



USAID | PAKISTAN

FROM THE AMERICAN PEOPLE

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

PLACING MILLIONS OF PAKISTANI YOUTH IN JOBS

ANNUAL PROGRAM STATEMENT (APS)

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USAID and the PRIVATE SECTOR: PARTNERING FOR IMPACT

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Pursuant to the Foreign Assistance Act of 1961 as amended, United States Government as represented by the U.S Agency for International Development (USAID) invites concept papers through this APS to engage and build partnerships with the private sector. Awards under this Annual Program Statement (APS) are subject to 2 CFR 700 and 2CFR 200-Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

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There is no predefined minimum or maximum number of partnership awards USAID will support through this APS. Awards will be assistance in nature not limited to Memorandum of Understanding (MoU), Cooperative Agreements, Grants, Fixed Amount Awards (FAA), Collaboration Agreements, and Contribution Agreements with the aim to establish Partnerships. Partnership Awards value will have a maximum ceiling of \$4,000,000 each. The program intends to partner with the private sector (local or foreign), private foundation, market developers or private contributors to co-create, co-fund, and utilize innovative interventions to help place two million Pakistani youth in jobs within Pakistan and outside.

The APS requests Partnership based Concept Papers that supports USAID /Pakistan's Country Development Cooperation Strategy (CDCS)'s activity to place at least two millions of Pakistani youth in jobs within and outside Pakistan. USAID will review and select innovative Concept Papers for further engagement, collaboration and co-creation to develop a program description for partnering and implementation purposes.

Issuance of this Notice does not constitute a binding commitment on the part of the Government to issue an award, nor does it commit the Government to pay for costs incurred in the preparation and submission of any concept papers, engagement, collaboration, co-creation, or full applications. USAID reserves the right to fund any or none of the applications submitted under this APS.

Sincerely,



Leslie-Ann Nwokora
Supervisory Agreement Officer
Office of Acquisition and Assistance

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I. INTRODUCTION

The U.S. Agency for Development (USAID) is committed to partnering with the private sector. For purposes of this APS, “private sector” refers to the following: private for-profit entities such as a business, corporation, or private firm; venture or angel investors; market developers; private business or industry associations, including chambers of commerce; academia and training institutions; private grant-making foundations; high net worth individuals and philanthropists. Partnerships developed under this APS must involve one or more of these private sector entities. For additional clarification and requirements, please see Appendix A: The Private Sector Resource Requirement. All prospective partners should review Appendix A in its entirety. Strategic and proactive engagement of the private sector improves the identification and definition of critical economic and social development problems; strengthens the design and implementation of promising solutions to those problems; and increases the sustainable impact of USAID’s respective investments in developing countries.

By partnering with the private sector, USAID is able to leverage private sector markets, expertise, interests, and assets in a manner that solves critical development problems and promotes effective market-led development. Through strategic and ongoing collaboration, the private sector and USAID are better able to increase the impact, scale, efficiency, and effectiveness of our business and development investments.

This Annual Program Statement (APS) is designed to catalyze, facilitate, and support such collaboration.

This APS is USAID/Pakistan’s invitation to the private sector. The APS invites private sector to identify and **suggest ways to partner for placing millions of Pakistani youth in jobs within and outside Pakistan by 2023.** The APS provides USAID a means of encouraging private sector resources for activities that are developed in collaboration with the private sector.

By inviting the private sector to identify ways we can collaborate, and by encouraging other organizations to work with the private sector to do the same, the USAID Pakistan Mission seeks to foster a diverse array of results-focused, high-impact partnerships and alliances to place millions of Pakistani youth in jobs within and outside Pakistan, which is in line with its Country Development Cooperation Strategy (CDCS) priorities.

II. PROGRAM DESCRIPTION

a. Economic and Demographic Context:

Of Pakistan’s 207.8 million inhabitants,¹ 69 percent are under the age of 30, and 64 percent reside in rural areas. The population has grown on average 2.4 percent per year since 1998, while the urban growth rate has been 2.7 percent, implying increasing urbanization. Punjab holds 53 percent of the population, Sindh 23 percent, Khyber Pakhtunkhwa (KP) including the Newly Merged Districts (NMDs) 17 percent, and Baluchistan 6 percent; and Islamabad Capital Territory 1 percent. In Sindh and Punjab, rural areas (south Punjab and northern Sindh) hold approximately one-third of the province’s population. Similarly, the urban areas of Lahore (Punjab) and Karachi (Sindh) each hold approximately one-third of the respective province’s population.

¹ Population statistics are derived from the Pakistan Economic Survey 2017-2018, the Population Census 2017, and the Labor Force Survey 2014-2015.

Pakistan's population is characterized by relatively low literacy and educational attainment.² Slightly over 60 percent of the adult population (but only 50 percent of adult women), defined as those over age 15, is literate.³ Pakistan's urban centers of Islamabad and Lahore register adult literacy rates near 80 percent, whereas adult literacy in KP is approximately 50 percent. Only 19 percent of the population has completed matriculation, equivalent to 10 years of formal education. Over 36 percent of the population, and 46 percent of women, has no formal education. The working-age youth population age 15 to 29 exhibits a 70 percent literacy rate, 36 percent matriculation completion rate, and smaller disparities by sex.

Labor force participation in Pakistan averages 45 percent.⁴ Punjab province registers the highest participation rates at 48 percent, while the rate in KP is lowest at approximately 36 percent. Nationally, women's participation has hovered near 22 percent and mostly in the agriculture sector, although it varies by province with rates as high as 28 percent in Punjab and as low as 14 percent in KP. Labor force participation among working-age youth stands at 34 percent—47 percent among men and 18 percent among women. Estimates from the 2014–2015 Labor Force Survey (LFS) also show that 34 percent of working-age youth (approximately 9 percent of the total population) are neither employed nor enrolled in school.

According to International Monetary Fund (IMF) data, Pakistan's economy ranks as the 25th largest in the world⁵ and makes it comparable in size to the economies of Poland and Malaysia. However, the gross domestic product (GDP) per capita of \$1,500 places the economic wellbeing of the typical Pakistani at 135th in the world, on par with Honduras and Timor-Leste. Since 2013, Pakistan has averaged a robust economic growth rate of 4.8 percent in a low inflation environment such that real incomes and purchasing power have increased. Sustained growth over 5 percent in the service sector serves as the primary driver of economic growth, while industry and manufacturing display greater volatility in response to variable input and energy prices over the last five years. Although agriculture's contribution to workforce comprises about 38.5 percent of GDP, agricultural growth at 2.4 percent continues to lag compared to other sectors. Looking forward, the multibillion-dollar China–Pakistan Economic Corridor (CPEC) project expects to introduce a massive influx of investment and opportunities to Pakistan. The Planning Commission of Pakistan estimates that CPEC will boost economic growth to 6.5 percent over the next five years while creating up to 400,000 additional jobs⁶. The recently announced \$20 billion Saudi investment in Pakistan will further increase job opportunities.

Regional economic conditions also affect Pakistan since many workers seek job opportunities in Gulf Cooperation Council (GCC) countries.⁷ From the peak emigration of nearly 950,000 Pakistanis in 2015,⁸ emigration has fallen by over 50 percent as demand in GCC countries has fluctuated, and the associated remittance income to Pakistan has plateaued at approximately \$19 billion per year.⁹ Estimates predict a reversal of this trend in the next few years as massive construction projects in UAE/GCC will likely increase the demand for Pakistani construction labor. The recent efforts undertaken by Pakistani Prime Minister have led to opening doors of overseas jobs for Pakistanis in GCC countries.

² Education and literacy statistics are estimated from LFS 2014-2015 and UNESCO Institute for Statistics.

³ These data are from the Pakistan Labor Force Survey 2014-2015. The survey report defines literate as the ability to "read and write in any language with understanding."

⁴ Labor force statistics are estimated from the Labor Force Survey 2014-2015.

⁵ Source: International Monetary Fund World Economic Outlook 2018 - Based on IMF ranking of annual GDP measured on the basis of purchasing power parity.

⁶ Source: Pakistan Economic Survey 2017-18.

⁷ Gulf Cooperation Council countries include Saudi Arabia, Kuwait, the United Arab Emirates, Qatar, and Oman.

⁸ Source: Ministry of Overseas Labor

⁹ Source: State bank of Pakistan

b. Development Challenges and Opportunities Specific to Youth Job Placement:

Pakistan's youth bulge presents a potential demographic asset or liability. Promoting productive employment will be key to Pakistan's economic growth and political stability in the foreseeable future. In the absence of rewarding and valued employment, Pakistan's youth population risks becoming an economic underclass that steers the country toward violence, destabilizes democratic institutions, and perpetuates a cycle of poverty. Alternatively, a youth bulge can yield a demographic dividend. Young and energetic workers can serve as an engine for economic growth and social progress if enabling conditions are favorable and workers can acquire productive human capital. In the ideal scenario, a skilled and educated youth bulge can spur innovation and productivity, promote broad-based economic growth, and contribute to strengthening democratic institutions.

In developing countries like Pakistan, the enabling environment does not always emerge organically, and labor market constraints often impede the development of human capital and matching job seekers to opportunities.

The technical and vocational education and training (TVET) system in Pakistan boasts nearly 3,700 institutions, both public and private, serving nearly 450,000 students nationwide.¹⁰ However, this system in Pakistan often does not produce work-ready graduates. Curriculum development across trades and vocations historically has not been demand-driven or competency-based. TVET students thus tend to receive outdated courses, often taught by instructors without industry or applied experience. Private sector recruitment does not rely on the TVET system and placement efforts. Chronic underfunding of TVET institutions also translates into antiquated teaching equipment and a focus on theory over application. Certification based on TVET training thus lacks credibility, as it does not send potential employers a positive signal of competency. Although the quality of a training program is theoretically separate from the certification regime, they are highly correlated, and in the case of Pakistan, the breakdown in the credibility of certification begins with poor quality training. Certification is less important than the quality of the curriculum that leads to it. Certification thus plays a negligible role in job placement and recruitment.

The low level of human capital also means that most job opportunities are relatively low value-added and do not require specialized skills. Smaller businesses, for which labor is generally interchangeable, are thus unwilling to invest in training to improve the quality of their workforce. Larger firms, however, often require significant technical and managerial skills and industry-specific knowledge such that they may be more willing to make investments to ensure the quality and availability of the necessary skills.

Employers, both within Pakistan and overseas, place a high value on soft skills, but all data sources highlight significant deficiencies in soft skills among Pakistani workers. Many employers identify soft skills qualities like motivation, promptness, ethical behavior, English language skills, and the ability to work with women to be equally important and more challenging to find than specific technical skills. Particularly when competing for jobs overseas, lower levels of soft skills place Pakistani workers at a disadvantage relative to other South Asian workers.

Placement and recruitment systems in Pakistan lack coordination. Even in instances where employers are looking for workers urgently, they report difficulties in finding qualified candidates, and workers have difficulty finding jobs. Partially due to the poor quality of TVET training, there are few ongoing relationships between private sector employers and TVET institutions, and the private sector generally does not rely on the TVET system in the hiring process. Placement centers also lack the capacity to track their placement rates into the workplace and do not currently have reliable methods for continued

¹⁰ Statistics on the TVET system in Pakistan are primarily derived from NAVTTC. http://www.navttc.org/TVET_Pakistan.aspx.

communication with alumni after training ended. Placement and recruitment efforts to date have made limited use of technology-mediated solutions.

Information Communication and Technology (ICT) can serve as an effective tool to alleviate constraints and bottlenecks along the workforce value chain, especially when bundled as part of a private sector engagement oriented partnership and a suite of interventions. However, the plethora of technological tools, with negligible impact in Pakistan, highlights the need to focus on the prerequisites for meaningful adoption of technology - affordability of technological hardware; access to internet and mobile data; and outreach and training to end-users on the use and benefits of technology. Particularly for job placement and recruitment purposes, effective ICT solutions must also have access to a comprehensive data repository of worker profiles and job opportunities, as well as tailored approaches to meet the literacy and income constraints of blue-collar and white-collar workers. Jobs and self-employment via digital marketplaces hold the greatest potential to employ large numbers of youth in Pakistan.

Online portals can help companies in their hiring process and professionals in finding freelancing jobs. Almost 60 million people in Pakistan have internet connected smartphones which is likely to reach 100 million people by 2023, hence talent and opportunity can be matched promptly and across country including the remote areas efficiently and at unprecedented scale. The online enablement of the workforce also helps overcome physical transportation and cultural restrictions especially for young women. With the increased penetration of internet connected devices, online skills education platforms are rapidly creating new workers with very targeted skills through short courses. Employers have started to prefer hiring freelancers for frequent short term projects in order to reduce the long term burden on their payrolls. This “gig” economy is growing quickly across the globe. The largest international freelancing website, Freelancer.com, ranks Pakistan as the 3rd largest country globally in terms of freelancers. Out of 25 million registered users, nearly one million of Freelancer.com’s members are from Pakistan. Similarly, a report released by UpWork.com, another reputed foreign freelancing portal, in 2015 stated that Pakistan was the 5th biggest country in terms of user numbers. The growth in mobile wallets is increasing financial inclusion of Pakistan’s workforce. As workers have increased access to financial instruments, it becomes easier to receive payments for work remotely online.

Partnerships via private sector engagement (PSE) along the workforce value chain are relatively undocumented in Pakistan. Engaging potential private sector employers in developing labor skills can substantially improve labor force outcomes, as issues of quality, credibility, and competency are internalized, and training is imbued with ongoing relevance to application. Evidence¹¹ across various industries and sectors reveals general interest and willingness to partner with USAID. The Pakistani private sector recognizes USAID’s strength in delivering technical assistance and the value of USAID’s ability to convene relevant stakeholders. Particularly related to the workforce value chain, the Private sector acknowledges the potential to increase and accelerate job placement in partnership with USAID. Workforce partnerships are more likely to succeed when private sector partners perceive an incentive to invest in skills development. Partnerships that engage employers in skills delivery improve outcomes. Partnership models can work well to resolve communication gaps between the supply and demand for skills. Persistent mismatching of skills with jobs in Pakistan often result in the inefficient allocation of human capital and the downward distortion of wages. In the absence of effective technology-mediated solutions, partnerships can serve to create connections between employers and employees that are not currently occurring naturally. Serving as an information hub, a private sector partner can help implement measures to improve information dissemination related to job opportunities and can help generate, via the partnership, linkages between qualified workers and potential employers.

¹¹ Pakistan Youth Workplace Value Chain study by Management System International, September 2018

The policy environment related to workforce challenges is three tiered. Economic policy in Pakistan promotes growth and investment. However, corruption, high tax rates, and government instability hinder business growth. Nonetheless, current tax policy creates disincentives to hire in the formal sector. In terms of promoting overseas employment, Pakistan's migration policy is characterized by lengthy and bureaucratic processes. Overseas, weak oversight systems limit the enforcement of worker protection policies.

Women in Pakistan represent human capital that is currently under-utilized as part of the productive economy. The low female labor force participation of 23 percent and low enrollment in TVET training is tied to social norms that limit the physical mobility of women, compounding the effects of nearly 50 percent female illiteracy and 75 percent unemployment for university-educated females. Among women who do work, 73 percent work in agriculture, most commonly at the household farm level. Concerns over safety, sexual harassment, and quality transport services effectively restrict many women to environments in the immediate vicinity of their homes. Women are thus caught in a low-wage trap, unable to secure well-paid jobs due to their low skill levels, but also limited in their ability to bolster their skills through basic education and technical or vocational training. Similarly, women are circumscribed in their access to technology and social media, as only 10 percent of women utilize internet-enabled phones.

c. USAID/Pakistan's Response:

USAID/Pakistan is assessing potential investments in the area of youth workforce development. USAID commissioned a rapid assessment of the youth workforce value chain to help refine anticipated workforce development interventions that focus on youth and private sector engagement to spur innovation and make it demand-driven for greater efficiency, effectiveness, sustainability and scale. It factored in the demand, supply, and policy dimensions of Pakistan's labor market and environment; potential private sector engagement opportunities and models; and opportunities within the information and communication technology sectors as both a source of employment and as a facilitator of the broader value chain. It also covered a detailed analysis of key sectors in terms of needs and opportunities for skills.

