

USAID INVEST: FIVE YEAR ANNIVERSARY LEARNING SERIES

**A NETWORK APPROACH TO
PRIVATE SECTOR ENGAGEMENT:
THE USAID FINANCE AND
INVESTMENT NETWORK**

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PHOTO: HOACH LE DINH

OVERVIEW

Private sector engagement (PSE) involves harnessing the perspectives and contributions of the private sector to address pressing development priorities. It recognizes that donor resources and know-how are insufficient to create the scale of impact required.

The U.S. Agency for International Development's (USAID) "[PSE Modernize](#)" reform, introduced in 2022, aims to create the institutional conditions, operating infrastructure, and capacity necessary to scale engagement with the private sector. A central focus of this effort is to improve the overall partnering experience. A network approach, as exemplified by USAID's Finance and Investment Network, has proven to be an effective means to address this critical goal. This learning brief describes this approach and its impact.

"PSE Modernize will improve the partner experience....[It] enables USAID and partners to more effectively pursue enterprise-driven development approaches. PSE Modernize works across and within Agency systems and stakeholders to lower barriers for staff and partners to easily create impact through collaboration."

– *PSE Modernize*

The Finance and Investment Network (FIN) was first established in September 2017. It is a foundational aspect of the private sector engagement strategy of [USAID INVEST](#), one of the Agency's largest global mechanisms to mobilize investment for development. Since its launch, INVEST has unlocked over \$1.04 billion in investment for SMEs, climate resilient agriculture, renewable energy, and women-led firms, among other priority areas. By forming and engaging a network of private sector firms, INVEST has helped bring essential expertise to the work of 36 USAID Missions, Bureaus, and Independent Offices (MBOs).

Member firms [join the network](#) by expressing interest in partnering with USAID, compete for procurement opportunities, and participate in learning events. Over the last five years, members have supported work with MBOs through a range of investment facilitation activities, including fund and financial vehicle structuring, transaction advisory services, investment opportunity assessments, and various forms of technical assistance.

As of September 2023, there are [over 550 organizations](#) in the FIN, representing the diversity of the investment ecosystem. Members include fund managers, investment banks, advisory firms, and organizations with expertise in impact investing, from across geographies and sectors. Nearly 70% of members are identified as new or non-traditional partners, as defined by the [New Partnerships Initiative](#). 43% are considered local entities and 49% are locally established entities, helping to address USAID's commitment to locally led development.

The FIN is an innovation with significant potential for replication and scale. In many ways, the network approach represents a departure for USAID, in which interactions with private sector firms are frequently transactional, focused on a specific project or deliverable. In contrast, the FIN allows USAID to cultivate longer-term relationships. Communication and support are tailored to achieve project related goals, while keeping in mind the aim of incentivizing firms to pursue USAID partnerships in the future.

The network has also provided USAID with the flexibility to respond to dynamic market conditions. INVEST has not been restricted to a limited number of pre-selected firms, but rather has been able to access expertise from an ever-growing number of firms as needs arise. This ability has been one of the most important factors in INVEST's success.

THE NEED FOR A NETWORK APPROACH

A network approach, like the one employed to develop the Finance and Investment Network, responds to several enduring constraints that have limited USAID's ability to fully realize the potential of private sector engagement. MBIOs have noted several common barriers:

Culture clash

The perception that the priorities of USAID and the private sector are not aligned can create a sense of incompatibility. The absence of a shared language around development challenges and approaches can further inhibit the formation of good working relationships.

Cumbersome procurement processes

There is a growing recognition that private firms are not inclined to respond to traditional USAID procurements. Unpredictable timelines and significant resource commitments associated with proposal development can deter prospective partners, especially smaller, non-US-based, and less well-resourced ones. This limits the Agency's ability to initiate new relationships and access needed expertise.

Lack of experience among USAID staff

Investment facilitation is not a common workstream in many parts of the Agency. There is often a lack of understanding about the types of firms that make up the investment ecosystem, the roles they play in helping connect the supply of capital with demand, and how the services they provide can address USAID's goals.

Lack of relationships

As made clear through the New Partner Initiative, USAID's traditional set of partners does not always align with the goals of localization or market-led development. The time needed to identify new partners and build these new relationships can be significant and presents challenges for MBIOs.

"We know there is a whole new set of actors that can come in and provide game-changing approaches and resources. But how do you access them when you're a bureaucratic organization?"

- USAID Prosper Africa

"Investment facilitation does not exist as a workstream at the Mission, so there is not a set of established partners for this type of work."

