



How to! Develop adaptive partnerships with private sector firms without breaking the rules of compliance

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[USAID Bangladesh AVC project](#), implemented by DAI, has a mandate to work with the private sector through a market systems approach. The project's contract requires that these relationships with agribusiness partners be set up and funded through a \$7 million grant fund. This presented two key challenges. First, it placed AVC in the position of approaching private sector partners from a very donor-focused perspective, as procurement scopes of work and grants are typically project-driven and project-designed. This significantly limited AVC's ability to connect and form partnerships with the strategic contacts at each firm who lead on business strategy and driving growth. Second, the grant application and procurement process was challenging and burdensome for market actors, especially private sector and agribusiness firms. Resulting grant agreements and contracts were often inflexible, not market driven and too short sighted to make a real impact. Grants and contracts that required a scope of work modification are typically required to be resolicited and re-competed, starting the process over from scratch, which delays implementation and reduces consistency. These administrative burdens further limited AVC's ability to access key private sector leverage points within the market system.

Overview

AVC's market systems approach calls not only for the project to think about constraints in a systemic way, but also to encourage our partners to look at constraints in the agricultural sector through a systemic lens. In order for a market systems project to function effectively within the USAID framework, the technical approach must be supported by operations, grants, and procurement strategies that are adaptive, strategy driven, and accessible to private sector firms. DAI's Bangladesh AVC project has developed a unique grants and procurement solicitation, the Blanket Activity Announcement (BAA), which allows AVC to formalise long-term agreements with key private sector market actors with the largest potential/reach to catalyse systemic change. AVC modified and adapted the US government's Broad Agency Announcement¹ to help facilitate grant competition compliance requirements within AVC's market system strategy. AVC's BAA is issued on an annual basis and calls for concept notes for proposed innovations, technologies, or other interventions to strengthen the agricultural market system of the Southern Delta. The BAA is a

¹ The **Broad Agency Announcement (BAA)** is a technique for United States government **agencies** use to solicit proposals from outside groups for certain research and development. The US government **agency** will then select proposals to fund as either contracts or grants.

method to communicate and identify key partners, and the concept notes submitted do not become binding scopes of work, but instead launch a series of co-design meetings which gives AVC tremendous flexibility in crafting the final relationship with the partner. This process also tightly integrates the technical and operations/compliance teams to create a higher level of efficiency: grants are issued and adapted quickly to move towards interventions that are generating the most change, and shift away from activities that are less effective. The BAA allows AVC to apply a dynamic market systems technical approach while remaining compliant with USAID procurement and grants regulations.

Designing AVC's first BAA: Internal and external relationship building

The key challenge prior to issuing the BAA was to create an internal support system at AVC for private market actors. This would support them in co-designing market system interventions and assist in the administrative on-boarding process of the funding mechanism. AVC's senior management team re-opened the lines of communication internally in AVC between operations and technical staff to reset relationships and bridge the communication gap. All-staff strategy sessions were held twice a month, encouraging open dialogue, constructive comments and feedback, and brainstorming on key internal communication and market actor on-boarding barriers. Teams were asked to reflect on examples of breakdown between technical and operations strategy and critically evaluate and pull apart the underlying communication setbacks that resulted in these issues and delays in activity execution (e.g. deliverables not related to business, administrative reporting for private firms, and administrative barriers for on-boarding). Senior management provided trainings to build the technical team's capacity to approach and collaborate with private sector partners in a way that shifted the focus from donor-funded interventions and results frameworks and focused instead on how the partners could use their own business strategies to contribute to inclusive market systems growth.

The key relationship challenges were addressed by:

- A. Defining one AVC point person versus multiple for one market actor.
- B. Market actors' understanding that activities developed with AVC would expand their business and not be for USAID reporting. This would mean simplifying deliverables and linking them to the market actors' business metrics and not USAID directed indicators.
- C. Ensuring the private sector business takes ownership of the activity interventions and the investment.
- D. Allowing AVC support staff to assist the market actor with administrative grant application documents to speed up on-boarding timelines.