Going forward, USAID/Pakistan intends to engage the private sector through partnership models along the youth work force value chain to ensure decent and productive jobs for the large youth population, which is key to Pakistan's economic growth and political stability. In the workforce value chain, individuals represent the raw material to which value in the form of training and human capital is added and subsequently transitioned into the productive labor force. In Pakistan, a general lack of coordination and substantial weaknesses and impediments at each point of the workforce value chain prevent the sort of conscious action implied by a value chain. A skilled youth bulge can spur innovation and productivity, promote broad-based economic growth, and contribute to strengthening democratic institutions.

One of the key and consistent sources of non-tax based revenue in Pakistan is overseas remittances sent by the overseas Pakistanis. Going forward, GoP wants to increase that in two ways: tapping the new job opportunities in GCC/UAE; upgradation of skills and improving working conditions for the ones who are already there but are heavily underemployed. The APS is expected to develop post-employment monitoring applications in order to promote a safe working environment, especially for positions outside of Pakistan, as well as creating a transparent system for sharing performance assessments of both employers and employees are expected to be addressed by the APS. This will help Pakistan's economy by improving its revenue base as well as capitalize on the huge employment opportunities in many sectors in GCC/UAE and other countries within the region.

Development Outcome of the APS:

Through this APS, USAID is inviting the private sector to identify innovative ways to partner with USAID to place at least 2 million Pakistani youth in jobs within and/or outside Pakistan by 2023.

Alignment with GOP Priorities:

Through this APS, USAID intends to support the Government of Pakistan (GOP) Vision 2025 and contribute to the GOP's journey to increasing employment by 10 million in the next five years as one of its key priorities.

Geographic Focus:

Under this APS, the primary focus will be on the youth residing in / belonging to KP and the Newly Merged Districts (NMDs). As a secondary focus, USAID also intends to target unemployed and underemployed youth residing in/belonging to other select vulnerable parts of Pakistan such as southern Punjab, Karachi and northern Sindh. Job placements can be anywhere, within and/or outside Pakistan, which makes the scope of this APS not just nation-wide but also outside Pakistan such as in GCC/UAE.

Job Placement Focus:

The APS clearly aims at youth job placement, within and/or outside Pakistan. The partnerships will, therefore, focus on interventions that directly help achieve this objective. Partnerships selected under this APS may employ activities at any point, or multiple points, along the workforce value chain. Partnership must address the specific needs of Pakistani youth along the workforce value chain and address demand, supply, and/or policy aspects of the labor market and the economy as it relates to placing Pakistani youth in jobs. Illustrative activities could include, but are not limited to, focusing on growth pockets, addressing information gaps, building demand-driven and market-based skills, certification, placements, post-employment monitoring especially for positions outside Pakistan, and performance assessment systems of both employees and employers. The APS strongly encourages innovative and technology based solutions.

III. PRIVATE SECTOR ENGAGEMENT - PARTNERING FOR IMPACT

Across the public and private sectors in Pakistan, there is a growing awareness and recognition that social and economic objectives cannot be achieved by any one actor, but rather, that sustainable progress must be built on mutually beneficial partnerships and alliances. Partnerships that conform to USAID's norms require a higher degree of commitment from the private sector partner. USAID emphasizes genuine partnership, requiring complementary objectives between partners and USAID, commitments of time and resources, involvement in the co-creation of interventions, and shared responsibility. To date, USAID/Pakistan has established over 20 partnerships with the private sector to better address equitable economic growth, foster social development, and build resilience.

This APS focuses on developing partnerships in innovative and multiple ways with the private sector to address the enormous challenge of placing at least two million Pakistani youth in jobs in line with private sectors' commercial and/or social interests.

Multiple Tracks to Engage Private sector:

USAID intends to engage and partner with the private sector in multiple ways:

1. Private sector as co-financiers and implementers:

Private companies interested in adopting a market-based and demand-driven approach towards youth job placement. They will follow a demand-driven approach and be open to any sector/industry with job potential, any geography, catering to multiple collars jobs and technical and/or soft skills. They could be

directly or indirectly developing any or all stages within the youth work force value chain (e.g., recruitment, selection, training, certification, placement, post job employers-employee evaluation).

2. *Private sector as co-financiers not implementers:*

Private sector interested in co-financing with USAID to recruit, train, certify and place employees in their respective business outfits OR having youth employed in their respective supply chain networks. The implementation would be done either by a USAID supported mechanism or the one recommended by the private sector or any other innovative way jointly decided upon between USAID and the private sector partner.

3. *Private contributors with social motivation:*

Private contributors interested in making a financial, technical and/or time contribution for placing youth in jobs as part of their corporate social responsibility/corporate philanthropy/commitment to giving back to the society and thereby help avoid the demographic dividend turning into a demographic liability. This will include high net worth individuals, individual and corporate philanthropists, Pakistani diaspora individuals and organizations. The implementation in such cases would be done by a USAID-supported project where such private sector partners could make contributions or USAID could consider setting up a new innovative initiative in consultation with the private contributors.

Core Characteristics of Partnerships:

1. *Focus on Development Impact*

Partnerships must deliver mutually agreed upon development outcomes and results that directly advance USAID/Pakistan's core strategies and priorities and foster sustainable and transformational development impact and at the same time are in line with the priorities of private sector. The anticipated development impact for this APS is placing at least 2 million Pakistani youth in jobs by 2023 within and outside Pakistan, which is in line with USAID's five year strategy.

2. *Based on Complementary Interests and Objectives*

Partnerships will be based upon the complementary interests of USAID and the private sector. Partnerships will be developed where the relationship between business interests and development objectives provides a promising opportunity for:

- a) The private sector to leverage USAID's objectives, assets and expertise to help place at least two million Pakistani youth in jobs within and outside Pakistan
- b) USAID to leverage private sector interests, assets, expertise, resources and markets in a manner that fosters or accelerates jobs placement for at least two million Pakistani youth in and outside Pakistan.

The resulting partnerships and alliances are aimed to achieve important business objectives for our private sector partners while simultaneously advancing USAID/Pakistan's development priorities.¹² Therefore, while partnerships will be designed to advance business interests and objectives, the concurrent pursuit of USAID's interests also ensures that the partnership and alliance activities, as well as outcomes, results and impact fostered by those activities, provide benefits that do not simply and only accrue to the private sector partner(s) in the partnership. The benefits of partnership and engagement are open to other parties

¹² Business interests and objectives include but are not limited to such matters as fostering growth and profitability; mitigating risk; achieving sustainability goals; attracting and retaining quality talent; strengthening brand recognition; building positive reputation and relationships; and fostering innovation. When building a quality PSE oriented partnership, it is critical to listen to prospective private sector partners and provide them ample opportunity to express and explain their core interests, concerns and objectives.

who may not be a formal partner to a partnership. For example, USAID may partner with a private sector entity operating in the hospitality industry to help them recruit, train and equip talented workforce from the marginalized communities for their hotels and resorts. This will be a win-win for both the partners – USAID’s by fulfilling its development objective to help unemployed youth find employment; and the private sector partner by recruiting well-trained staff in line with their demand for its commercial ventures. On a related note, partnerships will not unfairly advantage or benefit one company over its competitors or subsidize specific business activities that are already fully commercially viable.

3. Market Based Approaches and Solutions

The partnerships will foster or advance an approach and solution to a youth job placement development challenge that are market-oriented, technology-driven, including but not limited to, approaches which exemplify the principles of “shared value.”¹³ Market-based approaches and solutions offer the prospect of ongoing, sustainable, and steadily expanding results. Such approaches and solutions are not dependent on repeated infusions of donor funding and are consistent with USAID’s commitment to facilitate market-led development.

Note: The priority placed on market-based approaches and solutions does NOT preclude consideration and adoption of other types of approaches and solutions as appropriate. So long as such approaches reflect important private sector / business interests, advance key USAID objectives, and significantly increase the reach, efficiency, effectiveness and sustainable impact of USAID’s development investments, USAID will continue to consider and pursue such approaches. However, priority is typically given to approaches and solutions that are market-based, market-driven, market-oriented or market-informed.

4. Extensive Private Sector Collaboration: Co-Creation and Shared Responsibility

In order to foster sustainable and transformational development impact, achieve related business interests and objectives, and promote market-led development, private sector engagement oriented partnerships will entail extensive partnering and collaboration between USAID and the private sector – from conception to design to implementation. USAID and the private sector will strive to jointly identify and define compelling business and development problems.¹⁴ USAID then collaborates to determine whether and how we can solve those problems and achieve the greatest degree of transformational and sustainable impact. USAID shares risks and responsibilities and works together to mobilize, leverage and more effectively apply one another’s respective assets, expertise and resources. The partnerships will be co-created, co-developed, and co-implemented. While USAID-private sector collaboration and partnering for impact is a necessary and core element of any PSE oriented partnership, USAID also seeks the collaboration and participation of other types of partners whose assets, expertise and resources will also increase the reach, efficiency, effectiveness and sustainable impact of USAID’s development investments and any activities conducted under the partnership. Non-state actors, universities, public agencies, multi- and bilateral donors, and host country governments have consistently been vital assets to the design and implementation of partnerships in Pakistan and worldwide. For example, over the past eight years, USAID has built more than 20 partnerships and alliances with private sector in Pakistan and some of those involved such actors. USAID enthusiastically anticipates and welcomes significant participation of

¹³ Market-based approaches and solutions could include: market development and sustainability; improved supply chains; increased labor productivity and quality workforce development; improved infrastructure; robust social and economic resilience; systems and enabling environments conducive to innovation, entrepreneurship, business development, and private sector financing and investment; and “shared value” management and business development strategies whereby companies seek to create clear and measurable business value by identifying and addressing social problems that intersect with their business. See <http://sharedvalue.org/> for additional information.

¹⁴ In some cases, the private sector – or the private sector in collaboration with an implementing private sector partner – may propose a partnership that is based on the private sector’s independent efforts to identify and define key problems whose resolution warrants a joint effort and will help achieve USAID’s core development objectives. While USAID may not have been engaged in the initial problem identification and definition, it is certainly able to move forward with partnership development if USAID has an interest in working with the private sector to resolve the development problems in question. This may or may not involve working with the private sector to further refine the problem definition, but will definitely involve collaboration with regard to solution development and/or implementation.

all such types of organizations during the design and implementation, which will vary from partnership to partnership. For example, if USAID (and/or other U.S. Government (USG) agencies or entities) invests \$1 million in a partnership alliance, the array of assets, expertise, contributions and resources provided by the private sector partner(s) must have a value equal to \$1 million and will preferably have a value significantly greater than \$1 million.

5. Significant Private Sector Contributions for Increased Impact

In an effort to enhance the prospects of sustainable development impact, ensure partnerships based upon core business interests, encourage extensive private sector engagement and collaboration, and foster the development of market-based or market-informed approaches, partnerships must mobilize and effectively apply significant private sector resources. More specifically, the ***partnership must mobilize and leverage private sector assets, expertise, contributions and resources on at least a 1:1 basis***. That is, the private sector resource contribution must at least equal or ideally exceed the level of resources provided by USAID. In addition, the mobilized resources should support and be applied to the partnership in a manner that clearly fosters extensive and important results and is directly or plausibly attributable to the partnership. PSE requires high-impact private sector resource investments. (For additional information and requirements related to this 1:1 private sector resource mobilization requirement, please see Appendix A: The Private Sector Resource Requirement. All prospective partners should review Appendix A in its entirety.)

6. Increased Efficiency, Effectiveness, and Scale

Partnerships must enable USAID/Pakistan and its partners ***to achieve a greater level of desired results and impact than would be achieved without the partnership***. By effectively combining the partners' distinctive resources and competencies, partnership should accelerate and achieve development outcomes, results and impact at greater scale, with greater efficiency and effectiveness, and in a more sustainable manner than alternative approaches.

Partnerships that exhibit the above characteristics enable USAID/Pakistan and its partners to work together ***to leverage business expertise and advance core business interests in a manner that achieves transformational development impact*** – in a replicable, sustainable and scalable manner. Working with the private sector to tackle important business challenges and business opportunities enables USAID to better solve critical development problems.

IV. VALUE TO THE PRIVATE SECTOR

Partnerships will provide businesses with a number of opportunities to achieve core business interests. By participating in a PSE oriented partnership, businesses have been able to improve supply chain quality and reliability, increase sales, expand their customer base and access to new markets, develop new products and services, reduce operating costs, increase productivity, improve distribution systems, increase access to sufficiently qualified and skilled talent, improve relationships with key stakeholders, increase brand awareness, and mitigate key business risks.

Evidence shows that both USAID and the private sector bring a lot of value in partnerships, appended below is a few examples:

USAID Offers:

- ***Strong In-Country Networks and Relationships***: USAID has relationships with national and local governments, businesses, local community leaders, and civil society that are useful to the private sector in making locally informed plans for market entry, collaboration, and co-investment.
- ***Support to Strengthen Enabling Environments***: Working with governments, USAID can

help create a stronger enabling environment that fosters transparent, inclusive economic growth. USAID supports policy and regulatory reform that encourages fair and open competition; institutional reforms and the adoption of standards; and supports government capacity-building.

- *Sectoral Expertise and Knowledge*: USAID has wide-ranging technical expertise across development and humanitarian sectors. USAID offers deep economic, political, conflict, and gender-sensitive understanding of developing markets, market intelligence that can inform and shape private-sector investment, and robust, evidence-based monitoring and evaluation.
- *Risk-Mitigation and Flexible Authorities*: USAID can use its funds, authorities, and technical expertise to mitigate the risks of investments and “crowd in” public and private resources that further development goals. USAID’s technical assistance can ready smaller companies for co-financing, or help expand their markets.
- *Reputation and Credible Convening Power*: USAID has strong capabilities in convening actors around business opportunities that address development challenges. USAID offers a neutral platform for actors to collaborate in addressing larger challenges.

Private Sector Offers:

- *Scale, Sustainability, and Reach*: The private sector’s vast financial resources and expertise in market-based solutions have the potential for achieving scale and sustainability in tackling systemic societal challenges. The private sector’s extensive networks and operations provide distribution channels to reach, and communicate with, underserved populations and individuals.
- *Ability to Influence Policy*: The private sector’s ability to deliver what host-country governments seek to achieve—such as improved service-delivery, investment, tax revenues, jobs, and life-saving interventions—gives businesses and investors a strong, knowledgeable voice to inform policy that supports transparent, inclusive economic growth.
- *Innovation, Expertise, and Capabilities*: Businesses and investors can bring innovation and technologies, entrepreneurship, industry expertise, market-based solutions, distribution networks, investment capacity, and managerial and operational expertise, including risk-management.
- *Flexibility and Pace*: The private sector is often inherently more flexible than the public sector, as it has a financial incentive to respond quickly to opportunities and develop new markets.
- *Efficiency and Effectiveness*: With improved systems, processes, and logistics, the private sector can bring more efficiency and effectiveness to achieving outcomes.