- USAID El Salvador

EVOLUTION OF THE FIN

In February 2017, USAID released a Broad Agency Announcement (BAA) with the goal of catalyzing private investment. This announcement led to the creation of [USAID INVEST](#), which aimed to address the challenges that USAID has historically faced in collaborating with the private sector. The Finance and Investment Network was central to this effort. USAID's vision to expand its support for blended finance required access to a range of expertise beyond what was available with USAID's traditional partners or through a consortium approach of a few select firms. From the beginning it was understood that an entire network of new partners would have to evolve alongside USAID's blended finance portfolio to achieve the impact and scale desired.

This Finance and Investment Network was formed with a clear value proposition. MBIOs would gain access to a wide variety of technical skills and obtain a deeper understanding of private sector approaches. At the same time, firms working at the intersection of finance and development would benefit from increased access to opportunities and information vital to improving their capacity for partnership. INVEST's streamlined procurement process and dedicated onboarding support would ensure that USAID MBIOs could work with the best firm for the job, regardless of that firm's previous experience with government contracting.

FIN members benefit from:

- Easy-to-access information about USAID's strategic priorities.
- Capacity building support for private sector firms and small organizations to navigate USAID procurement and subcontracting processes.
- Connections that may lead to partnerships or collaborations with peer organizations.

The FIN provides USAID:

- Opportunities to engage with new and underutilized partners.
- On-demand access to niche expertise and fresh insights.
- Close connections to local markets.

Since its inception, INVEST has expanded the network from 26 to [over 550 member organizations](#). This growth is a result of an intentional effort to recruit and engage members in learning and partnership activities. The FIN has grown through word of mouth, networking by USAID and INVEST staff, and market research and outreach conducted by INVEST's procurement team. Likewise, MBIOs have recommended suitable firms from their sectors and the countries in which they work, and existing members frequently bring in partners on proposals that serve to expand membership. The need to consistently articulate as well as deliver on the FIN's value proposition is among the most important lessons learned in the network's evolution.

THE MODEL

The FIN was designed to create a positive partner experience, one that fosters the image of USAID as a value creating partner for business while leveraging the unique capabilities of the private sector. More than five years of implementation experience has allowed INVEST to identify core processes that have proven to be essential to addressing these goals. The ongoing success of FIN, and the potential for future replication and scale, will depend to a large degree on the consistency in which the model can be implemented.

01

Strategic recruitment and streamlined procurement

- Market research to identify firms with the expertise associated with new procurements.
- Targeted recruitment of underrepresented categories of firms (nontraditional firms, or by geographic and sector expertise).
- Use of Expressions of Interest and co-creation to design approaches derived from market insights.
- Sharing of information of past and future procurements through dedicated website.
- Learning resources to guide offerors in the development of proposals and provide insights into USAID contracting processes.
- Concise proposal formats (slide decks) and phone interviews with shortlisted firms.
- Debrief letters to unsuccessful firms so they can develop stronger future proposals.

02

Customized onboarding and simplified subcontracting

- A dedicated team of partnership specialists to help firms navigate subcontracting with orientations, check-ins, and open communication lines.
- An accelerated procurement and subcontracting timeline to allow firms to better plan and resource the engagement.

03

Tailored support for successful collaboration and network building

- USAID's terminology and requirements translated into private sector language.
- Communications support to partners to share their insights and raise their profiles.
- Regular opportunities for peer learning and knowledge sharing, highlighting existing USAID partnerships with members.
- Dedicated procurement website provides firms insight and information useful in forming collaborations among firms.
- Tips and tools to help organizations with procurement and contracting processes.

ADDRESSING THE GAPS

STRATEGIC RECRUITMENT AND STREAMLINED PROCUREMENT

"INVEST helps speak both languages – USAID and private sector. Look at Innogen Ventures, the first venture capital fund in El Salvador. How could they work well with USAID in their first engagement? Having INVEST translate between the new or local partner and USAID is critical. We are also doing this in record time, which is good for the partner and the Mission."

- USAID El Salvador

CUSTOMIZED ONBOARDING AND SIMPLIFIED SUBCONTRACTING

"Initially we were hesitant to work with large donors because we were concerned that the 'donor mentality' would not mesh well with the 'investor mentality' we are familiar with. We were worried about onerous compliance and subcontracting requirements. But we were excited about funding opportunities and saw a strong fit between Patamar goals and USAID priorities. The proposal requirements were very practical. We liked the co-creation process and were pleasantly surprised by the creative and flexible design."

