector engagement process employed by USAID including problem definition, partner selection, engagement negotiation, implementation, and closeout. This work aims to add valuable insights into engagement processes that can enhance the success of PSE.

RESEARCH TAKEAWAYS

1 To engage different types of PS partners including local businesses in a meaningful way, it is essential to have more streamlined processes and clear communication channels with PS.

2 A 'good' or 'satisfactory' partnering experience is important to formalize the engagement and continue to stay engaged. PS and USAID operate differently. We found the misalignment in shared values and operational expectations were key causes for poor partnering experience for PS.

3 To reduce bottlenecks in the process and make the overall partnering experience better, PS perspectives need to be included in the design of theories of change for activities that include PS engagement.

Private Sector Engagement Lifecycle

USAID's PSE Lifecycle is nonlinear, cyclical and complex in nature, consisting of three interrelated phases (Exploration, Formulation and Implementation). These phases require an underlying foundation of:

- **Clear value propositions** for each stakeholder to participate in the engagement (cost benefit analysis)

- **Well-articulated Theory of Change** that outlines how the contributions of the various partners (value proposition) will result in the intended outcomes

- **Agreed shared values** of how the results will be achieved

- **Well-defined operational alignment** among the partners that outlines how they will work together, where they will work, how decisions will be made, and how conflicts and communication will be managed to foster an environment that promotes effective engagement among the partners
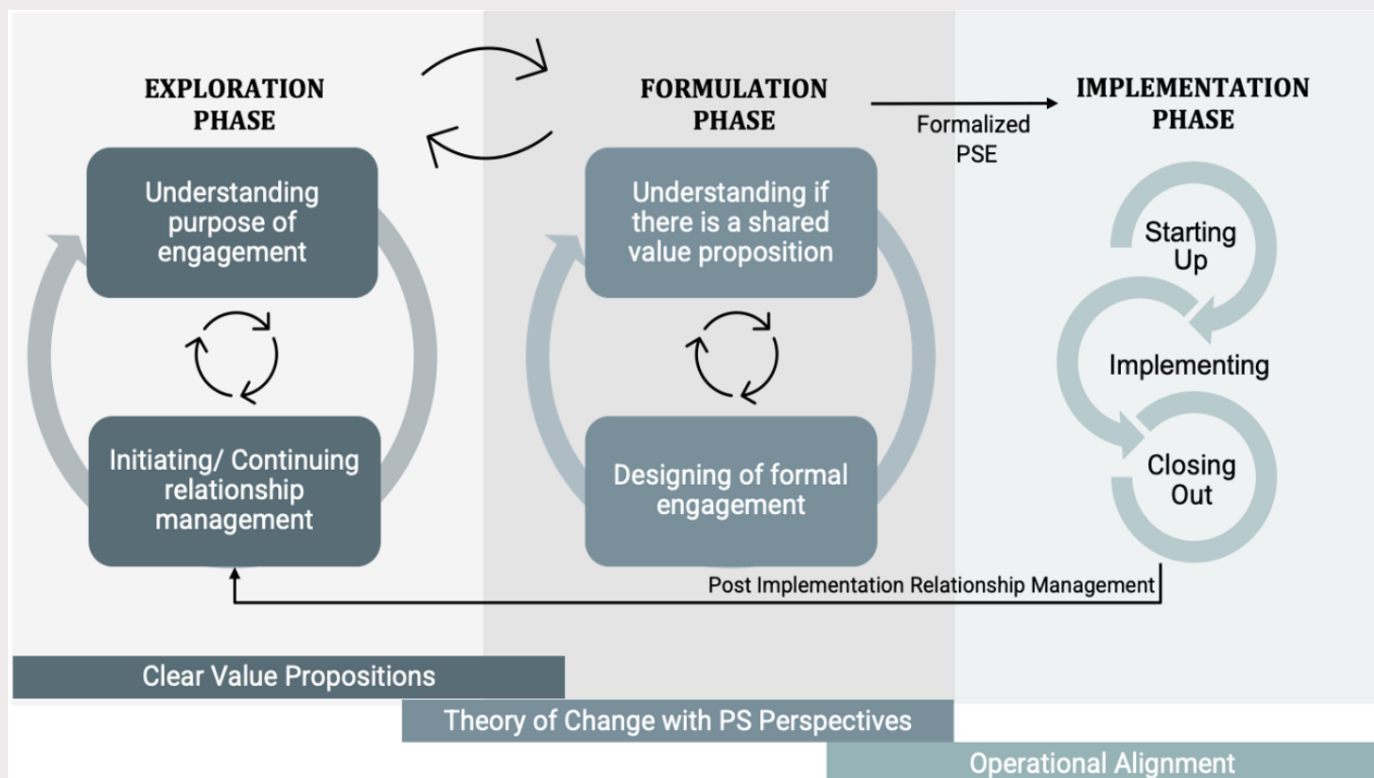
Signs of Bottlenecks and their Root Causes in Partnership Processes