Overarching non-binding collaborative agreements

The BAA provides a mechanism for market actors to submit innovative ideas and to engage directly with the AVC technical team to co-design interventions that address systemic issues and employ

innovative approaches and technologies. Concept notes selected under the BAA result in Adaptive Market Actor Agreements (AMAA), which are co-designed between the AVC technical team and the market actors and can be adapted and reconstructed when needed to ensure maximum impact and sustainability. These agreements (non-binding) capture collaborative activities between AVC and the partner for the life of project. It is a method to reach out to a potential partner and, literally shoulder to shoulder, co-create and co-design a development solution based only on an initial idea (concept note).

The annual blanket activity announcement development

The BAA solicitation and concept note submission process allows each market actor applicant to engage in competition requirements once for the entire scope of the resulting Adaptive Agreement (AMAA), which effectively means one round of competition with each partner for the life of project. AVC's market systems approach calls for concept note submissions to be evaluated not only by their relevance to AVC's scope of work and results targets, but also on the basis of the partners' commitments to inclusive growth and their ability to look at constraints in the agricultural sector through a systemic lens. Through the co-design of the Adaptive Market Actor Agreements, AVC is able to encourage market actors to think more broadly about the full value chain they are working in, and identify ways to engage new partners in new ways, especially other auxiliary private sector partners.

Once the AMAA is in place, AVC grants and procurement staff can identify the best funding mechanism for each sub-activity, reducing the administrative burden on the market actor. This strategy also means that it is the responsibility of AVC to leverage the grant and procurement process to support the development solution, rather than to force the development solution to fit into a particular grant/procurement process.

BAA steps from concept note review to grant award

➤ Step 1: Release the annual blanket activity announcement

The BAA is released at the beginning of each project year, and requests innovative approaches to address constraints and capture opportunities associated with agribusinesses in the Southern Delta. The BAA calls for ideas, submitted as concept notes, that do not address constraints, value chains, or results as defined by AVC, but rather that propose ideas for inclusive business growth, expanded market reach, or adjustments to business strategy. It will be up to the project to determine if/how agribusiness growth will contribute to inclusive growth within the market system. The BAA contains guides for creating concept notes, sample activities and partners, and the evaluation criteria for this initial stage of concept. Sample activities include research and development or piloting of new agricultural technologies or lending products, establishing new brands around safe or premium-price produce, and linking business-to-business services such as marketing, ICT, and transportation.

➤ **Step 2: Create a Concept Review Committee to review received concept notes on a monthly basis**

The AVC Concept Review Committee is comprised of senior managers who are directly involved in technical implementation and intervention design and most familiar with the overall project goals and market systems strategy. Submitted concept notes are reviewed individually by the members and scored throughout the month on a rolling basis based on key evaluation criteria including: ability of the concept note/business strategy to create scalable inclusive growth. Once a month, the board convenes to discuss their evaluations and recommendations and come to a consensus on moving forward with each market actor. The consensus meeting results in concept notes being accepted with technical guidance for the next stage of co-designing an agreement or rejected with recommendations and comments on how the strategy or idea could improve and why it did not align with AVC's goals.

➤ **Step 3: Co-design meetings held**

Market actors selected and accepted are assigned to an AVC Technical Lead. The AVC Technical Lead convenes and leads 2-3 co-design meetings with each market actor selected to develop the scope of work of the Adaptive Market Actor Agreement. The market actor and AVC also define specific activities to test the proposed strategy and partnership during a shorter period of performance (normally 3-6 months). Once the draft AMAA is finalised it is approved by the finance and grants manager and the COP.