- Patamar Capital

TAILORED SUPPORT FOR SUCCESSFUL COLLABORATION AND NETWORK BUILDING

"We are an investment fund manager, not a consulting firm, so we like the emphasis on private capital mobilization. This process has allowed us to work in a way that aligns with our fund management approach and not have to change how we work to receive USAID funding."

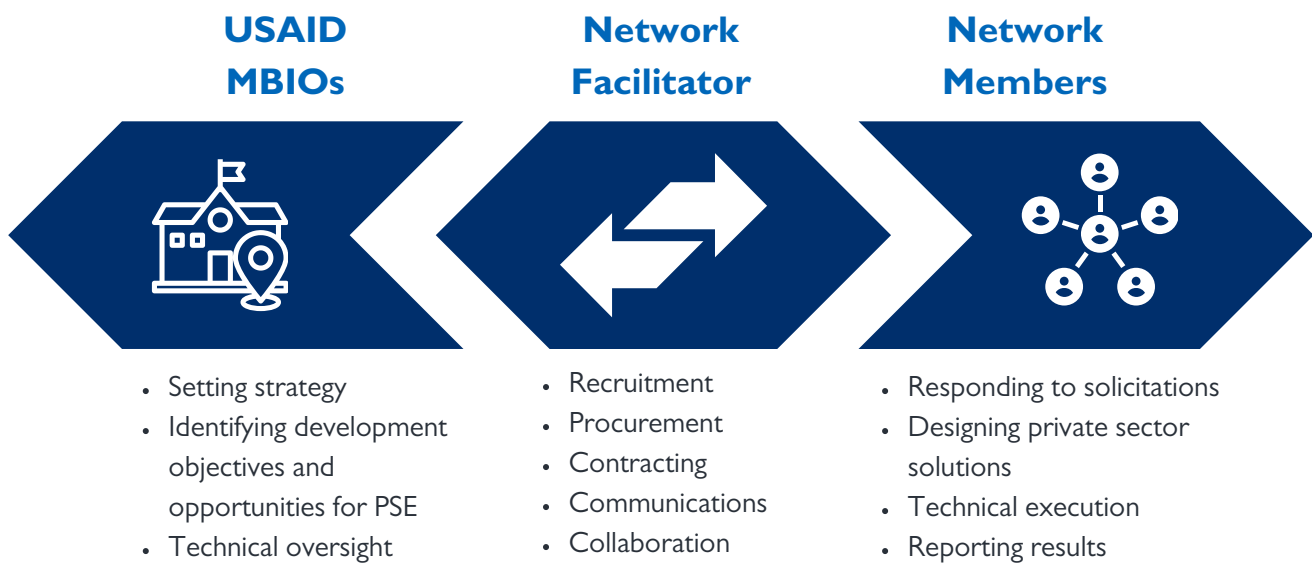
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THE ROLE OF FACILITATOR

INVEST has assumed the role of a facilitator: it is solely responsible for the implementation of the network model linking USAID to network members. This has meant INVEST has integrated network management into the core responsibilities of key project staff.

For example, a Director of Partnerships is responsible for communicating with current and prospective FIN members, helping them to better understand USAID priorities, contracting processes, and benefits of FIN membership. A partnerships team is charged with providing feedback to unsuccessful bidders to improve their chances of receiving awards from USAID in the future while keeping members informed via a dedicated procurement website, member focused newsletters, and webinars. At the same time, the INVEST communications team helps to elevate the profile of the work of FIN members through blogs and short videos.

Perhaps most importantly, the facilitator role helps translate development objectives into interventions that align with the services offered by the private sector. These are reflected in procurement, contracting, and the overall strategy for collaboration. This in turn has allowed USAID and network members to focus on their core competencies, a fundamental aspect of strong partnerships.



"If you really want to engage new firms, you can't just release an RFP and hope for the best. Firms may see the RFP and either not know what to do with it or not see how they are competitive, and they are going to ignore it. You need a dedicated team to engage partners, help them understand how their work connects with USAID's Mission, and give them the confidence to navigate the USAID procurement process. This requires a dedicated person (or team) to work with these partners – with time set aside to hear feedback directly from them, and then bring that insight back to the project."