Analyzing and comparing findings across the 8 cases studies and focus group discussion data in our research, we found several general indications when the PSE process faced bottlenecks. These signs or 'red flags' were observed throughout the PSE Lifecycle across all three phases. Not having enough understanding of PS' perspectives when designing the PSE activities and Theory Of Change, not having enough alignment on the 'tactics' of how to operationalize the engagement, and unsatisfactory partnering experience for PS during the different phases of the PSE Lifecycle were found to be three key reasons that caused bottlenecks in the PSE Lifecycle of formalized engagements and are explained further below. We found each of these root causes were related to one another. Please see the Annex for more detailed research findings on the bottlenecks and root causes.

Symtoms/ 'Red Flags'

⚠ Long delays
⚠ Lack of commitment
⚠ Partnership Not Formed
⚠ Frustration
⚠ Conflict
⚠ Slow decision-making
⚠ Slow progress
⚠ Reporting issues

Unsatisfactory partnering experience. Partners' reduced "Perceived Worth of Continued Engagement" (Please see the executive summary of our research for more information)

Root Causes

PS perspectives not understood. Limited understanding of:
- value propositions
- shared value
- performative capacity
- current market dynamics
- unintended consequences of USAID policies

Operational Misalignment. Differences in:
- pace of work
- decision-making
- language, culture & values
- organizational policies
- workplanning
- availability
- timing of funds
- metrics and indicators

Purpose Of This Checklist Tool

WHAT IS THE PURPOSE OF THIS CHECKLIST TOOL?

The purpose of this tool is to help facilitate an intentional, timely and systematic way to monitor the partnership's processes and reduce collaborative challenges that partners typically face in such engagements.

This tool aims to provide a starting point for those involved in the partnership/ engagement to identify any 'red flags' or signs such as slowing down of the partnership processes, slow progress, frustration among partners. These are indications of 'collaborative inertia'.

Secondly, once these signs are observed, the tool then provides another checklist to help pin-point some root causes. The aim for this checklist is to provide the partners some common language to have a constructive dialogue to address the root causes.

WHEN TO USE THIS CHECKLIST TOOL?

We recommend using this checklist regularly as early as the **Formulation** phase, but especially during the **Implementation** phase of the PSE Lifecycle. This checklist tool can be used as frequently as needed to keep a pulse on the partnership process. If used regularly, it allows partners to identify and resolve issues in a timely manner.

HOW TO USE THIS CHECKLIST TOOL?

Either individually or collaboratively, partners need to identify and acknowledge signs that may indicate process bottlenecks and pay attention to indications of issues in the process. Partners could easily point to these if they are observing similar symptoms as warning signs.

There are two checklists provided as part of this tool.
  i. The first checklist is to be used to identify any signs of bottlenecks in the partnership processes (STEP 1).
  ii. The second checklist allows you to dig deeper (under the iceberg) to uncover what might be causing the bottlenecks (STEP 2).

1 Identify 'red flags'/ signs of bottlenecks

Use this checklist as early as 'formulation phase' during the PSE lifecycle. Please select any signs listed below that you or the team has observed recently. We have provided some space for you to write specific details that might be useful to make note of for each bottleneck sign observed. We recommend that representatives from all partnering organizations use this checklist at the same time. If all partners have identified similar signs on this checklist, it validates that there is a need to uncover a critical underlying issue that might be causing the bottleneck.