If your organization is interested in working with USAID to pursue such core business interests and objectives as USAID tackles critical development challenges, we encourage you to see Section IV of this APS or contact the USAID/Pakistan Mission’s Deputy Director Innovation and Partnerships Unit/PSE Lead, Kanwal Bokharey at kbokharey@usaid.gov

V. THE PARTNERSHIP DEVELOPMENT PROCESS: HOW CAN WE WORK TOGETHER TO BUILD A PARTNERSHIP?

Partnerships developed under this APS must advance private sector interests and objectives AND the development objectives and priorities that guide USAID’s development assistance programs and investments. Therefore, engaging private sector and building an effective partnership requires a mutual understanding of our respective interests and priorities.

Past experience also demonstrates that the collaboration and communication required under the Partnerships APS is more likely to foster promising partnership opportunities if prospective private sector partners and prospective implementing partners invest some initial time in the review of USAID initiatives, objectives and priorities stipulated in the above sections of this APS.

In order to most effectively consider whether and how business and USAID interests might offer valuable alliance opportunities, **USAID seeks extensive communication with prospective private sector partners so we can jointly explore and define key challenges and problems (placement of millions of Pakistani youth in jobs for this APS), and then jointly develop promising solutions to those issues.**

Therefore, any business or private sector organization (as defined in this APS) interested in building a partnership with USAID should contact the USAID/Pakistan Mission's Deputy Director, Innovation and Partnerships Unit, Ms. Kanwal Bokharey, kbokharey@usaid.gov

Likewise, prospective implementing partners seeking to build a partnership alliance with the private sector and USAID should also reach out as early as possible to both - the private sector and the USAID Mission. Such outreach should be based on a thorough review of USAID's priorities and objectives stated in this APS, and should reflect the particular ways in which the private sector's expertise, capabilities and experience can be assets to advancing core business interests and USAID's development priorities in youth job placement. In addition, and given the fact that direct private sector engagement by USAID is core to the PSE approach, prospective implementing private sector partners should include their prospective private sector partners in their initial consultations with USAID so as to promote the sort of co-creation that characterizes high impact partnerships.¹⁵

Developing a PSE oriented partnership is a collaborative endeavor founded on several key practices: robust partner engagement, ongoing communication; the clear articulation and understanding of partner interests and objectives; a thorough exploration of whether and how those interests and objectives overlap or complement one another; and joint problem identification, problem definition and solution development.

Under this APS, the requisite engagement, communication, exploration of interests, and subsequent problem-solving collaboration is conducted through a four step process:

1. Consult and clarify with relevant USAID personnel
2. Submit a promising idea to a USAID Mission
3. Formulate prospective partnership activities, roles and responsibilities with USAID
4. Finalize an appropriate partnership agreement with USAID

Each of these steps is thoroughly described in Appendix B: The Partnership Development Process.¹⁶ **All prospective private sector partners should review Appendix B in its entirety.**

VI. PURPOSE OF APS, APPLICANT ELIGIBILITY AND AWARD CONSIDERATIONS

The APS invites the private sector to contact USAID to explore ways to work together to build high impact PSE. The APS also provides a pathway for potential PSE partners to submit Concept Papers and, when requested, full applications or other materials needed to enter in to a partnership agreement with USAID. Such partnership agreements support the implementation of key activities co-designed under this APS by USAID, the private sector, and other partners as described in the preceding sections.

¹⁵ If a potential partner has not yet identified prospective private sector partners with whom to jointly develop a prospective alliance, they should still feel free to reach out to the USAID Mission. However, once a partner has identified prospective private sector partner(s), and before developing and submitting a concept paper, the potential implementing partner should connect USAID to the proposed private sector partners and include them in subsequent pre-concept paper consultations with USAID.

¹⁶ For additional information on this process, prospective private sector partners are encouraged to contact Kanwal Bokharey at kbokharey@usaid.gov

USAID intends that this APS will be used by the Mission to provide for full and open competition for any award that advances a proposed partnership that is responsive to the terms herein. Concept notes and proposals under this APS will be not be competing with each other and **will be evaluated on their own merit using the evaluation criteria and other parameters** stated in this APS.

Partnership awards under this APS may take the form of grants, fixed amount awards, cooperative agreements, memorandum of understanding, contribution agreements or collaboration agreements.¹⁷

A. Eligible Applicants

The following list of potential applicants is not exhaustive and is provided for illustrative purposes only. USAID welcomes partnership applications from the following types of organizations: U.S. and local private businesses, business and trade associations, private foundations, international organizations, private universities, private vocational training institutes, private Pakistani diaspora organizations, and regional organizations. All applicants must be legally recognized organizations or entities under applicable law. An individual cannot apply as an applicant, unless specified.¹⁸

In addition, for the following groups the criteria below also apply:

U.S. and Non-U.S. For-Profit Organizations: In accordance with 22 CFR 226.81 potential for-profit applicants should note that USAID policy prohibits the payment of fee/profit to the prime recipient under assistance instruments, and as 22 CFR 226.5 states that, unless specifically excluded, all requirements applying to recipients also apply to sub-recipients if they meet the definition of “recipients”; therefore, fee/profit under assistance type awards is also prohibited for sub-recipients. Forgone profit does not qualify as cost-sharing or leveraging. If a prime recipient has a (sub)-contract with a for-profit organization for the acquisition of goods or services (i.e., if a buyer-seller relationship is created), fee/profit for the (sub)-contractor is authorized. A for-profit local organization may still want to apply for grant funding under this APS even though it is foregoing profit on the alliance activities. As determined by the needs of the alliance and development objectives, grant funds may be used to build the capacity of the local organization, whether it is for-profit or non-profit.

U.S. and Non-U.S. Universities and TVET: Qualified U.S. and non-U.S. universities and TVET may apply for funding under this APS. USG and USAID regulations generally treat universities as NGOs, rather than governmental organizations. Hence, both public and private colleges and universities are eligible. Non-U.S. colleges and universities in countries that are ineligible for assistance under the Foreign Assistance Act or related appropriations acts are ineligible.

B. Considerations Regarding the Pursuit and Award of USAID Funding

Issuance of this APS does not constitute an award or commitment on part of the U.S. Government, nor does it commit the U.S. Government to pay for costs incurred in the preparation and submission of an application or concept note.

Prospective applicants should be aware of the following considerations:

¹⁷ For definitions and descriptions of these types of agreements, please see http://www.usaid.gov/sites/default/files/documents/1868/aapd04_16.pdf and ADS 303 at <http://www.usaid.gov/sites/default/files/documents/1868/303.pdf>.

¹⁸ As noted on page 11, individuals can sometimes be partners to or members of a partnership or alliance; but individuals cannot be the applicant under the APS.

Issuance Period: The 2019-2020 APS seeks concept papers, letters of interest, and applications (if requested). It is expected that partnership awards/agreements made as a result of the APS will have an anticipated period of performance from 12 to 60 months.

Award/Agreement Discretion: USAID reserves the right to make or not to make awards through this APS. The actual number of assistance awards/agreements, if any, under this APS is subject to the availability of funds and the interests and requirements of USAID/Pakistan, common shared values of USAID and the private sector applicant, and the viability of partnership applications received.

USAID Funding Sources: There is no predefined minimum or maximum number of partnership awards/agreements USAID will support through this APS.

Award/Agreement Amounts: Partnership Awards value will have a maximum ceiling of \$4,000,000 and a maximum period of performance of 5 years each. The scope of proposed partnerships must be significant enough to achieve the priorities and objectives set forth in this APS

The applicant organization needs to be aware of the following requirements:

1. For U.S. organizations, 2 CFR 200 & 2 CFR 700, OMB Circulars and USAID Standard Provisions are applicable to any award that may result from this APS. **Please refer to <http://www.usaid.gov/sites/default/files/documents/1868/303.pdf> for governing regulations, standard provisions, and required certifications that will need to be submitted by applicants at the time of award.** For non-U.S. organizations, Mandatory Standard Provisions mentioned in USAID's Automated Directive System (ADS) 303 are applicable.
2. In order to be eligible to receive U.S. Government funding, organizations must meet certain requirements. **While these requirements do not have to be met in order to submit a concept paper under the APS, they will need to be met if the applicant is requested to submit a full application.**

The requirements are:

a) Registration Matters

- All first-time partnership applicants for USAID funding are subject to a pre-award survey to verify that the applicant has proper procedures in place to receive USAID funding (ADS 303.3.8)
- In accordance with 2 CFR Part 25, all organizations (unless exempt) are required to have a Data Universal Numbering System (DUNS) number and register with Systems for Award Management (SAM). To obtain information regarding the preceding, see the respective links: <http://www.dnb.com> and <https://www.sam.gov/portal/public/SAM/>. Note: the DUNS number must be submitted with the application (it is required on the SF-424).
- Please allow several weeks for processing through SAM.GOV.

b) Applications for Federal Assistance

- SF-424, Application for Federal Assistance
- SF-424A, Cost application Information – Non-Construction Programs
- SF-424B, Assurances – Non-Construction Programs
- SF-425, Federal Financial Form
- Certifications, Assurances, Other Statements of the Recipient

Note: The family of SF-424 standard forms can be found at:
<http://apply07.grants.gov/apply/FormLinks?family=15>.

The SF-425 can be found at: http://www.whitehouse.gov/sites/default/files/omb/assets/grants_forms/SF-425.pdf and http://www.whitehouse.gov/sites/default/files/omb/grants/standard_forms/SF-425_instructions.pdf.

Certifications, Assurances, Other Statements of the Recipient form can be found at: <http://www.usaid.gov/ads/policy/300/303mav>

Note to All Prospective Applicants: **USAID may also amend this APS from time to time, as necessary or appropriate. Any such amendments can be found at www.grants.gov.**

VII. PARTNERSHIP CONCEPT PAPER GUIDELINES

A. General Approach

Concept papers submitted under this APS must clearly demonstrate the ways in which the private sector engagement – and the private sector assets, expertise, contributions and resources that are leveraged and mobilized as a result of such engagement - will advance the interests of the private sector partners AND increase the reach, efficiency, effectiveness and sustainable impact of the proposed interventions and USAID’s investment.

B. Specific Instructions

In order to submit a Concept Paper under this APS, **a potential private sector partner must use the Concept Paper Template at Appendix C and follow the guidelines and requirements set forth in that template.** Applicants should only submit the information and materials specified in that template. Concept Papers submitted in any other format will not be reviewed. In addition, and as noted in the Concept Paper Template, *all concept papers MUST be in English and submitted electronically via email.*¹⁹

VIII. PARTNERSHIPS CONCEPT PAPER EVALUATION CRITERIA AND CONSIDERATIONS

Any Concept Paper submitted under this APS should propose a partnership that satisfies the definition and exhibits the characteristics set forth in Section II of this APS. In addition, the following criteria and considerations, many of which reflect the characteristics discussed in Section II, will be used to co-review and co-evaluate concept papers submitted under this APS.

1. Alignment with Mission’s Strategic Objectives and Programming Priorities: The proposed activity must align with the targeted Mission’s CDCS and programming priorities. This APS is aimed at partnering for placing at least two millions of Pakistani youth in jobs within and outside Pakistan by 2023.

2. Private Sector Engagement and Collaboration: The proposed partnership must be based on private sector engagement and collaboration, including but not limited to private sector engagement in problem identification and definition and the development of the proposed approaches to solve the prioritized problem(s). The proposed partnership should clearly reflect the interests of the proposed private sector partners and clearly engage private sector resources, assets, and expertise in the implementation of partnership activities, if applicable.

¹⁹ Please note that if an applicant submits materials not specifically requested in the template, or submits any material that exceeds the page limits specified in the template, USAID reserves the right, at its option, to reject the entire submission or to disregard any information beyond the specified page limits.

3. Development Impact: Feasibility, Sustainability and Scalability: USAID and private sector partner will co-evaluate the prospective development impact of the proposed partnership, paying particular attention to:

a) **Feasibility:** The partnership should have well-defined and achievable objectives. The enabling environment and the proposed combination of partner assets, resources and expertise should be sufficient to yield significant impact on a specific and important development challenge. Financial and technical approaches must be viable. In addition, the involvement of any additional partners and/or beneficiaries in the development and implementation of the partnership should be clear and sufficient enough to indicate the partnership will be successful.

b) **Sustainability:** The partnership should demonstrate the potential to yield sustainable solutions to the development challenge being addressed. The private sector resource partner should express a business/philanthropic case that demonstrates their long-term vision and commitment to the targeted markets and communities. In addition, the proposed partnership should engage and strengthen the human and institutional capacity of local organizations.

c) **Scalability:** USAID along with the private sector partner(s) will consider whether and how the proposed approaches can be scaled or replicated in a manner that would offer a broader set of impacts at the national, regional or even global level.

4. Partnership Value Proposition: Quality partnerships increase the impact, reach, efficiency and effectiveness of USAID’s development assistance investments by mobilizing significant new resources, ideas, technologies and/or partners to address and solve critical development problems and related business challenges. Successful partnerships are characterized by and designed to achieve clear, measurable, and mutually understood objectives, outcomes and results, as described above in sections. Partnerships should offer USAID a compelling value proposition. They should offer a level of efficiency and impact, or “return on investment” that exceeds that which could be achieved by investing resources in non-partnership approaches. The Mission is particularly interested in partnerships that incorporate replicable and scalable approaches, leverage resources and working relationships in a manner that generates sustainable solutions and impacts, and support and advance market-based, market-driven, market-informed or market-oriented approaches and solutions.²⁰

5. Partners: The proposed partnership must involve at least one of the following types of private sector partners as a critical and core member under the partnerships:

- a. Private for-profit entities such as a business, corporation, or private firm;
- b. Private equity or private financial institutions, including private investment firms, mutual funds, or venture capital companies;
- c. Private investors (individuals or groups);
- d. Private business or industry associations, including but not limited to chambers of commerce and related types of entities;²¹
- e. Private grant-making foundations or philanthropic entities;²² or
- f. Private high net worth individuals and philanthropists.

²⁰ As noted in Section II, the preference for and priority placed on market-based approaches and solutions does NOT preclude consideration and adoption of other types of approaches and solutions, provided such approaches reflect important private sector / business interests and significantly increase the reach, efficiency, effectiveness and sustainable impact of USAID’s development investments.

²¹ Such associations and entities must be private; quasi-governmental associations would not satisfy the partner requirement.

²² If an NGO receives awards and funding from external sources and then makes sub-grants to other organizations as part of implementing such awards, it does not thereby become defined as a grant making foundation or philanthropic entity. An organization must be formally constituted as such a foundation or entity; in fact, the vast majority of USAID’s NGO implementing partners do not fall within this category.

g. Overseas Pakistanis

In addition, as demonstrated by USAID's Implementation and Procurement Reform, involving a wide array of local partners - private, non-profit, and public – is a possibility provided a market driven approach is adopted. Partnership activities that incorporate local businesses and entrepreneurs as partners and/or beneficiaries in the design and implementation of a partnership are most likely to be successful and sustainable. Local ownership, leadership and beneficiary participation are keys to success. Partnerships should engage local partners as core implementers and assets, while also strengthening the human and institutional capacity of local partner and beneficiary organizations. Whenever possible, the proposed partnership should bring new development actors the “nontraditional partners” into partnership with USAID and or expand USAID's engagement with business, social entrepreneurs, foundations, private philanthropists and Diaspora communities. The partners should demonstrate a strong commitment to the proposed partnership alliance, experience partnering with others, and, where applicable, a proven track record in their particular areas of expertise/interest.