➤ **Step 4: Assign the appropriate funding mechanism (s)**

The finance and grants manager reviews the final AMAA and determines the appropriate funding mechanism for the activities. The AMAA includes activities funded or co-funded by AVC, as well as activities cost-shared by the grantee with AVC technical assistance. AMAA activities can lead to several different funding mechanisms including purchase orders, small subcontracts, fixed amount award grants, and in-kind grants.

➤ **Step 5: Kick off meeting and grant application**

The AMAA market actor meets with the finance and grant manager and the AVC technical lead during a kick-off meeting and provides instructions for how to include each AMAA activity in the various components of the grant application. Because the grants team and AVC technical lead is not part of the evaluation committee, they can provide detailed guidance on the application requirements, allowing private sector partners to complete the application more easily, reducing delays in submission.

➤ **Step 6: Grant Application Evaluation and USAID Funding Request**

While the market actor is completing their grant application, AVC grants team conducts due diligence and security checks on the firm as per USAID rules and regulations. When the grant application is received from the market actor, the application is reviewed by an evaluation review panel and scored. The grant application budget is reviewed for cost reasonableness and a final negotiated budget is sent to USAID for approval. Even though the AMAA may be for the life of the project, the initial grant award may only include six months of activities to try, test, and adapt. This initial scope also allows AVC to gauge the seriousness of the market actor and

gain vital information for future adaptations. AVC includes adaptive language within our grant requests to USAID, and luckily AVC has a great working relationship with our USAID contracting office representative (COR) and communicates what could be adapted and modified throughout the period of performance when the grant requests initially are approved.

➤ **Step 7: Grant execution and adaptive modifications**

The market actor is awarded a grant agreement for six months and begins to execute activities in line with the objectives of the AMAA and the grant award. Under a typical grants mechanism, modifications to the scope of work as defined in the solicitation would require AVC to re-solicit that scope, starting the process over from scratch. With the AMAA to grants system, the grant activities and budget operate in six month increments. This makes the entire grant award adaptable, with activities designed and adjusted, as long as the overall objectives of the AMAA strategy with the grantee do not change, in which case a new grant needs to be issued. The adaptive process has defined time periods for reflection and modification/adaptation of strategy and tactics. Two to three months into the period of performance of a grant award, a review and adaptation meeting takes place to assess progress and make any tactical or strategic changes as warranted by the evidence from the initial activities done by the grantee/market actor. As additional activities and associated funds are added, USAID is notified of the changes and additions and adjustments are explained and justified with successful outcomes, specific achievements, challenges, and lessons learned.

➤ **Step 8: Follow-on module/grant award**

Eight weeks before the end of the grant award end date, AVC sends out a request for application for follow on grant award and module creation. This allows enough time to run through the bureaucratic steps in order to easily transition to the next module and grant funding and not delay momentum of activities under the objectives of the AMAA. Follow-on grants can be issued directly to the AMAA partners without additional competition requirements, unless the overarching objectives of the AMAA change, in which case the AMAA would be amended and reissued, requiring a new grant process to begin.

Making the BAA work for your project

The Blanket Activity Announcement to Adaptive Market Actor Agreement process is a great tool for projects that need to achieve the strategic objectives of working with private sector partners, creating adaptive strategies and initiatives, and working towards inclusive industry-led growth; while still complying with donor grants and procurement competition processes. Because AVC has a mandate to work with partners through a grant fund, this process has been established to issue technical assistance and support through grant awards. The BAA process could be adapted for projects with procurement funds; however, due to differences in compliance requirements, the concept note evaluation process would not satisfy procurement competition requirements, and contracts would need to be issued on a sole source basis. This addition hurdle could be addressed through a mechanism such as a challenge fund, which would allow a project to conduct competition on the basis of the partners' business capabilities and strengths, and then co-design or adjust the

scope of work after award. The biggest advantage of the BAA process is that the entire partnership and design process is shifted away from what the donor or project needs and re-focused on actors *within* the market system who are the biggest leverage points to affect inclusive growth and change.