☐ **1. Are you observing any process delays that are affecting the partnership's ability to deliver on results?**

☐ **2. Are there any outstanding decisions that are delaying implementation?**

☐ **3. Are milestones in the workplan not being met on time?**

☐ **4. Does the workplan keep changing, or lack details and input from any partner involved in formalized engagement?**

☐ **5. Are there any delays in submitting reports?**

1 Identify 'red flags'/ signs of bottlenecks

☐ 6. Are there any conflicts among partners during meetings?

☐ 7. Are our partners feeling frustration due to overly complicated and/or non-transparency in USAID processes, particularly PS who are used to operating at fast pace?

☐ 8. How is the engagement level of different partners, is there participation in meetings or follow-through on tasks waning?

☐ 9. Are there any challenges in collecting evidence on MEL indicators?

☐ 10. Other signs/ 'red flags' you are observing?

2   Uncover Underlying Root Causes

All partners involved in the PSE efforts need to collaboratively identify the root causes for the process issues they observed in the previous step. This not an exhaustive checklist, but serves as a starting point for discussions among partners to uncover some of the underlying contributing factors that might be causing bottlenecks in their partnering processes.

We recommend using this checklist regularly during the Implementation phase of the PSE Lifecycle. Based on the bottlenecks observed, the questions in this checklist allow you to further identify specific root causes that might be causing bottlenecks in the process. We also recommend answering these questions collectively among all partners to be able to diagnose issues partners might be facing and create a safe space for partners to have a constructive dialogue on how to address these root causes.

1. Are the value propositions (for all partners) articulated during formation addressed during implementation?

☐ Have the priorities of the partners changed since the engagement was formalized?

☐ Are partners unable to have a clear vision of the benefits they would use or are receiving from engaging in the partnership?

2. Are there issues with communication and trust?

☐ Are partners feeling that their perspectives are not being considered during the meetings?

☐ Are the partners not able to work together to solve problems?

3. Is there a potential for PS partner's market dynamics to be distorted?

☐ Are there externalities that are negatively affecting the engagement? (Lack of enabling environment, COVID19 pandemic, government policy and regulations)

☐ Are PS partners facing a risk of losing market share?

4. Are there issues with operational alignment?

☐ Are there expectations related to differences in the pace at which different partners operate and make decisions not clearly discussed?

☐ Have considerations related to differences in language and translation not made clear?

☐ Are the partners facing challenges due to any specific USAID policy or regulation?

☐ Are the financial expectations including funding flow, timing and availability of funds not clearly discussed?

☐ Are the partners not able to work together to solve problems?

☐ Are partners facing challenges to understand the reporting guidelines and requirements?

5. Is it feasible for PS to participate and engage? Are there any capacity issues that are limiting the partner's ability to produce results?

☐ Are partners till able to contribute financially to the PSE activities?

☐ Are partners able to have enough number of dedicated staff and personnel for the PSE activities?

☐ Are partners able to manage turnovers?

☐ Are partners facing leadership challenges such as buy-in support?

☐ Are partners lacking sufficient expertise and knowledge to participate in the engagement?

Next Steps

Congratulations on completing the Checklist Tool for Identifying Bottlenecks and Root Causes in PSE partnership processes! We hope this exercise has been beneficial to quickly observe signs of challenges and collectively uncover underlying issues in the partnering process in an intentional and systematic way.

We recommend that you use this tool to facilitate some crucial and timely dialogue amongst all partners to collectively develop solutions and strategies to address the issue and mitigate these issues in the future.

To access other tools and resources developed as part of this research, please visit LASER PULSE.

PSE Resources & Tools

EXPLORATION & FORMULATION ───────────

1 **8 Field-based Case Studies:** Use to understand different ways USAID has conducted PSE processes across different sectors and regions. [*Developed as part of this research study*]

2 <u>**PSE Opportunities Tool**</u>**:** Use when developing the Country Development Cooperation Strategies (CDCS), at the strategic level, activity design, or at the partnership level (including for unsolicited proposals from the private sector).

3 **PSE Addendum** to USAID's Theory of Change Workbook: Use when designing and formulating the partnership structure, processes and implementation activities. [*Developed as part of this research study*]

4 <u>**Harmonizing Indicators Tool**</u>**:** Use when identifying and negotiating shared partnership metrics for reporting.