Prospective partners under any partnership must be organizations with a reputation for integrity and the highest standard of conduct.²³ They should demonstrate a respect for human rights, gender sensitivity, the inclusion of people with disabilities and other vulnerable groups, decent work conditions, and environmental consciousness in their operational practices. Preference will be given to partnerships that engage youth from the underserved, conflict prone or vulnerable areas such as KP and NMDs.

6. Mobilization of High Impact Private Sector Resource Contributions: The proposed partnership must leverage and mobilize private sector assets, expertise, resources and contributions on at least a 1:1 basis – and preferably much greater.²⁴ The concept paper should demonstrate the commitment of the private sector partners to provide resources and contributions consistent with the private sector resource mobilization requirements under this APS.²⁵ *In addition, the concept paper must demonstrate how the proposed private sector resources will enhance results and increase the reach, efficiency, effectiveness and sustainable impact of the proposed partnership.* USAID seeks to support programs that provide the best cost per development impact proposition. *All prospective partners should carefully and thoroughly review Appendix A for additional details regarding the required mobilization of private sector resources.*

²³ USAID only enters into partnership with organizations and individuals who exhibit fiscal responsibility, character, and integrity. In order to make this determination regarding potential partners, USAID undertakes due diligence. The extent of and approach to the due diligence will vary depending on the context and the potential partners. For example, a prospective alliance with a locally-owned private company in a developing country is likely to be quite different from one with a major multinational corporation. Applicants under this APS should conduct their own due diligence on proposed partners and are welcome to provide to USAID any information regarding proposed partners deemed useful for USAID's due diligence related deliberations. USAID may request any partners proposed for a partnership under this APS to respond to any issues/concerns that arise during USAID's due diligence review. Failure to respond to or resolve serious concerns that arise during the due diligence process will be cause for not entering into any partnership. For reference, USAID's guidelines for conducting due diligence can be found at Due Diligence Step by Step Guide.

²⁴ Partnership ideas capable of engaging the private sector in a manner that fosters significantly greater levels of development impact, extensive private sector commitment, and higher ratios of private sector resource mobilization (at least 1:1) relative to USG resource contributions, will generally be more compelling.

²⁵ The concept paper should indicate which partner will be reporting and confirming the provision of the leverage and substantiating the value of that leverage. Valuations of leverage should be grounded in objective measures and meet a “reasonable person” standard, keeping in mind that USAID is a USG agency whose programs are subject to Congressional review and significant public attention and scrutiny. USAID has provided some illustrative guidance and a leverage tracking sheet for use if an applicant is asked to submit a full proposal and subsequently receives an award under this APS. While the tracking sheet is not required, many partners may find it of value.

IX. CONCEPT PAPER REVIEW PROCESS

Once a Concept Paper has been submitted under the APS, the appropriate technical lead serving as the USAID Mission's point of contact for PSE oriented partnership concept papers, or his/her designee, will arrange an initial review of the concept paper using the criteria above.²⁶

For Concept Papers submitted under the APS, the Mission will notify the applicant within 45 calendar days after receipt of the concept paper as to whether or not USAID wishes to engage in more in-depth and specific partnership development discussions.

During the initial review of the Concept Paper, USAID may contact the applicant - or the other partnership partners mentioned in the concept paper - to clarify elements of the concept paper, request additional information, or discuss other aspects of the proposed partnership.²⁷

The purpose of the initial joint review and related communication is to determine whether USAID and the prospective partner wish to engage in further partnership development discussions and efforts. The initial review and communication will result in one of two outcomes:

- a. A decision to forego further consideration of the partnership proposed in the Concept Paper; or
- b. A joint decision to engage in more in-depth and specific partnership development discussions aimed at building a high impact PSE.²⁸ **Note:** A decision to engage in more in-depth and specific partnership development discussions is NOT a commitment to funding, nor is it a commitment to requesting a full application. It is simply a decision to move forward in the collaborative and joint effort to develop a high impact PSE oriented partnership.

Consistent with the terms and objectives of this APS, the partnership development discussions must include direct communication between USAID and the core private sector partners to the partnership.²⁹ Such communication may take place in conjunction with other partnership partner (if applicable) discussions or separately. While collaborative discussions among the various core partners will be the standard practice, there will be times when USAID, the private sector, and/or other resource partners not seeking an award from USAID under this APS may want or need an opportunity for independent discussions. Such discussions are allowed and encouraged. Similarly, USAID may also want or need direct and independent discussions with the applicant or prospective implementing private sector partner.

If the in-depth and specific partnership development joint discussions do not result in the identification and development of a partnership and specific partnership activities worthy of further pursuit, the Mission will not request a full application and will instead inform the applicant that USAID is no longer interested in the proposed partnership.

On the other hand, if the more in-depth discussions enable the partners to jointly develop and design a promising, high impact PSE, and the Mission decides a full application is warranted, the technical lead serving as the USAID Mission point of contact for PSE concept papers, or his/her designee will inform the applicant of that determination and decision. See next section for next steps.

²⁶ The concept paper review takes place as part of the broader partnership development process described in Appendix B.

²⁷ USAID may also request a revised Concept Paper.

²⁸ This decision may include or be conditioned upon the submission of a revised concept paper

²⁹ USAID will typically seek to develop a Memorandum of Understanding with the prospective private sector partners. Past experience demonstrates that it is often valuable to develop such an MOU prior to the issuance of an award that supports the implementation of the partnership.

X. FULL APPLICATION INSTRUCTIONS FOR ORGANIZATIONS WHICH SUBMITTED CONCEPT PAPERS UNDER THIS APS³⁰

All applications must be in English and submitted electronically via email as instructed by the USAID Agreement Officer.

If the Mission's review of the applicant's concept paper, and the ensuing partnership development discussions, result in a decision to request a full application, *the Agreement Officer for the Mission will provide specific requirements and instructions for the full application.* However, any full application submitted under this APS must include all the information requested in a Concept Paper as well as the following:

1. A detailed monitoring and evaluation plan, including the gathering of baseline data, and the use of control groups and/or counterfactual approaches.
2. Letter(s) of intent or commitment from all partners to the partnership, as applicable. Applicants may use the letters from the private sector partners that were submitted with the original concept paper provided the letters are revised to reflect the resource contributions, roles and responsibilities the private sector partners have agreed to during the partnership development discussions.
3. Detailed sustainability plan clearly demonstrating how desired outcomes, results and impacts will continue to be generated after USAID support ends, as well as in the longer term.
4. Detailed budget and financial plan with major line items, identification of funding source (i.e., by partner) for each, and a narrative description of what the resources will be used for. Cost-share resources should be distinguished from other resource contributions, including private sector resource contributions.
5. Statement outlining gender and disability integration issues and how the applicant proposes to address the issues.
6. Implementation schedule
7. Branding and marking plans

Additional requirements will be specified by the Mission Agreement Officer.

Note: An invitation to submit a full application does not constitute an award; USAID may choose to not fund applications even after they have been requested. If that happens, a USAID Agreement Officer will communicate the reasons for such a decision.

XI. AWARDING OF PARTNERSHIPS BASED ON THE FULL APPLICATION PROCESS

Following the application review by the Mission, applicants will be advised that USAID has the discretion to: award without discussion; award a portion of the award; or not to award at all. If USAID is interested in funding the partnership application, the Mission will complete its due diligence regarding the partner organizations and determine whether a Memorandum of Understanding (MOU) should be completed with any of the partners under the partnership alliance.

³⁰ These instructions apply to institutions that submitted a concept paper and were subsequently asked to submit a full application. As noted earlier in this APS, **non-traditional partners** entering in to a contribution agreement with USAID as mentioned section II of this APS will receive separate guidance consistent with the development of such an agreement.

MOUs are used to convey the objectives of the alliance, the core program activities, and the division of responsibilities and risks among the alliance partners. The allocation of responsibilities among partners will reflect the interests of the partners, the best use of contributions from multiple partners, and the appropriate assignment of management and implementation responsibilities.

In addition, the requirements for reporting on the partnerships and the underlying program activities will be determined in a collaborative manner among the alliance partners and should be outlined in the MOU. A joint annual performance monitoring plan, using established baseline data and specific, measurable targets and indicators, will also be agreed to by the alliance partners and should be documented in the MOU. Requirements for evaluations and financial and other reporting may also be set forth in Assistance Agreements executed with USAID.

Following favorable negotiations, USAID may award a grant, cooperative agreement, leader with associates, fixed obligation grant, collaboration agreement to the institution proposing the partnership and alliance or to a third entity that was proposed to implement a jointly funded partnership alliance. See USAID ADS 303 <http://www.usaid.gov/sites/default/files/documents/1868/303.pdf>.

XII. ADDITIONAL RESOURCES

A. The Private Sector Resource Requirement (Appendix A)

Given the critical importance of private sector resources and contributions to the achievement of development impact, the APS includes an appendix dedicated to explaining and clarifying the 1:1 private sector resource requirement. Please see [Appendix A: The Private Sector Resource Requirement](#). **All prospective partnership and alliance partners should carefully and thoroughly review Appendix A in its entirety.**

B. The Partnership Development Process (Appendix B)

Appendix B describes the Partnership Development Process in detail. All prospective partners should read Appendix B in its entirety.

C. Concept Paper Template (Appendix C)

A template for the concept paper.

D. Key Websites, Applicable Regulations and References (Appendix D)

For ease of reference, [Appendix D](#) provides an inventory of key websites, applicable regulations and references noted in this APS.

E. Key Definitions and Acronyms (Appendix E)

For ease of reference, Appendix E provides a list of key definitions and acronyms used in this APS.

F. Questions

Over the course of the past twelve years, USAID Pakistan has supported many partnerships and alliances with private sectors. If you have questions, please contact Kanwal Bokharey, Deputy Director Innovation and Partnerships Unit at kbokharey@usaid.gov

APPENDIX A – THE PRIVATE SECTOR RESOURCE REQUIREMENT

Increased Impact via Private Sector Engagement and Resource Mobilization

In an effort to enhance the prospects of sustainable development impact, ensure partnerships and alliances based upon core business interests, encourage extensive private sector engagement and collaboration, and foster the development of market-based or market-informed approaches, Partnerships must mobilize and effectively apply significant private sector resources. Partnerships require high-impact private sector resource investments.

More specifically, *a Partnership must mobilize and leverage private sector resources, assets, and expertise on at least a 1:1 basis*. That is, the private sector resource contribution must equal and, in general, ideally should significantly exceed the level of resources provided by the USG. In addition, the mobilized resources should support and be applied to the partnership in a manner that clearly fosters extensive and stated result of this APS i.e. placing two million Pakistani youth in jobs by 2023.

For example, if USAID (and/or other U.S. Government (USG) agencies or entities) invests \$1 million in a partnership, the array of contributions and resources provided by the private sector partners *must at least have a value equal to \$1 million and will preferably have a value significantly greater than \$1 million*. In fact, the level of resources mobilized by and from the private sector has historically been more than 1:1.³¹

USAID sometimes refers to this private sector resource mobilization as leverage. While an alliance may mobilize a variety of other resources from a range of other sources, *the 1:1 private sector resource requirement – the private sector leverage requirement - must be met through the mobilization of private sector resources, assets, and expertise*.

USAID recognizes that in many instances, resources mobilized from other sources might be critical to the success of a partnership, its ability to foster and advance market based approaches and solutions, and its ability to increase the reach, efficiency, effectiveness and sustainable impact of USAID's investments.

A. Mobilizing Private Sector Resources that Increase Impact

USAID is seeking to maximize cost-efficient development impact. While private sector resources are programmatic inputs to a partnership alliance, *USAID and the alliance partners should identify, mobilize and apply private sector contributions and resources (both cash and in-kind) based on how those resources will expand the reach, efficiency, effectiveness and sustainable impact of the alliance*. *While the leveraged resources are inputs, the purpose of these resources is impact*.

The resources and contributions mobilized from the private sector should, in combination with the support requested from USAID, provide the partnership with a comparative advantage (over not using a partnership) in achieving significant and sustainable impact on the targeted development challenge. Partners need to articulate the unique contributions and value that the private sector resources and partners bring to the project and how such contributions and value will help produce significant development results better, faster, and/or more cost effectively, and with a greater chance of long-term sustainability.³²

³¹ Partnership ideas capable of engaging the private sector in a manner that fosters significantly greater levels of development impact, extensive private sector commitment, and higher ratios of private sector resource mobilization relative to USG resource contributions, will generally be more compelling.

³² The Mission recognizes, expects and advocates that the private sector contributions and resources should advance the core interests of the private sector partner. Indeed, seeking the intersection between those core interests and USAID's development objectives is a critical aspect of

Meeting the private sector resource requirement is not a narrow accounting exercise in which applicants try to cobble together enough resources and contributions to reach a particular number or ratio. Rather, it is an effort to identify *the programmatic inputs from the private sector that will most effectively increase the impact of USAID’s development assistance and the success of the partnership alliance.*

Past experience demonstrates that proactive collaboration with the private sector to determine the most effective way to address a core business interest and critical development challenge typically reveals a variety of resources and assets that can be mobilized and leveraged to advance the success of the partnership, typically at levels that significantly exceed the 1:1 requirement. Prospective partners should focus on identifying the core interests, the business challenge and development problem to be solved, and the array of expertise, assets, and working relationships the various partners can mobilize to develop and apply a high impact solution.

When considering various types of private sector resources and contributions that might be used to meet the 1:1 private sector resource requirement, PSE partners should work together to determine the outcomes, results and impact that would likely result from applying those resources and contributions and which resources offer the greatest value proposition. Different sets of private sector resources and contributions may have the same dollar value, but may have very different implications for the quality and quantity of results and impact achieved via an alliance. *If any given private sector resource or contribution doesn’t significantly enhance the scale, efficiency, effectiveness and sustainable impact of USAID’s development investments, USAID will not count those resources toward the 1:1 private sector resource requirement.* In addition, USAID will prioritize potential partnership investments based on which private sector partners and resources offer the greatest prospect and value with regard to increasing the scale, efficiency, effectiveness and sustainable impact of USAID’s development investments.³³

B. What Counts and Doesn’t Count toward the 1:1 Private Sector Resource Requirement

In order to count toward the 1:1 private sector resource requirement, the contributions and resources mobilized from the private sector must satisfy the criteria set forth in this section while also offering the sort of increased impact and value proposition discussed in Section A of this appendix.

B1. What Counts?

In practice, leverage is typically a combination of cash and in-kind contributions. Examples of in-kind contributions that USAID might count toward the 1:1 private sector resource requirement include:

- Commodities³⁴ such as drugs, foodstuffs or equipment
- Use of training or other purpose-specific facilities necessary to a program’s implementation
- Value of time donated by technical consultants or company employees whose work and expertise is necessary to a project³⁵

the PSE model. At the same time, USAID resource investments are not subsidies to the private sector or substitutes for private sector investments that would otherwise be made in the absence of USAID’s resources. The Mission’s resources work in combination with the private sector resources; this enables the partners to achieve a set of outcomes, results and impacts that advance each of the partner’s respective interests, while also fostering a broader social and economic good, asset or situation that others can draw upon to advance social and economic development

³³ In many cases, and consistent with Section II of the APS, the most promising and mostly prioritized approaches and solutions will likely be market-based, market-driven or market-oriented and technology based. However, such a prioritization does NOT preclude consideration and adoption of other types of approaches and solutions, provided such approaches reflect important private sector / business interests and significantly increase the reach, efficiency, effectiveness, sustainable impact and scalability of USAID’s development investments.

³⁴ Note that the APS should not be used to solicit funds for transportation of donated commodities.