- INVEST Director of Partnerships

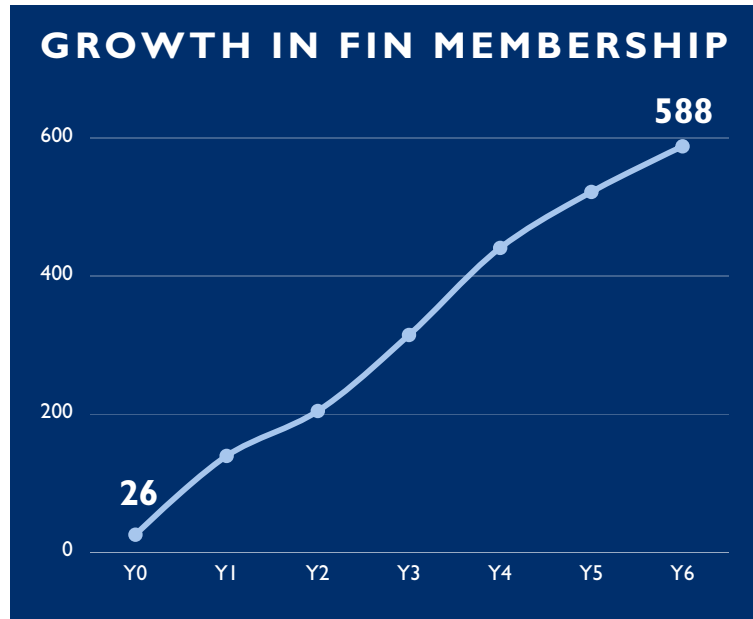
THE RESULTS

The FIN is premised on the idea that a large and engaged network comprised of a diverse group of expert firms will result in stronger partnerships and better and more sustainable development results.

Key performance metrics are tracked to measure progress in achieving this vision. These include the number of members, but also very importantly, their areas of expertise and general organizational profiles. Experience has shown the impact of the FIN comes from the quality of the membership more so than from its mere size.

Membership

The network has experienced an accelerated rate of growth. This is testament to the growing interest of the private sector in USAID opportunities, a useful market signal the Agency can use to assess strategy. The growth in membership has contributed to an increasingly high level of response to INVEST solicitations and has improved USAID's ability to access a wide range of potential solutions.



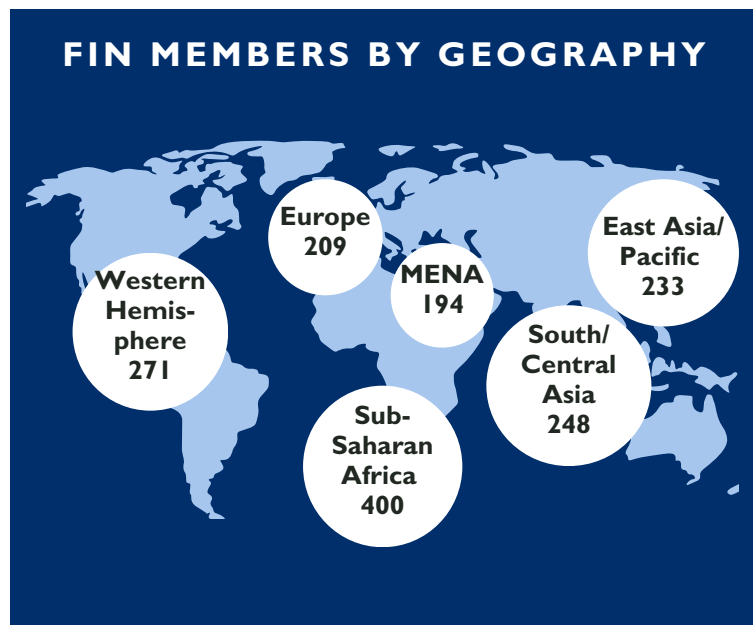
Skills and expertise

Facilitating investment involves harnessing a diverse set of skills and expertise. Services provided by FIN members such as transaction advisory, and market research are essential to successful investment facilitation and can serve USAID priorities in a wide variety of contexts and markets. Likewise, sector expertise reflects Agency priorities like agriculture, environment, financial inclusion, and health.



Organizational profiles

Making USAID partnerships available to a more diverse group of organizations is an important Agency goal. The FIN has attracted a significant percentage of new and nontraditional partners to the network, including small businesses and locally established firms that offer unique perspectives and access to local networks in the countries in which they work. Nearly 70% of members identified as new or non traditional partners, 39% are considered local entities, and 46% are locally established entities, helping to address USAID’s commitment to locally led partnerships.