─────── IMPLEMENTATION

5 **Partnering Experience Survey:** Use to monitor partnership relationship health throughout the PSE Lifecycle. [*Developed as part of this research study*]

6 **Partnership Bottleneck Checklist:** Use to collectively identify common partnership challenges and bottlenecks that might be causing delays in the partnership process. [*Developed as part of this research study*]

7 **Partnership Root Causes Checklist:** Use to identify root causes that are contributing to bottlenecks in partnership processes, and for facilitating constructive, problem-solving dialogue among partners. [*Developed as part of this research study*]

CLOSEOUT ───────────

8 <u>**Partnership Outcome Review**</u>**:** Use to better understand internal USAID evaluation requirements, processes, and practices during partnership closeout.

9 <u>**Partnership Success Dissemination**</u>**:** Use to communicate partnership results via a case study.

10 <u>**Measure Enduring Results**</u>**:** Use to design an ex-post evaluation of partnership outcomes.

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ANNEX: Research Findings
Signs of Bottlenecks in PSE Process

Analyzing and comparing findings across the 8 cases studies and focus group discussion data in our research, we found several general indications when the PSE process faced bottlenecks. These signs or 'red flags' were observed throughout the PSE Lifecycle across all three phases: Exploration, Formulation and Implementation. "Red Flags" during the Exploration or Formulation phases resulted in either a failed attempt to formalize an engagement or a poorly designed engagement if formulation proceeded. Signs for 'red flags' across the phases observed in our research data included:

⚠️ Long delays in processes and activities not starting or finishing on time; Partners taking a long time to make decisions or unclear decision making processes

⚠️ Prolonged time intervals between interactions or meetings

⚠️ Delays in submitting progress reports and issues with collecting evidence on MEL indicators

⚠️ Work plans not synchronized or sequenced in a way to meet project objectives

⚠️ Partners' performance issues related to inability to meet expectations

⚠️ Conflict among partners during meetings

⚠️ Medium to high levels of frustration about operations and/or progress among partners

⚠️ Waning partner enthusiasm or interest or engage in meetings and contribute to discussions or activities

Root Cause 1

Private sector perspectives not clearly reflected/ understood when designing the PSE activities.

Unclear PS Value Propositions and Insufficient Shared Value

We found that value propositions were not always clearly articulated for PS in the PSE design and Theory Of Change, resulting in wavering PS commitment to the engagement and insufficient shared value among partners involved in PSE. Also, we found that value propositions were unique to each type of PS, thus it was essential that the different value propositions for each type of PS and their role in the engagement were taken into consideration when designing PSE activities.

Limited Understanding of PS and Other Stakeholders' Capacity to Participate

We found that varying capacities of different types of PS were not considered when designing PSE activities. For example small-medium sized enterprises versus large multinational corporations engage in different ways that may not align with USAID's requirements and expectations.

Limited Understanding of Current Market Dynamics

We found that the design of PSE activities is based on false assumptions about the market when current market dynamics were not considered.

Limited Understanding of the Unintended Consequences that USAID Policies have on PS

We found that there was limited understanding on the implications of certain USAID policies on PS enterprises when designing PSE activities. Specifically the small-medium sized local companies, family-owned businesses, local social enterprises who may face larger financial risks of engaging with USAID as compared to multinational or global private sector organizations

Root Cause 2

Persistent operational misalignment between USAID and PS.

Differences in Pace of Work and Decision Making

PS works at a faster pace with their decision-making as compared to USAID. Decision-making for USAID is multi-layered as it requires approvals from many internal officers and is thus deliberately slow. We found that the slower pace of decision-making at USAID resulted in an average of 1-2 years to formulate and formalize engagements with the PS across all 8 cases. This is a long time in the private sector world, as economic and commercial factors can change drastically in a year's time. Also, in the Implementation phase, differences in the pace of decision-making can also result in misalignment in work plans.

Language and Cultural Difference

We found that differences in organizational culture and language caused misunderstandings among partners, resulting in process slowdown as well as lack of understanding in the local and cultural contexts.

Availability and Timing of Funds

Even when there is a clear alignment in partnership objectives, USAID or PS may not be able to engage due to availability of funds at that time.

Different Organizational Regulations and Policies

USAID has very specific regulations and policies including policies on gender mainstreaming, environmental impact, child labor and human trafficking, as well as procurement and trade restrictions with certain countries. We found that these policies created alignment issues when engaging with PS, especially local SMEs.