- Value of salaries for staff dedicated to a partnership
- Technology, communications and capital assets
- Intellectual property rights
- Licenses

When determining whether or not the private sector resources and contributions can count toward meeting the 1:1 private sector resource requirement, USAID applies the following criteria:

a) *Nature and Origin*: The contributions and resources should originate and be mobilized for the explicit purpose of supporting and advancing the partnership. The resource mobilization should stem from the active engagement of the private sector partner in the design and development of the partnership in question. As a result, the contributions and resources must be private in nature and origin;³⁶ they must come from a critical and core partner to the partnership;³⁷ and they must come from one or more of the following sources:

- Private for-profit entities such as a business, corporation, or private firm;
- Private equity or private financial institutions, including private investment firms, mutual funds, or insurance companies;
- Private investors (individuals or groups);
- Private business or industry associations, including but not limited to chambers of commerce and related types of entities;
- Private grant-making foundations or philanthropic entities;³⁸ or
- Private individuals and philanthropists.³⁹

b) *Value Proposition and Development Impact*: The resources and contributions mobilized from the private sector should, in combination with the support requested from USAID, provide the alliance with a comparative advantage (over not using an alliance) in achieving significant and sustainable impact on the targeted development challenge. Partners need to articulate the unique contributions and value that the

³⁵ While USAID recognizes that various types of volunteers can add value to the implementation of a partnership alliance, the value of volunteer time typically does not count as leverage unless it is provided by employees or technical consultants who work for or with one of the private sector institutions listed in Section B.1 of this appendix. If an organization wishes to seek an exception to this practice, the organization would have to provide reliable objective data capable of supporting a clear and specific valuation of the services to be rendered by the volunteers, being sure to account for known or likely variations in the expertise, experience and performance of the various volunteers.

³⁶ Funding from other USG agencies does not count toward leverage. On the contrary, partnerships and alliances are expected to mobilize and leverage resources at a level that equals or exceeds the overall USG contribution to the alliance, not just USAID's contribution.

³⁷ Note: under this APS, traditional implementing partners, such as NGOs or HEIs, regardless of whether the HEI is private or public, may not be critical and/or core partners to a partnership alliance. They do not satisfy the source criteria set forth here in B.1(a) and as a result, resources contributed by such traditional implementing partners DO NOT satisfy the Nature and Origin criteria set forth in this section and would not count as leverage. (However, such resources could be counted toward the overall resource mobilization achieved by an alliance). With regard to traditional implementing partners and their valuable assets and expertise, this APS seeks to promote their extensive outreach to and engagement of the private sector partners listed in B.1(a) so as to identify ways in which our collaborative efforts and our diverse assets and expertise can increase the reach, efficiency, effectiveness and sustainable impact of our joint and respective development investments. This should help all of us (USAID, our traditional implementing partners, and the private sector) better develop and implement innovative and highly effective development solutions. See also Section C of this Appendix.

³⁸ If an NGO receives awards and funding from external sources and then makes sub-grants to other organizations as part of implementing such awards, it does not thereby become defined as a grant making foundation or philanthropic entity. An organization must be formally constituted as such a foundation or entity; in fact, the vast majority of USAID's NGO implementing partners do not fall within this category.

³⁹ This refers to individual or philanthropists who, by virtue of their strategic position, working relationships, and/or technical expertise are able to enter into the sort of ongoing, collaborative working relationships that are fundamental to the design and implementation of a partnership.

private sector resources and partners bring to the project and how such contributions and value will help produce significant development results better, faster, and/or more cost effectively, and with a greater chance of long-term sustainability.⁴⁰

c) *Measurable*: The resources and contributions must be something of value that can be measured in some form that permits evaluation of the contribution's impact on achieving desired results.

d) *Composition*: Generally, a minimum of 25% of the private sector resources and contributions should be in the form of cash. Consistent with the impact objectives discussed in Section A of this Appendix, USAID may consider lower levels of cash if the alternative resources and contributions clearly offer greater results and impact. However, higher levels of cash tend to be preferred given the flexibility cash provides with regard to supporting partnership activities. In addition, and depending on the partnership ideas in question, the partners involved, and other circumstances and considerations, Mission may encourage or specifically request higher levels of cash contributions – either as part of an applicant's concept paper or, if warranted, an applicant's full application.

If resources that are mobilized to advance a partnership do not satisfy the above criteria, they would not count toward the 1:1 private sector resource requirement.⁴¹

Timing of Resource Contributions: Questions often arise regarding the timing and reliability of the private sector resource contributions. So long as the mobilization and provision of the resources takes place as a consequence of the resource partner's participation in partnership development discussions, the resources can be mobilized – in whole or in part – at various times: at the outset of the partnership development discussions; during the subsequent partnership development efforts; or at the time of or subsequent to the signing of the partnership MOU or USAID's agreement with an implementing partner whose work will implement activities under the alliance.⁴² Typically, resources are formally mobilized subsequent to the signing of a partnership MOU or USAID's agreement with the implementing partner under a partnership.

However, private sector resources may be contributed throughout the partnership and partners may elect to stage their contributions. If resources and contributions are not mobilized prior to the signing of an partnership MOU or USAID agreement with implementing partners, the contribution of the resources should be reliable enough to provide USAID and the other partnership partners with high confidence levels and the ability to reasonably rely upon such resources in the planning and implementation of activities under the partnership.

⁴⁰ USAID recognizes, expects and advocates that the private sector contributions and resources should advance the core interests of the private sector partner. Indeed, seeking the intersection between those core interests and USAID's development objectives is a core element of the PSE model. At the same time, USAID resource investments are not subsidies to the private sector or substitutes for private sector investments that would otherwise be made in the absence of USAID's resources. The Agency's resources work in combination with the private sector resources; this enables the partners to achieve a set of outcomes, results and impacts that advance each of the partner's respective interests, while also fostering a broader social and economic good, asset or situation that others can draw upon to advance social and economic development.

⁴¹ Of course, such resources could count toward the overall resource mobilization achieved via the alliance if they are deemed relevant and valuable to advancing the objectives and success of the alliance.

⁴² An exception can be made for resources provided to USAID by a private sector entity under USAID's gift authority. Such funding might be provided well before an alliance is discussed or actually developed.

B2. Can Private Sector Funding Intended for Equity Investments Count toward the Private Sector Resource Requirement?

Under the APS, USAID may consider venture, angel or equity investments where private sector funding to be used for equity investments can count toward the private sector resource requirement - subject to the considerations set forth below.⁴³

a) RLO, OAA and Technical Lead Consultation and Approval - If the Mission becomes aware that potential partners to a prospective partnership are interested in using funding for equity investments to meet the private sector resource requirement, or if the Mission would like to explore that possible approach, the Mission will consult with and get approval from the Resident Legal Officer (RLO), the Mission procurement office and the Mission's Partnership Advisor/technical lead or any other office in Washington as it deems fit from the very outset of the partnership development effort and on a regular basis throughout the building of the partnership. Such collaboration will hopefully foster more effective approaches and accelerate replication of such approaches. In order to promote and ensure this collaboration, clearances of the above cited offices and of the Mission Director will be needed before private sector funding intended for equity investments can be counted toward meeting the private sector resource requirement. Questions about and requests for clearance should be submitted by the Mission to Kanwal Bokharey at kbokharey@usaid.gov

b) MOU - The entities providing the funding have engaged in extensive communication, robust collaboration and the joint design and development of partnership activities with USAID; each of the entities providing the funding, as well as USAID, understands and is able to articulate the shared and respective roles, responsibilities, risks and rewards facing the partners to the partnership; and an MOU is entered into between USAID, the entities providing the funding, and other partners to the partnership as appropriate.⁴⁴

c) APS Criteria and Requirements - The other evaluation criteria and private sector resource requirements set forth in this APS are satisfied, including how the funding (and the resulting venture, angel and equity investments) will contribute to clear, measurable and significant outputs, outcomes, results and impact and how the funding will help produce clear, measurable and significant development results better, faster, and/or more cost effectively, and with a greater chance of long-term sustainability. In addition, and consistent with Section B.1 (a) of this Appendix noted above, the funding should be new funding that is mobilized as a consequence of the partnership development effort and will be invested concurrent with the implementation of the partnership. Consistent with the objectives and terms of the APS, funding for equity investments can count toward meeting the private sector resource requirement if the partnership is expected to exhibit or achieve the following:

i. Increased Development Results - USAID's participation in the proposed partnership enables the funding invested by the private sector partner(s) to be leveraged and utilized in a manner that will significantly increase or improve development results stemming from the investment of such funding;

⁴³ USAID hopes to develop and provide a set of illustrative examples as this continues to unfold

⁴⁴ In conducting the due diligence required to enter in to an MOU, and consistent with the risk and reputation concerns that underlie the due diligence requirement, USAID should determine whether the investor(s) practices are consistent with a commitment to responsible investing. This can be done in a number of ways, including being a signatory to well-regarded responsible investment protocols or responsible investing standards.

ii. **Expanded Activity** - USAID's participation in the proposed partnership prompts additional actions or engagements by the investors that would not have taken place in the absence of USAID's involvement and that will increase or improve the results of the partnership;⁴⁵

iii. **Broader Benefit** - The alliance fosters a broader set of social and economic opportunities, assets and circumstances that various individuals and institutions across society can draw upon to advance social and economic development. Such opportunities, assets and circumstances should be publicly and widely available. This ensures that USAID funding supports activities that benefit parties beyond just the investors or the businesses in which the funding is invested. For example, the partnership helps foster the development of institutions and a broader ecosystem or enabling environment conducive to equity investment consistent with advancing broad-based, inclusive economic growth; or the partnership involves training, consumer education, or technical assistance efforts that benefit stakeholders beyond the recipients of the equity investments.

iv. **Resource Ratio** - In general, the value of the funding to be invested should significantly exceed the value of funding USAID will contribute to the partnership, at least 2 to 1 or greater. However, Missions may determine that lower levels of funding are acceptable in light of additional development considerations and the particular alliance in question. If that's the case, rationale needs to be communicated and approved by the Mission leadership. Note: one can only count funding used to make equity investments that are INPUTs to the partnership; returns on equity and other outcomes of the investments cannot count toward the private sector resource requirement. Thus, projected returns on equity investments do not count toward meeting the private sector resource requirement. In addition, if funding intended for equity investments is going to count toward the private sector resource requirement, it should be identified and committed from the outset of the partnership. While it may actually be mobilized, applied or invested in tranches over the course of the alliance, the resources should not be sourced or drawn from potential "outcomes" of the partnership.

d) Prohibitions: USAID funding cannot be used to purchase or own equity securities directly.⁴⁶

B3. Can Private Sector Loans Count toward the Private Sector Resource Requirement?

Under the APS, USAID could consider pilot approach with regard to the use of loans to meet the private sector resource requirement. Under this pilot, private sector funding to be used for loans can count toward the private sector resource requirement - subject to the considerations set forth below.

a) RLO, OAA and Technical Lead Consultation and Approval: If the Mission becomes aware that potential partners to a prospective partnership are interested in using funding for loans to meet the private sector resource requirement, or if the Mission would like to explore that possible approach, the Mission should consult with the RLO, the Mission procurement office and the Mission's Partnership Advisor/technical lead or any other office in Washington as it deems fit from the very outset of the partnership development effort and on a regular basis throughout the building of the partnership. Such

⁴⁵ This might be an increase in the level of private capital invested (e.g. by the existing equity investors or new investors who wouldn't have otherwise participated); it might be an expansion in the geographic scope or footprint of businesses and communities to be targeted for investment activity (e.g. businesses in rural communities that are priority targets in terms of host-country and USAID development objectives); it might be providing resources and expertise to support the development of institutions and a broader enabling environment conducive to equity investment consistent with advancing broad-based, inclusive economic growth; or it might be resources or contributions that specifically support the delivery of program activities by an implementer under the partnership. The key is that USAID's participation in a partnership should somehow prompt the equity investors and partners to make some sort of change in their efforts that offer the prospect of increased or improved development results.

⁴⁶ Absent specific statutory authority, USAID cannot purchase or own equity securities directly. However, despite the prohibition on owning equity, USAID has many structures permitting the Agency to fund an awardee that uses USAID funds to fund other entities, either through equity, debt investments or guarantees. These structures may enable USAID to achieve the same development objective as a direct equity investment. Each structure will have different advantages and disadvantages depending on the development objective to be achieved. USAID personnel interested in exploring potential structures should involve GC/RLO and OAA from the outset of a partnership alliance development effort in order to identify the structures and instruments most appropriate to the development objective in question.

collaboration will hopefully foster more effective approaches and accelerate replication of such approaches. In order to promote and ensure this collaboration, USAID clearance will be needed before private sector funding intended for loans can be counted toward meeting the private sector resource requirement.

b) MOU - The entities providing the funding have engaged in extensive communication, robust collaboration and the joint design and development of alliance activities with USAID; each of the entities providing the funding, as well as USAID, understands and is able to articulate the shared and respective roles, responsibilities, risks and rewards facing the partners to the alliance; and an MOU is entered into between USAID, the entities providing the funding, and other partners to the alliance as appropriate.⁴⁷

c) APS Criteria and Requirements - The other evaluation criteria and private sector resource requirements set forth in this APS are satisfied, including how the funding (and the resulting loans) will contribute to clear, measurable and significant outputs, outcomes, results and impact and how the funding will help produce clear, measurable and significant development results better, faster, and/or more cost effectively, and with a greater chance of long-term sustainability. In addition, and consistent with Section B.1 (a) of this Appendix noted above, the funding should be new funding that is mobilized as a consequence of the alliance development effort and will be loaned concurrent with the implementation of the alliance.

Consistent with the objectives and terms of the APS, funding for loans can count toward meeting the private sector resource requirement if the partnership alliance is expected to exhibit or achieve the following:⁴⁸

i. **Increased Development Results** - USAID's participation in the proposed alliance enables the funding that is loaned by the private sector partner(s) to be leveraged and utilized in a manner that will significantly increase or improve development results stemming from the lending of such funding;

ii. **Expanded Activity** - USAID's participation in the proposed alliance prompts additional actions or engagements by the lenders that would not have taken place in the absence of USAID's involvement and that will increase or improve the results of the alliance;⁴⁹

iii. **Broader Benefit** - The alliance fosters a broader set of social and economic opportunities, assets and circumstances that various individuals and institutions across society can draw upon to advance social and economic development. Such opportunities, assets and circumstances should be publicly and widely available. This ensures that USAID funding supports activities that benefit parties beyond just the lenders or the businesses to which the funding is loaned. For example, the alliance helps foster the development of institutions and a broader ecosystem or enabling environment conducive to lending that is consistent with advancing broad-based, inclusive economic growth; or the alliance involves training, consumer education, or technical assistance efforts that benefit stakeholders beyond the recipients of the loans.

⁴⁷ In conducting the due diligence required to enter in to an MOU, and consistent with the risk and reputation concerns that underlie the due diligence requirement, USAID should determine whether the lender(s) practices are consistent with a commitment to responsible lending. This can be done in a number of ways, including being a signatory to well-regarded responsible lending protocols or responsible lending standards.

⁴⁸ Note: USAID funding to an alliance can be used as lending capital under assistance instruments. For loan programs under assistance, Missions should contact the cognizant RLO or GC.