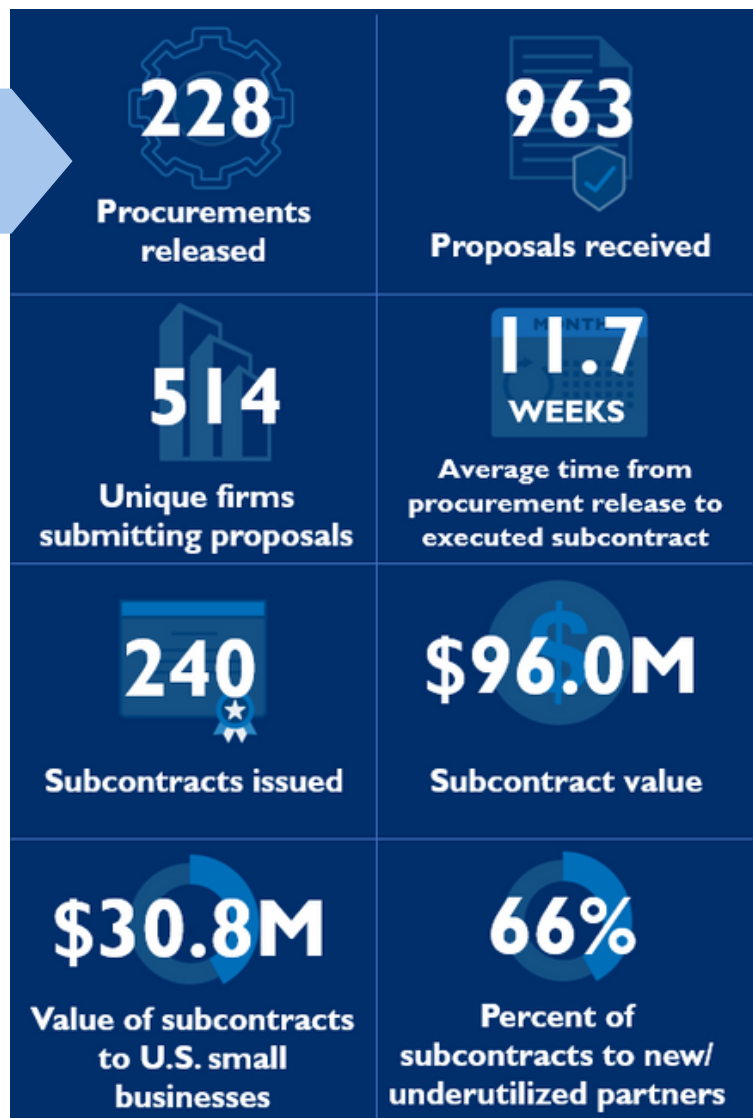


PROCUREMENT HIGHLIGHTS

Partnerships

USAID procurement opportunities are a major incentive for FIN membership, though it is important to note that not all FIN members have been subcontracted by INVEST. Membership only guarantees access to opportunities; a competitive procurement process is used to select the most qualified firm. However, the number of unique organizations subcontracted and participating in procurement opportunities has steadily increased over time, demonstrating that members maintain a strong interest in working with USAID.

The short duration of procurements, averaging under 12 weeks, is an equally important partnership metric for USAID and members alike.



LEARNING FROM EXPERIENCE

The FIN experience helps fill important knowledge gaps relevant to the [USAID Private Sector Engagement policy](#). These include deeper insights into the motivation of partners and the perceived benefits of these relationships from the perspective of private sector firms as well as USAID.

FIN MEMBER PERSPECTIVE

Firms seek opportunities that align with their business model.

Examples from INVEST include a focus on capital mobilization and use of catalytic funding to address investment risks inherent in emerging and frontier markets. Solicitations do not ask firms to offer customized services; instead they are designed to tap existing capabilities. Expressions of Interest (EOIs) and Statements of Objectives (SOOs) solicit proposals that allow firms to bring their unique business solutions to the task.

Businesses see an opportunity to help solve complex problems.

There is a growing appreciation for the nexus of public and private action and the catalytic potential of these collaborations. When communicated effectively, firms appreciate USAID's unique value proposition. Donor support can allow firms to test new approaches or enter unproven markets that would otherwise be out of reach.

Firms seek opportunities to collaborate.

Firms value opportunities to learn about models of partnership with donor agencies and use this knowledge to refine their service offerings. In many cases, this means tapping into the complementary expertise of another firm. Co-creation processes have facilitated these relationships, as have [information sharing and learning events](#).

Firms value streamlined processes and predictable timelines.