Work Planning and Coordination of Activities

We found that PS, USAID and IP faced alignment issues when developing workplans and coordinating activities during the Implementation phase resulting in a lack of clarity on the operational roles and responsibilities of all partners involved, causing misunderstandings and process slowdowns.

Difference in Metrics to Monitor the PSE Processes and Outcomes

USAID and PS had different metrics and reporting expectations. These created challenges when formulating and implementing the PSE.
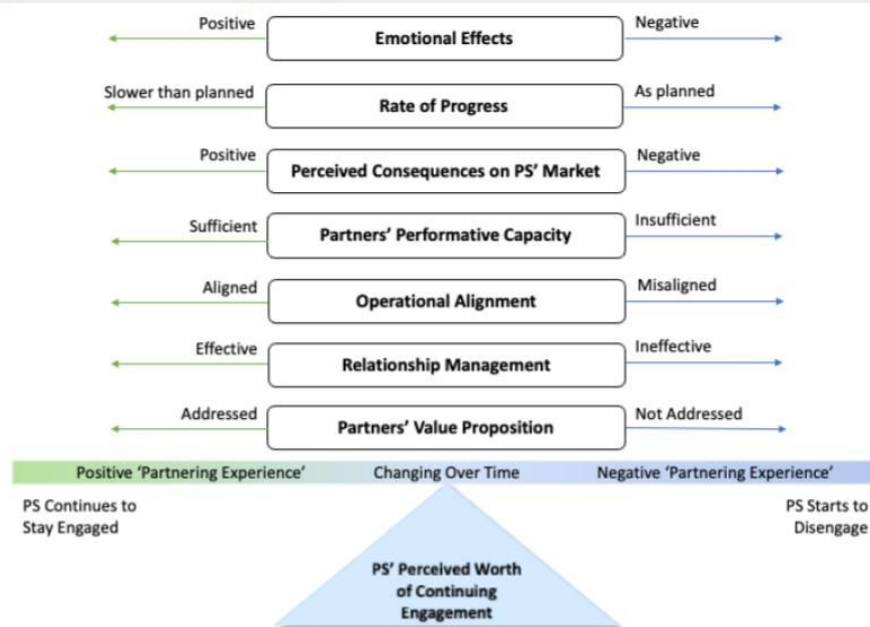
Root Cause 3

Unsatisfactory 'Partnering Experience' for PS During the Lifecycle

We found that when PS did not have a positive and satisfactory experience engaging with USAID, their level of commitment and level of engagement reduced, resulting in bottlenecks in the process and suboptimal outcomes of PSE activities. PS' 'partnering experience' at any point in the PSE Lifecycle was based on whether they perceived that there was ENOUGH WORTH in staying engaged and continuing their participation in the PSE activities. We establish this phenomenon as *"PS' Perceived Worth of Continuing Engagement (PWCE)"* in the PSE Lifecycle.

When the 'partnering experience' was positive, "BENEFITS" of engaging outweighed the 'Costs', and PS continued their participation. On the other hand, when the 'partnering experience' was negative, "COSTS" of engaging outweighed the 'Benefits', and the PS reduced or withdrew their support. This ratio fluctuated across all three phases of the PSE Lifecycle.

For example, even when the PS had interest, motivation and a clear purpose to partner with USAID, they were often frustrated by the long time that it took to reach agreement, the slow pace of funding availability, lack of understanding of USAID processes and policies. Hence, a strong value proposition was not enough to tip the scales, if insufficient operational alignment, ineffective communication, weak relationships, insufficient capacity existed, making the cost of the engagement outweigh the benefits, resulting in the PS reducing or withdrawing their support.

Positive		Negative
Positive	**Emotional Effects**	Negative
Slower than planned	**Rate of Progress**	As planned
Positive	**Perceived Consequences on PS' Market**	Negative
Sufficient	**Partners' Performative Capacity**	Insufficient
Aligned	**Operational Alignment**	Misaligned
Effective	**Relationship Management**	Ineffective
Addressed	**Partners' Value Proposition**	Not Addressed

Positive 'Partnering Experience' — Changing Over Time — Negative 'Partnering Experience'

PS Continues to Stay Engaged

PS Starts to Disengage

PS' Perceived Worth of Continuing Engagement

NOTE: This framework is currently being published in a peer-reviewed journal.