⁴⁹ This might be an increase in the level of private capital loaned (e.g. by the existing lenders or new lenders who wouldn't have otherwise participated); it might be an expansion in the geographic scope or footprint of businesses and communities to be targeted for loan provision (e.g. businesses in rural communities that are priority targets in terms of host-country and USAID development objectives); it might be providing resources and expertise to support the development of institutions and a broader enabling environment conducive to lending consistent with advancing broad-based, inclusive economic growth; or it might be resources or contributions that specifically support the delivery of program activities by an implementer under the partnership. The key is that USAID's participation in an alliance should somehow prompt the lenders and partners to make some sort of change in their efforts that offer the prospect of increased or improved development results.

iv. **Resource Ratio** - In general, the value of the funding to be loaned should significantly exceed the value of funding USAID will contribute to the alliance, at a ratio of at least 1 to 1 but preferably greater, which may vary in light of additional development considerations and the particular partnership in question. If that's the case, Missions should communicate the rationale for lower resource mobilization ratios when seeking clearance from the Mission leadership.⁵⁰ Note: One can only count funding used to make loans that are INPUTs to the partnership alliance; outcomes of the loans cannot count toward the private sector resource requirement. In addition, if funding intended for loans is going to count toward the private sector resource requirement, it should be identified and committed from the outset of the partnership. While it may actually be mobilized, applied or loaned in tranches over the course of the alliance, the resources should not be sourced or drawn from potential "outcomes" of the partnership.

v. **Funding "At Risk"** - The funding for the loans in question must be "capital at risk." For example, if a lender provides \$2 million in loans, but \$1 million is guaranteed against default, then the lender is only placing \$1 million (\$2M - \$1M) "at risk." Therefore, only \$1 million of loans could be counted toward the private sector resource requirement.

d) **Prohibitions:** Please note that loans provided under a DCA activity or that are a direct outcome or result of a DCA activity cannot be counted toward the private sector resource requirement. In addition, loan guarantees are not eligible to be counted toward the private sector resource requirement.

B4. What Doesn't Count

In addition, certain types of resources cannot be counted toward the private sector resource requirement. For example:

- Forgone profit does not qualify as leverage.
- Value of brand, reputation, convening power or "good will" does not count as leverage.
- General overhead costs for an organization that are not directly associated with alliance activities.
- Commitments to purchase or pay a price premium for products or services generated as a result of alliance activities.

Partners will sometimes try to meet the private sector resource requirement by proposing and counting up a number of small contributions like meeting space, training refreshments, transportation costs, etc. Such contributions do not count as leverage. As noted above, meeting the private sector resource requirement is not an accounting exercise. The requirement is aimed at increasing the impact of USAID's investments and any proposed resource or set of resources must have clear and compelling value with regard to advancing such impact. One must ask whether the proposed contributions (and the time it takes to track and verify them) are adding real and significant value to the partnership. If not, the contributions would fail to meet several criteria listed in this section and be inconsistent with the considerations and objectives discussed in Section II.⁵¹

While private sector resource contributions are pursued in order to increase the outcomes and impact of a proposed alliance, the outcomes arising from the alliance do not count toward meeting the private sector

⁵⁰ Historically, partnerships have leveraged private sector resources at a 1 to 1 ratio – without counting funding for equity investments as leverage. Given this historical practice, and the level of funding for equity investments increasingly becoming available in developing countries, the request that the value of the funding for equity investments should be five times the value of USAID's contribution should often constitute a reasonable target – subject to the particular circumstances and alliance in question.

⁵¹ If a prospective implementing partner is having difficulty mobilizing the resources needed to meet the 1:1 requirement, it may indicate that the private sector hasn't been sufficiently engaged in the problem identification and definition or the related solution development. The endeavor may not sufficiently address the private sector's interests, concerns and objectives. Difficulty securing private sector engagement and resources may also indicate that the private sector simply doesn't have the level of interest needed to warrant a larger resource contribution. When facing any of these situations, the partner may want to reconsider and reevaluate the proposed endeavor in order to consider whether it in fact warrants pursuit under this APS.

resource requirement. Leverage is an input, not an outcome. It is the private sector resource contribution made to the partnership's activities; it is not the outcome of those activities. For example, USAID and a bank may develop a partnership to increase financial services to small businesses. The partnership's activities include small business training, awareness raising and market analysis. The bank contributes their experts' time and the production of training materials to the partnership. These contributions are inputs and would be considered "leverage" and could be counted toward the private sector resource requirement. **As a result of the activities conducted through the partnership/alliance**, the bank increases their loans to small businesses by \$5 million. The \$5 million in loans is an outcome of the partnership activities. It is not eligible to be counted toward the private sector resource requirement.

C. Can Implementing Partners Provide Resources that Count Toward the 1:1 Private Sector Resource Requirement?

In most partnerships, USAID enters into an agreement with and makes an award to an implementing partner to conduct activities aimed at achieving the goals and objectives of the partnership. In such situations, implementing partners sometimes seek to act as resource partners as well; that is, they seek to contribute cash and in-kind resources that will shape the core activities and advance the key results, impact or strategic value of a partnership. Whether or not such resources can be counted toward the private sector resource requirement depends on three factors:

1. Is the implementing partner a private sector partner as set forth in Section B.1 of this Appendix?
2. Do the resources meet the criteria set forth in Section A and Section B of this Appendix?
3. Does the implementing partner intend to count the resources as "cost-share" under the terms of the award agreement with USAID? Resources counted by a partner as cost-share cannot also be counted by the same partner as a leverage contribution by that same partner. (See below: *Section D: What is the Relationship between Leverage and Cost-Share?*)

For example, if an organization is a grant-making foundation, it would constitute a private sector partner as set forth in Section B.1 of this Appendix. The organization and USAID would then need to assess whether the resources and contributions are consistent with the objectives, considerations and criteria set forth in Sections A and B. If they are, and the organization will not be counting the resources and contributions as part of its cost-share contribution, USAID could elect to count the resources and contributions toward the private sector resource requirement. (See Section D below).

The question about implementing partners providing leverage often arises with regard to funding or other resources an NGO or HEI has previously received from corporations, individuals or private foundations. In most instances, such resources did not originate for the explicit purpose of supporting and advancing the partnership or were not received as a result of the active engagement of the private sector partner in the design and development of the partnership in question. As a result, they could not be counted toward the private sector resource requirement. They could certainly be counted toward the overall resource mobilization achieved by the partnership, but they could not be used to satisfy the 1:1 leverage requirement.

As discussed above, USAID pursues partnerships as a means of developing productive and ongoing working relationships with the private sector, particularly business, and mobilizing an array of resources and expertise from the private sector to advance development objectives. Market-based and market-informed approaches are core to the partnership model.

D. What is the Relationship between Leverage and Cost-Share?

While both leverage and cost-share refer to a portion of project or program costs not borne by the United States Government, and while both can be counted toward the overall resource mobilization achieved under an alliance, they are distinguished in three very important ways:

1. Cost-share is binding and auditable under an award agreement; leverage is not. Leverage describes the quantifiable contributions provided by resource partners to a partnership. Unlike cost sharing or matching, which is an important element of the USAID/grantee relationship, leverage is not intended to be binding or auditable. It is not subject to traditional audit standards as it is not intended to be held to the same level of accountability as cost-share or matching.⁵² However, given the strategic and programmatic value that leverage should contribute to the partnership, applicants are expected to identify what enhanced results are expected from any leverage proposed and provide and implement a mechanism for tracking / reporting that contribution.
2. The determination of what constitutes leverage is based on the objective, considerations and criteria set forth in this APS; the determination of what constitutes cost-share is set forth in (22 CFR 226.23 and ADS 303.3.10).
3. If resources contributed by an organization are to be counted as leverage under a partnership, they cannot also be counted by the same organization as the organization's cost-share. Likewise, if resources are to be counted by an organization as that organization's cost-share contribution, they cannot also be counted as that organization's leverage contribution.

Prospective implementing partners sometimes have difficulty distinguishing cost-share and leverage. Part of the challenge arises from the fact that certain types of resources, such as personnel time or facilities use, may be acceptable as cost-share or leverage. However, as noted in this section, the partners must decide whether such resources will be counted as leverage or cost-share. Under any given partnership, for any given partner, leverage and cost-share are mutually exclusive. If personnel time is counted as an organization's cost-share contribution, it cannot be counted as that organization's leverage contribution.

In some cases, as part of an effort to ensure that proposed leverage materializes over the course of a partnership, a private sector resource partner will be expected to provide its resources and contributions (the leverage) to the implementing partner and the implementing partner will be required to treat such anticipated resources as part of the implementing partner's cost-share contribution and commitment under the award. This provides an incentive to the implementing partner to ensure the reliability and contribution of the leverage since the implementing partner's proposed cost-share is auditable. USAID may also condition year-to-year funding on the achievement of leverage benchmarks. This approach can be used in lieu of or as a complement to the cost-share approach noted in this paragraph.

E. Who is responsible for ensuring, tracking and reporting on the mobilization and use of the leverage?

Unless otherwise stated in the relevant partnership award agreement(s) and/or MOU(s), the entity receiving an award from USAID to implement partnership activities is responsible for ensuring, tracking

⁵² As noted in ADS 303 as well, cost-share "refers to the resources a recipient contributes to the total cost of an agreement. Cost share becomes a condition of an award when it is part of the approved award budget. The cost share must be verifiable from the recipient's records; for U.S. organizations it is subject to the requirements of 22 CFR 226.23, and for non-U.S. organizations it is subject to the Standard Provision, "Cost Share"; and can be audited."

and reporting on the mobilization and use of the leverage. USAID expects the award recipient to provide such information on a quarterly basis across the fiscal year, with an annual summary.

F. Exceptions

USAID Mission Director subject to approval by the APS Technical Lead/Activity Manager, OAA and RLO have the discretion to make exceptions to the 1:1 private sector resource requirement. Such discretion only applies to whether the amount of resources to be provided by the private sector must equal or exceed the amount of resources requested from USAID. In addition, such discretion can only be exercised at USAID's initiative; applicants and partners should not request any exceptions to the 1:1 private sector resource requirement. If any prospective partner to a potential partnership seeks such an exception, USAID reserves the right, at its option, to cancel all related partnership discussions or the review of any related concept paper or application submitted under this APS by any partner to the partnership in question.

The possibility of an exception is only available because USAID recognizes that in certain exceptional and extremely rare situations, the development impact to be achieved as a consequence of the proposed private sector resource contribution is so extensive, significant and valuable, and the ability to mobilize and leverage the level of private sector resources needed to meet the 1:1 standard is so constrained and limited, that accepting a lower level of private sector resource contributions may be in Mission's best interest as it seeks to achieve its development objectives.

G. Additional Questions and Information

If prospective partners have any questions about the private sector resource (leverage) requirement or the distinction between leverage and cost-share, please feel free to contact Kanwal Bokharey, Deputy Director Innovation and Partnerships Unit/ Technical lead APS at kbokharey@usaid.gov

APPENDIX B – THE PARTNERSHIP DEVELOPMENT PROCESS

Developing a PSE partnership is a collaborative endeavor founded on several key practices: robust partner engagement, ongoing communication; the clear articulation and understanding of partner interests and objectives; a thorough exploration of whether and how those interests and objectives overlap or complement one another; and joint problem identification, problem definition and solution development.

Under the APS, this engagement, communication, exploration of interests, and subsequent problem-solving collaboration is conducted through a four step process:

1. Consult and clarify with relevant USAID personnel
2. Submit a promising idea to a USAID Mission
3. Formulate prospective partnership activities, roles and responsibilities with USAID
4. Finalize an appropriate partnership agreement with USAID

Each of these steps is described in greater detail below.⁵³

A. Step 1 - Consult and Clarify

Building an effective PSE partnership requires a mutual understanding of our respective interests and priorities.

In order to most effectively consider whether and how business and USAID interests might offer valuable partnership opportunities, **USAID seeks extensive communication with prospective private sector partners so we can jointly explore and define key challenges and problems, and then jointly develop promising solutions to those issues.**

Therefore, any business or private sector organization (as defined in this APS) interested in building a partnership with USAID should contact the USAID Mission which the organization would like to collaborate. The designated APS Point of Contact is, Kanwal Bokharey, kbokharey@usaid.gov . USAID welcomes and strongly encourages the earliest possible communication.

Likewise, prospective private sector partners seeking to build a partnership with the private sector and USAID should also reach out as early as possible to the private sector and the USAID Mission. In addition, and given the fact that direct private sector engagement by USAID is core to the PSE approach, prospective implementing partners should include their prospective private sector partners in their initial consultations with USAID so as to promote the sort of co-creation that characterizes high impact partnerships.

The initial consultation with USAID provides prospective applicants and partnership partners an opportunity to identify the problems and challenges they are seeking to address, the interests and objectives they are seeking to achieve, and their initial, general ideas about how they might want to address those problems and challenges in concert with USAID. The discussion also provides the USAID Mission an opportunity to clarify its objectives and priorities, as well as other matters that might be important to helping the prospective partners and applicants determine whether to proceed with the development and submission of a concept paper. By consulting with USAID very early in the development of potential partnership ideas and concepts, prospective partners can better determine common shared values and required alignment of private sector and the Mission's goals, priorities and resource allocations.

⁵³ For additional information on this process, please contact Kanwal Bokharey at kbokharey@usaid.gov or write to pakyouthaps@usaid.gov

USAID’s past global experience demonstrates that the consultation and communication required under the APS, and initiated under “Step 1 - Consult and Clarify,” is more likely to foster promising partnership and alliance opportunities if prospective partners invest some initial time in the review of USAID initiatives, objectives and priorities described in this APS.

NOTE: The preliminary discussions that take place during the “Consult and Clarify” step do not constitute any sort of USAID commitment to developing or supporting an alliance; nor do they constitute any sort of commitment to fund a proposed partnership. However, they are critical to determining whether further discussion or other partnership development efforts make sense and identifying potential areas for partnership development.⁵⁴

Questions concerning the terms of this APS, the general definition and requirements of a partnership, and the application process under this APS should be submitted to the USAID Mission Pakistan. Such questions can be directed to Kanwal Bokhary, kbokhary@usaid.gov

B. Step 2 - Submit a Promising Idea for Consideration and Development

If discussions with USAID Mission demonstrate a potentially promising alignment between USAID’s interests and objectives and the interests and objectives of particular private sector partners, there are two ways to move forward, depending on whether or not a prospective partner seeks to receive and manage funding from USAID.

1. If an entity is NOT interested in receiving or managing any funding from USAID, a technical representative from the Mission will continue collaborating with the entity to develop an appropriate strategy for building a partnership.
2. If an entity is interested in receiving, co-financing and managing funding from USAID, the prospective partner(s) need to develop and submit a five page concept paper to the Mission for review and consideration, with copy to pakyouthaps@usaid.gov.⁵⁵ See Section VII for further information on what to include in the Concept Paper.

During the development of a concept paper, USAID personnel may continue partnership development discussions with prospective private sector partners so long as those partners are not seeking to receive funding from USAID via a traditional assistance award under this APS.⁵⁶

Such discussions can be quite extensive, thereby enabling USAID and the private sector to explore potential partnership activities in significant detail.

⁵⁴ Note: With regard to discussions that take place prior to the submission of a concept paper under this APS, and consistent with the fact that submission of a concept paper under this APS satisfies relevant requirements for competition, USAID personnel will conduct the discussions as follows. If a meeting (whether in-person, via phone, via VOIP, or other platform) involves an entity seeking to apply for and receive USAID funding via a traditional assistance award (e.g. grant, cooperative agreement, fixed obligation grant, etc.) under this APS, USAID participants need to limit their input to publicly available information until a concept paper is submitted. However, if a meeting is limited to prospective private sector and other alliance partners that are not seeking to apply for or receive USAID funding (as direct or indirect recipients) via a traditional assistance award under this APS, USAID participants can have robust and extensive discussion regarding the prospective alliance, including detailed discussions regarding prospective alliance activities and projects.