Procurements with efficient and streamlined processes and requirements allow private sector firms to submit their proposals in a familiar "pitch deck" format, lowering the barrier to entry for new firms to compete for USAID funding. Firms value these rapid procurement and subcontracting processes to allow them to get started quickly and resource their activities appropriately. This level of speed is good for the partner and for the Mission.

Firms seek feedback to improve their proposals.

FIN members expressed appreciation for the post-award debriefs offered to unsuccessful firms. The debriefs clearly present strengths and weaknesses of a firm's proposal to help firms improve their future offerings. Likewise, guidance such as "[Tips for Stronger Proposals](#)" provides useful guidance to prospective partners.

"We like that USAID helps de-risk activities and investments that are important but may not move forward on their own. This is so critical for emerging markets, where no one firm can carry the risk of moving a transaction forward."

- *Global Venture*

USAID PERSPECTIVE

What areas of expertise have been most important to USAID? What new capacities do these firms need to develop to further strengthen these partnerships?

Firms offer valuable market knowledge.

Donor agencies and traditional implementing partners often lack the knowledge gained from day-to-day experience in local markets. While donor experience can bring forth complementary skills, there is no substitute for engaging private firms whose business model depends on understanding market dynamics and fostering relationships with local actors.

A network model engages a large pool of technical expertise.

The FIN allows immediate access to technical experts with market and technical knowledge and contacts. The network provides USAID with a large pool of partners aligned with private capital mobilization initiatives.

Intermediaries can serve as a bridge between USAID and new partners.

At times, USAID and the private sector seem to speak different languages. Having an experienced USAID partner manage the network and work with new firms to onboard them and translate USAID requirements into private sector language helps to smooth the process and ensure USAID requirements are met while not overwhelming new partners.

Lack of donor experience should not be a barrier.

It is not that new and nontraditional partners do not have the capacity to work with USAID. Instead, it is USAID that lacks the capacity in its operating systems and organizational culture to work with these organizations. Facilitating access to donor partnerships needs to be considered a priority.

Private firms can strengthen their understanding of impact.

Successful partnerships rely on a mutual understanding of success. The way in which USAID assesses impact may differ from private firms. In many cases, while their work is contributing to development objectives, firms may not articulate their impacts in the same manner, and at times may be unaware of how their work links to development priorities. Partnership experience with donors can help firms better understand their potential impact and form a shared language valuable to both parties.

"The investment approach of many private sector partners is new and different for USAID. Traditional development discounts the for-profit approach. However, the private sector is critical to long-term results. Finding ways partners can focus on both impact and ability to make profit at the same time is a much more sustainable approach."

- USAID Prosper Africa

LOOKING FORWARD

While the INVEST experience has helped lay the groundwork for a strong network, there is a need to continue to learn and adapt. Documenting lessons and soliciting feedback from network members should be part of this ongoing process. Recent conversations with FIN members have highlighted two potential areas for improvement that could serve to further strengthen the network and support better results overall.



01 Enhance the ability of FIN members to bid competitively for work with USAID.

There is an expressed need to learn more about USAID processes, contracting opportunities, and elements of successful proposals. The large percentage of NUPs in the network means USAID, and donor experience in general, is limited. The INVEST procurement site has integrated some learning resources with this objective. Additional actions could include webinars to facilitate discussions on these topics and the development and promotion of additional guidance.



02 Connect FIN members to potential partners.

Many INVEST procurements involve multiple FIN members, but members recognize there is potential to collaborate more. Networking events with USAID could be helpful in connecting members to one another and facilitating information exchange. Partnership opportunities could also be facilitated through a more comprehensive [network directory](#) in which organizational profiles and contacts could be easily accessed by USAID as well as other FIN members.

The network approach used to form and manage the FIN has proven to be one of the most important PSE innovations derived from the INVEST mechanism. It has demonstrated the fundamental importance of improving the partner experience, the benefits of which can extend well beyond the life of INVEST. With continued support, the FIN could become a longstanding asset for USAID, capable of serving the needs of future PSE-focused projects. Likewise, a similar network approach could be employed on a national or regional basis, and/or refined to focus on more specific development objectives, such as WASH, health systems, or climate action.

A strong value proposition and consistency in the model's implementation and performance monitoring will continue to be important success factors.



PHOTO: KENDRA HELMER / USAID

RESOURCES

[USAID Finance and Investment Network Directory](#)

[Join the Finance and Investment Network](#)

[The USAID Finance and Investment Network: Engaging the Private Sector for Better Development Results](#)

[INVEST Procurement Hub](#)

[Tips for stronger proposals](#)

[Voices from the Finance and Investment Network](#)