⁵⁵ In the case of a private entity interesting in contributions as mentioned in section II of the APS, USAID may choose to accept a two page Letter of Interest in lieu of a Concept Paper. USAID will make an independent determination as to whether an entity can submit a Letter of Interest in lieu of a Concept Paper. Contact Kanwal Bokhary at kbokhary@usaid.gov or pakyouthaps@usaid.gov for additional information regarding Letter of Interest requirements.

⁵⁶ If the private sector partner is seeking to receive an award from USAID, and USAID has designated the partner to be a non-traditional partner (making contributions) and indicated a willingness to receive a Letter of Interest in lieu of a Concept Paper, USAID may require the private sector partner to provide such a Letter of Interest in order to continue the sort of robust and expansive discussions allowable under this APS.

By contrast, discussions with prospective partnership and alliance partners who are seeking USAID funding under this APS must be more limited in scope until a concept paper is submitted. USAID personnel must limit the scope of those discussions to matters consistent with publicly available information. In addition, USAID personnel CANNOT review or comment on draft concept papers being developed by a prospective applicant for USAID funding under this APS or by such an applicant's prospective partner.

However, once a concept paper has been submitted under this APS, Kanwal Bokharey, Deputy Director Innovation and Partnerships Unit/APS Technical Lead and other USAID staff as deemed necessary, may communicate extensively with ALL prospective partners, including those referenced in the concept paper as well as additional partners that might be engaged over the course of the concept paper review. Communication during the review of the concept paper is aimed at determining whether the partnership alliance ideas set forth in the Concept Paper might warrant further discussion and development. (See Step 3 below). For example, the communication provides USAID an opportunity to clarify the ideas set forth in the Concept Paper and more fully understand whether and how the proposed alliance may relate to and advance USAID priorities and objectives. In some cases, the discussions may result in a request for a revised concept paper.⁵⁷

With regard to all discussions noted above, the discussions do NOT constitute any sort of USAID commitment to developing or supporting a partnership or alliance; nor do they constitute any sort of commitment to fund a proposed alliance.

Note: After receiving the Concept Paper, USAID has 45 days to review the paper and contact the applicant regarding the proposed alliance.

C. Step 3 - Formulate Prospective Partnership Activities, Roles and Responsibilities with USAID

If a Mission determines that the proposed partnership alliance warrants further discussion, consideration and possible pursuit, Kanwal Bokharey and other USAID staff as deemed necessary from the Mission will work with the various partners to jointly develop and build the prospective partnership. Possible partnership activities will be specified; prospective roles and responsibilities of the partnership partners will be delineated; and shared understandings of expected outcomes, results and impact will be developed, including an approach to monitoring and evaluating the progress and success of the partnership.

If the partnership development efforts are productive, the Mission will formally request whatever additional information or materials are needed for the Mission to be able to possibly make an award or otherwise provide resources and assistance aimed at supporting partnership implementation. In most cases, this request will include but not be limited to a Request for Full Application.⁵⁸ Except as otherwise noted in this APS, the requested materials or information may vary and will be determined by the Mission.

Any request for additional information or materials is not yet a commitment to funding, but a necessary step aimed at making funding possible. USAID will review the requested materials, continue discussions with the prospective partners, and make a determination as to whether or not to provide funding and support to the partnership.

⁵⁷ See Section IX of this APS for more information on the Concept Paper review process.

⁵⁸ In cases involving possible award agreements with private sector partners deemed to be "contributory partners," the Agency will likely work with the partner(s) to develop a contribution agreement.

D. Step 4 – Finalize an Appropriate Partnership Agreement with USAID

If the discussions and reviews conducted during Step 3 result in a determination to fund and support the partnership or alliance, USAID will seek to negotiate and finalize an appropriate partnership agreement. Depending on the nature of the lead partner and the activities to be conducted under the partnership, agreements and/or awards may take the form of grants, fixed obligation grants, cooperative agreements, leader with associate awards, collaboration or contribution agreements.⁵⁹

Note: At any point during the partnership development process, USAID may seek to work with prospective partners (resource and/or implementing) to develop a Memorandum of Understanding (MOU) that sets forth the various roles and responsibilities envisioned for the various partners to the alliance. While not legally binding, the development of an MOU is often extremely valuable to clarifying the nature of the partnership or alliance, delineating mutual expectations, establishing governance and communication approaches, and fostering shared understandings of alliance activities, roles and responsibilities. Note: The Mission will determine whether or not an MOU needs to be in place prior to an award being issued by USAID.

PARTNER VETTING

Effective December 1, 2016, USAID/Pakistan has instituted the requirement for vetting all recipients receiving USG funds. The purpose of vetting is to mitigate the risk of USAID funds and other resources either directly or, inadvertently, being used to provide support or benefit individuals or entities that are terrorists, supporters of terrorists or affiliated with terrorists, and minimize impact on USAID programs and its implementing partners.

Prior to award, the highest rated applicants will be notified to fulfill the vetting requirements.

IMPORTANT - Applicants should **not** submit the information below with their concept paper. The information in this section is provided so that applicants may become familiar with additional documentation that may be requested by the Agreement Officer before award in order to make the responsibility determination.

These documents may include, but are not limited to:

1. Audited financial statements for the past three years that have been audited by a certified public accountant or other auditor satisfactory to USAID;
2. Bylaws, constitution, and articles of incorporation, if applicable;
3. Copies of organizational travel, procurement, financial management, accounting manual and personnel policies and procedures, especially regarding salary, promotion, leave, differentials, etc., and an indication whether such policies and procedures have been reviewed and approved by any agency of the Federal Government. If so, the Agreement Officer may request the name, address, and phone number of the cognizant reviewing official;
4. Other documentation, as required by the Agreement Officer, to substantiate that the applicant:
 - Has adequate financial resources or the ability to obtain such resources as required during the performance of the Cooperative Agreement;

⁵⁹ For definitions and descriptions of these types of agreements, please see http://www.usaid.gov/sites/default/files/documents/1868/aapd04_16.pdf and ADS 303 at <http://www.usaid.gov/sites/default/files/documents/1868/303.pdf>.

- Has the ability to comply with the award terms and conditions, taking into account all existing and currently prospective commitments of the applicant, nongovernmental and governmental;
- Has a satisfactory record of performance. Past relevant unsatisfactory performance is ordinarily sufficient to justify a finding of non-responsibility, unless there is clear evidence of subsequent satisfactory performance;
- Has a satisfactory record of integrity and business ethics; and,
- Is otherwise qualified and eligible to receive a Cooperative Agreement/Grant under applicable laws and regulations (e.g., Equal Employment Opportunity Laws).

An award may only be made by the cognizant AO upon his/her signature and only after she/he makes a positive responsibility determination that the apparently successful applicant possesses, or has the ability to obtain, the necessary management competence in planning and carrying out assistance programs, and specifically the proposed program, and that it will practice mutually agreed upon methods of accountability for funds and other assets provided by USAID.

For organizations that are new to working with USAID or for organizations with outstanding audit findings, or otherwise at USAID's discretion, USAID may perform a pre-award survey to assess the Applicant's management and financial capabilities. If notified by USAID that a pre-award survey is necessary, Applicants must prepare, in advance, the required information and documents. See ADS 303.3.9.1 for more information on pre-award surveys. Please note that a pre-award survey does not commit USAID to make any award.

APPENDIX C – CONCEPT PAPER TEMPLATE

APS No. 72039119APS00001 Concept Paper Template: Required Format

The main body of the concept paper must not exceed 5 pages and must use standard margins and 12pt Times New Roman font. Questions regarding this template can be directed to pakyouthaps@usaid.gov or Kanwal Bokharey at kbokharey@usaid.gov. The required supporting information must not exceed 6 pages. The concept paper and supporting information must use the format described below. The concept paper must be submitted to the USAID/Pakistan to build a partnership at pakyouthaps@usaid.gov

SECTION I - SUMMARY INFORMATION

A. Name and Contact Information of Private Sector Applicant

B. Title of Proposed Partnership

C. Overall Objective of Partnership (1-2 sentences)

D. Name and Contact Information for Private Sector Partner(s) *(Note: This information is a must for submitting a concept paper.)*

E. When did the private sector applicant connect each private sector partner (if applicable) to USAID and to whom at USAID? *(Note: If applicant has not met this requirement and cannot provide the requested information, applicant should not submit a concept paper. If applicant submits a concept paper, USAID is under no obligation to review the concept paper.)*

F. Amount of Funding (if any) Requested from USAID \$ _____

G. Value of Anticipated Private Sector Resource Contributions (generally should equal or exceed amount of funding requested from USAID) \$ _____

(Note: As discussed in the APS, if an applicant cannot demonstrate private sector resource contributions that satisfy the private sector cost share and leverage requirements set forth in Appendix A of the APS, and the concept paper requirements set forth in Sections VII and VIII of the APS, USAID is not obligated to entertain, consider or review the concept paper. Consideration or review of the concept paper is wholly at USAID's discretion.)

SECTION II – DESCRIPTION OF PARTNERSHIP

A. Private Sector Engagement (1-2 paragraphs)

Engagement of the private sector as a core partner is a key requirement under the APS. This portion of the concept paper should describe how the private sector partner(s) will be engaged in:

1. the identification and definition of the problem(s) to be addressed;
2. the development of prospective solutions to the problem(s);
3. the determination of results to be achieved; and
4. the development of the partnership proposed in the concept paper.

(Note: If applicant cannot demonstrate robust engagement of the private sector partner(s) as described in the APS, the applicant should not submit a concept paper. If applicant submits a concept paper, USAID is under no obligation to review that concept paper.)

B. Description of Proposed Partnership

Clearly identify and describe the development problem or challenge to be addressed and provide a thorough description of:

1. the partnership's objectives;
2. the proposed approach and activities, including an implementation timeline;
3. the anticipated results and impact;
4. how the proposed partnership will clearly and significantly contribute to achieving the APS objective;
5. the roles and responsibilities of the core partners. This must include a description of the role of the private sector partner(s) and how the private sector partner's involvement, expertise and resource contributions will support specific alliance activities and contribute to particular outcomes and results and intended impacts;
6. how the collaboration with the private sector will increase the reach, efficiency, effectiveness, sustainability and scale of USAID's development assistance;
7. how the outcomes and results, as well as any activities that need to continue beyond the duration of a USAID award, will be sustainable without continued USAID funding or involvement after the award ends.

C. Monitoring and Evaluation Approach (1-2 paragraphs)

Provide a brief description of the monitoring and evaluation approach to be used. Include how success will be defined, the availability of baseline data, the use of control groups, or the definition and development of comparison groups and counterfactuals.

[Sections I and II of the Concept Paper must not exceed five pages.]

SECTION III – SUPPORTING INFORMATION (six pages)

A. Proposed Estimated Cost and Cost Breakdown (1-page maximum)

This should include proposed budget and projections.

B. Letter(s) of Support or Commitment from Private Sector Partner(s) (4 letters maximum; any letter must not exceed two pages)

Applicant must submit letters of support and commitment from the core private sector partner(s), if different from the applicant, to the partnership. The letter should identify the interests the private sector partner has in the proposed partnership, the ways in which the private sector partner was engaged in developing the partnership, the objectives and results the private sector partner seeks to achieve through the partnership, the role and responsibilities the private sector partner anticipates having in the partnership, and the resources and contributions the private sector anticipates providing to the partnership.

(Note: USAID has no obligation to entertain, consider or review a concept paper that does not include letters of support from core private sector partners. Consideration or review of the concept paper is wholly at USAID's discretion.)

C. Contact Information for Proposed Partners (1-page maximum)

Provide contact information for all the core partners (private, public, civil society, university, etc.). Include name, title, email and phone numbers and a brief description of each prospective partner's previous work and experience, including but not limited to experience working in public private partnerships. This includes the applicant's previous work and experience.

D. Resource Contributions Table (See below; does not count toward the 6-page total)

Using the Resource Contributions Table below, list the projected resources to be contributed by each of the partners (as applicable) to the partnership. Please list any and all private sector partners first, followed by other types of partners. Please note that only the resources provided by entities defined as "Private Sector" under the APS are potentially eligible to be counted toward the private sector resource requirement.

(Note: Items A, B and C must not exceed 6 pages in total.)

PARTNER RESOURCE CONTRIBUTIONS TO THE PARTNERSHIP

Use this table to list and briefly describe the projected resources to be contributed by each of the partners to the partnership. Please list business contributions first, foundation contributions second, then any other private sector partner contributions. Contributions from other types of partners should be listed after the private sector contributions have been listed. Please note that only the resources provided by entities defined as “Private Sector” under the APS are potentially eligible to be counted toward the private sector resource requirement¹.

Partner Name	Partner Type	Cash Contribution	In-Kind Contribution	Total	Description / Comment
<i>Full name of partner</i>	Business, corporation, or private firm; venture or angel investors; market developers; private business or industry associations, including chambers of commerce; academia and training institutions; private grant-making foundations; high net worth individuals and philanthropists	<i>In US\$</i>	<i>In US\$</i>	<i>Total of previous two columns</i>	<i>Brief comments on nature, purpose of private sector contributions and how they will support specific activities under the partnership</i>
<i>Example: Company X</i>	<i>Business</i>	<i>US\$ 1,000,000</i>	<i>100,000</i>	<i>1,100,000</i>	<i>Cash contribution to fund alliance rollout in Kenya 100k in-kind in staff time and donated technology</i>

¹ For purpose of this APS, “private sector” refers to the following: private for-profit entities such as a business, corporation, or private firm; venture or angel investors; market developers; private business or industry associations, including chambers of commerce; academia and training institutions; private grant-making foundations; high net worth individuals and philanthropists. Partnerships developed under this APS must involve one or more of these private sector entities. For additional clarification and requirements, please see Appendix A: The Private Sector Resource Requirement. All prospective partners should review Appendix A in its entirety. Strategic and proactive engagement of the private sector improves the identification and definition of critical economic and social development problems; strengthens the design and implementation of promising solutions to those problems; and increases the sustainable impact of USAID’s respective investments in developing countries.

APPENDIX D - KEY WEBSITES, APPLICABLE REFERENCES AND REGULATIONS

- Agency Initiatives and Priorities

<http://www.usaid.gov/what-we-do> and <http://www.usaid.gov/where-we-work>.

- Mission Priorities, Programs and Points of Contact

<https://www.usaid.gov/work-usaid/get-grant-or-contract/opportunities-funding/global-development-alliance-annual-program-mission>

- Data Universal Numbering System (DUNS) / Systems for Award Management (SAM)

<http://www.dnb.com> and <https://www.sam.gov/portal/public/SAM/>

- Mandatory Standard Provisions for U.S. Nongovernmental Recipients

<https://www.usaid.gov/ads/policy/300/303maa>

- Mandatory Standard Provisions for Non-U.S. Nongovernmental Recipients

<https://www.usaid.gov/ads/policy/300/303mab>

- 22 CFR 200

<https://www.gpo.gov/fdsys/pkg/CFR-2014-title2-vol1/pdf/CFR-2014-title2-vol1-part200.pdf>.

- OMB Circulars A-110 and A-122

<http://www.whitehouse.gov/omb/circulars/a110/a110.html>

<http://www.whitehouse.gov/omb/circulars/a122/a122.html>

- ADS Series 300 Acquisition and Assistance

<https://www.usaid.gov/who-we-are/agency-policy/series-300>

- SF-424 Downloads and SF-425 Downloads

<http://apply07.grants.gov/apply/FormLinks?family=15>

http://www.whitehouse.gov/sites/default/files/omb/assets/grants_forms/SF-425.pdf and

http://www.whitehouse.gov/sites/default/files/omb/grants/standard_forms/SF-425_instructions.pdf

- Governing Regulations, Standard Provisions and Required Certifications at Time of Award

<http://www.usaid.gov/sites/default/files/documents/1868/303.pdf>

- Guidance for Proposals Involving a Partial Credit Guarantee

<http://www.usaid.gov/what-we-do/economic-growth-and-trade/development-credit-authority-putting-local-wealth-work>

- USAID/Pakistan Private Engagement Newsletter

Posted as an attachment to this APS posted on www.grants.gov.

- CDCS Summary

Posted as an attachment to this APS posted on www.grants.gov.

- Concept Paper Template (Word format)

Posted as an attachment to this APS posted on www.grants.gov.

APPENDIX E – ACRONYMS, DEFINITIONS AND MISSION CONTACTS

List of Acronyms

ADS	Automated Directives System
APS	Annual Program Statement
CDCS	Country Development Cooperation Strategy
CFR	Code of Federal Regulations
DUNS	Data Universal Numbering System
FAA	Fixed Amount Award
GC	General Counsel
GCC	Gulf Cooperation Council
GDP	Gross domestic product
GOP	Government of Pakistan
ICT	Information Communication and Technology
IMF	International Monetary Fund
KP	Khyber PakhtunKhwā
MOU	Memorandum of Understanding
NGO	Non-governmental Organization
NMD	Newly Merged Districts
OAA	Office of Acquisition and Assistant
PPP	Public Private Partnership
PSE	Private Sector Engagement
RLO	Regional Legal Officer
SAM	Systems for Award Management
TVET	Technical and Vocational Education Training
USAID	United States Agency for International Development
USG	United States Government

Key Definitions

Private-Sector Engagement (PSE): PSE is a strategic approach to planning and programming through which USAID consults, strategizes, collaborates, and implements with the private sector for greater scale, sustainability, and/or effectiveness of outcomes.

Other terms:

Additionality: The net positive difference expected to result from a donor-business partnership, (*i.e.*, the positive change that otherwise would not happen without public support). It signifies the extent to which activities (and associated results) are larger in scale, are at a higher quality, take place more quickly, take place at a different location, or take place at all as a result of a donor intervention.

Blended Finance: “Blended finance” uses catalytic capital from public or philanthropic sources to increase private-sector investment in developing countries for sustainable development.

Bond: A fixed-income investment through which an investor loans money to an entity (typically corporate or governmental), which borrows the funds for a defined period of time, at a variable or fixed interest rate. Companies, municipalities, states, and sovereign governments use bonds to raise money and finance a variety of projects and activities. Owners of bonds are debtholders, or creditors, of the issuer.

Co-creation: A design approach that brings people together to produce collectively a mutually-valued outcome. It relies on a participatory process that assumes some degree of shared power and decision-making. Co-creation can range from informal collaborative and consultative methods to a more formal process that leads to specific designs or activities.

Co-financing: Joint and/or pooled financing by USAID and another entity to fund a venture, program, project, activity, or entity.

Collaboration: “Collaboration” with the private-sector entails the sharing of information and ideas, and the coordination of efforts to achieve shared values and common goals, which can, but need not, include financing.

Collective Action: The behaviors or actions of a group working toward a common goal. When individuals engage in collective action, the strengths of the group’s resources, knowledge, and efforts are combined to reach a goal shared by all parties

Corporate Philanthropy: **Corporate philanthropy** is the act of a **corporation** or business promoting the welfare of others, generally through charitable donations of funds or time.

Co-investment: The joint contribution of money or capital made by a private-sector actor and USAID that considers Return on Investment (ROI) as it relates to core business objectives alongside the achievement of development outcomes.

Corporate Social Responsibility (CSR): “CSR” encompasses a company’s initiatives to assess, and take responsibility for, the firm’s effects on environmental and social well-being. These issues typically align to a corporation’s strategy and operations, but are not part of its core business. The term generally applies to efforts that go beyond what regulators might require. CSR is also known as “corporate citizenship,” and can involve incurring short-term costs that do not provide an immediate financial benefit to the company, but instead promote positive social and environmental change.

Cost-Share (also known as “matching”): The portion of project costs not paid by Federal funds (unless otherwise authorized by Federal statute) that meet the specific requirements of Part 200 of Title 2 of the Code of Federal Regulations (CFR, the Uniform Administrative Requirements, Cost Principles, and Audit Requirements For Federal Awards). Cost-share must be part of an award’s budget, and is a requirement under the award.

Domestic Resource Mobilization (DRM): The process through which national and sub-national governments raise and spend their own funds to provide for their people. DRM not only provides governments with the funds needed to alleviate poverty and deliver basic social services, but is also a critical step on the path out of aid dependence. Private philanthropy and private-sector finance can also be key components of DRM, even if the funds do not flow into government accounts.

Due Diligence: The necessary assessment of the past performance, reputation, and future plans of a prospective partner, private-sector entity, or other organization, with regard to various business practices and principles to evaluate the risks and benefits of working together. This assessment of a prospective partner would normally involve, at a minimum, examining their social, environmental, and financial track records, as well as assessing additionality from USAID’s proposed involvement.

Enabling Environment (for business): The context in which commercial firms operate. It includes laws, regulations, policies, international trade agreements, and public infrastructure that affect the movement of

a product or service along its value-chain. The business-enabling environment at the national and local level encompasses policies, administrative procedures, enacted regulations, and the state of public infrastructure. In addition to these more-formal factors, social norms, workforce-skill levels, business culture, and local expectations can be powerful aspects of the business-enabling environment.

Enterprise-Driven Development: Aligning with the private-sector as co-creators of market-oriented solutions. Together, this drives shared interests and shared risk, while working toward results that create shared value. Conceptually, enterprise-driven development includes market-based, private-sector partnerships and PSE in which the private-sector is appropriately in the lead in providing market-based solutions to development and humanitarian challenges.

Environmental, Social, and Governance (ESG): A set of standards for a company's operations that help determine its long-term valuation and performance. The term is common in capital markets, and socially-conscious investors use it to screen investments. Environmental criteria focus on how a company performs as a steward of the natural environment. Social criteria examine how a company manages impact on and relationships with its employees, suppliers, customers, and the communities in which it operates. Governance reflects a company's leadership, executive pay, audits and internal controls, and shareholder rights

Equity Investment: The contribution of capital to a company or project through the purchase of shares, stocks, participations, or similar documents. Equity investors purchase shares on the expectation that shares or stocks will rise in value through capital appreciation, and/or generate capital dividends from the company. In the development-finance context, equity investments provide developmental support and long-term growth capital that private enterprises need. The objective is to exit the investment with a return of at least the initial capital, if not enhanced values to invest elsewhere.

Externality: A consequence of an economic activity experienced by unrelated third parties; it can be either positive or negative.

Financial Analysis: "Financial analysis" looks at a project from the perspective of the entity that is undertaking the investment, and ignores externalities. It uses market prices, whether or not those prices represent the true cost to society. Essentially, *ex ante* financial analysis consists of setting out and comparing (usually annual) expected revenue and expense streams (investment, maintenance, and operation costs) calculated from the point of view of the concerned economic agents in each project alternative, and in working out the corresponding financial ratios that help demonstrate likely profitability and sustainability.

Foreign Direct Investment (FDI): An investment made by a firm or individual from one country into business interests located in another. Generally, FDI takes place when an investor establishes foreign business operations, or acquires foreign business assets, including by establishing ownership or a controlling interest in a foreign company. Foreign direct investments are distinguished from portfolio investments in which an investor merely purchases the equities of foreign-based companies.

Gift Authority: The legal ability of the Agency to accept gifts and donations, either in-kind or as cash, for carrying out its official functions. USAID has several gift authorities, as addressed in ADS Chapter 628.3.2.

Annual Program Statement (APS): A solicitation aimed at fostering extensive collaboration with the private-sector to achieve greater development impact. The value of the expertise, capabilities, assets and resources contributed to a partnership alliance by the private-sector must equal or exceed the value of

resources requested from USAID. The APS invites the private-sector to proactively identify and define problems, scope, develop, and implement solutions.

Impact Investments: Investments made with the intention to generate positive, measurable, social and environmental impact alongside a financial return. Core characteristics includes intentionality (i.e., an investor intends to have a positive impact); return expectation on capital, or at a minimum, a return of capital; and, measurement of social and environmental impacts.

Intermediaries: “Intermediaries” facilitate transactions between the suppliers of capital and users of capital for mutual benefit.

Financial Intermediaries: Financial intermediaries are institutions or vehicles that channel capital between a lender/investor and a borrower/investee. Financial intermediaries include commercial banks, investment banks, private-equity funds, venture-capital funds, funds of funds, microfinance institutions, and leasing and insurance companies.

Advisor Intermediaries or Transaction Advisors: “Advisor intermediaries” help clients reduce transaction costs and information barriers by referring them to relevant specialist intermediaries or other advisors.

Investment Facilitation: Targeted, firm-level assistance to reduce transaction costs and/or information asymmetries to catalyze developmentally beneficial investments, without necessarily having donors directly fund the company or project.

Innovative Finance: “Innovative finance” deploys proven approaches to new markets (including new customers and segments), introduces novel approaches to established problems (including new asset types), or attracts new participants to the market (such as commercially-oriented investors).

Investment: The expenditure of money or capital with the expectation of obtaining an additional income or profit.

Investor: Any person or organization who commits capital with the expectation of financial returns. Investors make up a diverse group, each of which operates with different mandates, constraints, and risk-adjusted return preferences. Investors include the following:

- Owners of assets (e.g., commercial banks, pension funds, sovereign wealth funds, insurance companies, and endowments);
- Managers of assets (e.g., private-equity and venture-capital funds); and
- Individual investors (e.g., “angel” investors and family offices).

Leverage: For the purposes of this policy, the term “leverage” describes non-U.S. Government resources, including cash and in-kind gifts and services provided through private-sector partnerships, with the exception of cost-share. Leverage directly contributes to a USAID project or activity, or augments its results by making it more sustainable or effective. Leverage must meet all of the following criteria:

- It is verifiable from the records of the contributor, the recipient, or other entities that access and use the resources;
- It is measurable;
- It creates a tangible and intended impact under a project;
- Its availability is attributable to USAID’s engagement; and
- It is not counted in the approved budget as cost-share, as defined in 2 CFR 200.29.

Leverage can originate from any non-U.S. Government source. For the business community, the term “leverage” is often a verb. It can refer to the use of various financial instruments or borrowed capital to increase the potential return of an investment. Leverage can also refer to the amount of debt used to finance assets.

Market-Based Approaches: Market-based approaches use business models and catalyze markets to solve development and humanitarian challenges more sustainably and at scale. A market-based approach can engage low-income people as customers, and supply them with products and services they can afford; or, as business associates (suppliers, agents, or distributors), to provide them with improved incomes. When a market-based solution becomes commercially viable, the private-sector has a financial incentive to continue and operate it at scale, which increases the sustainability of the intervention, and decreases the need for donor support over time.

Market-Failure: “Market-failure” occurs when freely functioning markets fail to deliver an efficient allocation of resources. The result is a loss of economic welfare, especially from the point of view of society as a whole. This is usually because the benefits that the free market confers on individuals or businesses that are carrying out a particular activity diverge from the overall benefits to society. Market failures often arise in the presence of information asymmetries, externalities, monopoly privileges, or public goods.

Mobilizing Investment: In the context of this policy, “mobilizing investment” refers to raising or spurring return-seeking capital into a project, business or entity, investment vehicle, or initiative that has positive development or humanitarian impacts, as well as the potential of financial return. USAID can use contracts, cooperative agreements, guarantees, technical assistance, as well as its convening power and technical expertise to mobilize investment for development.

Partnership: A collaboration between two or more actors with aligned objectives, shared risk and shared reward. There are many different types of partnerships, in both business and development.

Patient Capital: A form of investment capital with relatively longer terms and more-flexible repayment schedules. “Patient capital” is meant to allow growth-oriented firms to “put capital to work” without being constrained by early, frequent or ill-timed repayment obligations.

Pay-for-Results (PFR) and Results-Based Funding (social/development impact bonds): Umbrella terms for initiatives that pay upon the accomplishment of predetermined results, rather than efforts to accomplish those results. In PFR, the funder sets financial or other incentives for an entity to deliver predefined outcomes, and rewards achievement of the results upon verification. There are many different types of PFR programming, but most fall into five categories:

Performance-Based Awards: Awards that disburse upon the accomplishment of predetermined results. These arrangements are principally between funders and implementers or service-providers. (Examples include the Millennium Challenge Corporation’s approach, the World Bank’s PforR approach, and the Center for Global Development’s proposed Cash on Delivery Aid2 approach).

Prizes: An arrangement, usually through an open and competitive process, that provides financial rewards to one or more competitors that accomplish a desired result. (For example, a fresh approach to a development challenges.)

Relationship Management: A practice and approach to USAID’s interactions with current and potential private-sector partners. Even if engagement does not result in a partnership, good relationship-management can enable valuable exchanges of information on an ongoing basis, and also ensure that

private-sector contacts leave with the sense that their interaction with USAID was professional, productive, and positive – which can lay the groundwork for potential partnership and/or greater alignment in the future.

Return on Investment (ROI): A performance measure used to evaluate the efficiency of an investment, or compare the efficiency of a number of different investments. ROI measures the amount of return on an investment, relative to the investment's cost. To calculate ROI, the benefit or return of an investment is divided by the cost of the investment; the result is expressed as a percentage, or a ratio. Often, private-sector actors will have projected ROI targets, or required thresholds, for their investments. (Source: Investopedia.com)

Self-Reliance (of countries): “Self-reliance” entails a capacity to plan, finance, and implement solutions to local development challenges, and a commitment to see these through effectively, inclusively, and with accountability. Such solutions can come from government, the private sector, civil society, or citizens themselves.

Shared Value: A management strategy in which companies find business opportunities and create economic value in addressing social issues. This contrasts with corporate philanthropy and social responsibility efforts that focus more on the license to operate, “giving back,” or minimizing the harmful impacts of a business. Focusing on shared value enhances the competitiveness of a company, while simultaneously advancing the economic and social conditions in the communities in which it occurs.

Social Enterprise: An organization that addresses a basic unmet need or solves a social or environmental problem through a market-driven approach. Essential to the success of a social enterprise is an effective business model.

Sustainability: The ability of a local system to produce desired outcomes over time by obtaining the resources necessary to produce those outcomes. Programs contribute to sustainability when they strengthen a system's ability to produce valued results, to generate or attract needed resources, and to be both resilient and adaptive in the face of changing circumstances.

Systemic Change: A transformation in the structure, dynamics, and/or relationships among actors (public and private) within an economy, that results in an increased (or decreased) capacity of actors to anticipate and respond to change and in a manner that:

- Leads to impacts on large numbers of people, either in their material conditions or in their behavior; and
- Can bring about more (or less) effective, sustainable and inclusive functioning of the market system.

Transaction: An agreement between a buyer and a seller to exchange goods, services or financial instruments (*i.e.*, debt, equity, or grant). Within USAID, “transactions” often refer to investments in which USAID provides financial or non-financial support, often alongside other public and private actors.

Value Proposition: A business or marketing statement that a company uses to summarize why a consumer should buy a product or service. For the purpose of advancing PSE, USAID would use the term to explain to potential private-sector partners the reasons why collaborating with USAID can be beneficial. For example, USAID's value proposition includes knowledge of developing-country environments, relationships with governments, understanding of regulatory frameworks, and convening authority.

Venture Capital: Money provided by investors to start-up firms with long-term growth potential. It typically entails high risk for the investor, but also above- average returns.

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