



USAID
FROM THE AMERICAN PEOPLE

Private Sector Engagement Policy Update

September 14, 2018

PHOTO: USAID

Private enterprise is the single most powerful force for lifting lives, strengthening communities, and accelerating self-reliance.

— USAID Administrator Mark Green



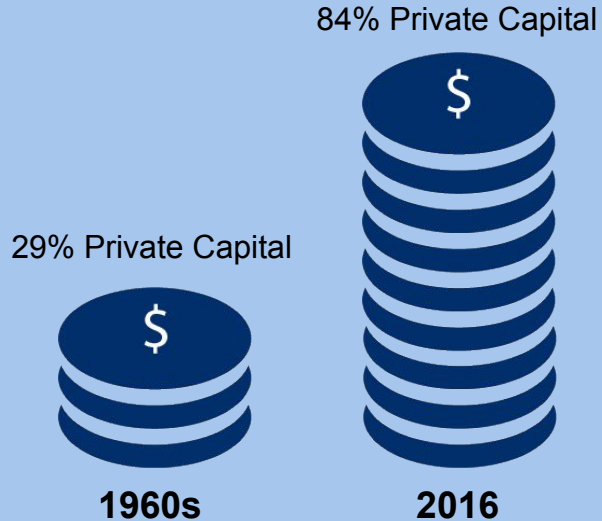
Why now?



PHOTO: USAID

Watershed opportunity to accelerate self-reliance

Financial flows to developing countries have changed dramatically



Developing and emerging economies are increasingly attractive to private sector



Fastest growing markets

Accounted for 70% of global output growth from 2010-2015



Drastic Increases in Consumer Spending

Consumer spending growth estimated to be 3x faster than developed markets from 2015-2030

Scale

Sustainability

Innovation

Jobs



PHOTO: THE COCA-COLA COMPANY

Key Concepts + Definitions



Private Sector Engagement is...

- A means to an end: to achieve more sustainable outcomes
- Spans a spectrum of different types of engagement
- Important to all stages of the self-reliance journey
- Relevant across sectors and contexts





The private sector includes...

- For-profit, commercial entities and their affiliated foundations
- Financial intermediaries (e.g. banks, funds)
- Business associations
- Large, medium and small businesses
- American, multinational, regional and local businesses
- For-profit approaches (e.g. a venture fund launched by a NGO)

PSE is important at all stages of a country's journey to self-reliance

AFGHANISTAN



HAITI



INDONESIA



GHANA



SOUTH AFRICA



Problem

Corruption undermines national security and development efforts.

Haitians urgently need decent, affordable, housing, but financial institutions perceive high risk of non-payment.

High maternal and newborn death rate and poor access to rural health clinics.

Power outages disrupt businesses and cost estimated \$2.1 million in production loss daily.

Pharmacies are the front-lines for health services in underserved areas but face capacity gaps.

Market-based solution

Adopted a market-based approach to fight corruption in salary pay, switching from cash to digital payments.

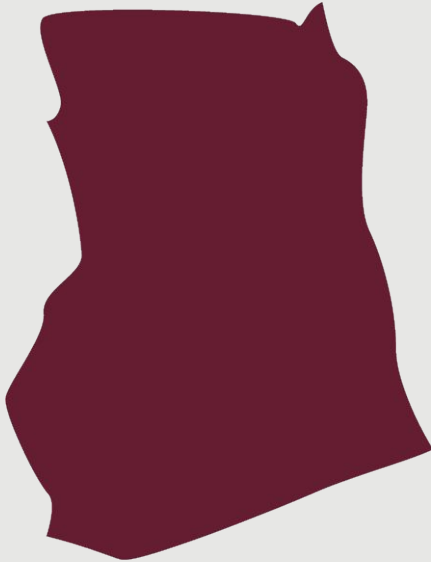
Created HOME program, providing performance-based incentive payments to financial institutions once housing loans are disbursed to target beneficiaries.

Created a platform for public + private stakeholders to co-create and test local solutions. USAID will co-finance scalable solutions alongside the private sector.

Through a Power Africa advisor in the Ministry of Energy, USAID worked with OPIC, MCC and others to progress the Amandi Energy project - a \$552 million, 200 MW power plant.

Partnered with the private sector to create Lulama, which strengthens pharmacies and provides them access to credit

PSE & The Journey to Self-Reliance: Ghana



Problem:

Ghana's robust GDP growth and increased urbanization rates exacerbate power supply deficit -- costing an estimated \$2.1 million in production loss daily.

Solution:

Under Power Africa, USAID worked with OPIC, MCC and other USG agencies to progress the Amandi Energy project - a \$552 million, 200 MW power plant.

A USAID-funded advisor in Ghana's Ministry of Energy coordinated public and private stakeholders to ensure timely financial close, and to build capacity to attract private investment for future power projects.

PSE & The Journey to Self-Reliance: South Africa



Problem:

Pharmacies are the front-lines for health services in underserved areas but face high costs and capacity gaps.

Solution:

USAID partnered with the private sector to create Lulama -- a project to strengthen pharmacies in underserved areas.

Lulama provides pharmacies access to credit, accompanied by capacity building, to ensure pharmacies can keep medicine in stock.

How USAID is changing



PHOTO: KELLY RAMUNDO FOR USAID



PHOTO: USAID

“Implementing this policy will require a major cultural and operational transformation in the way that USAID works.”
— USAID Administrator Mark Green

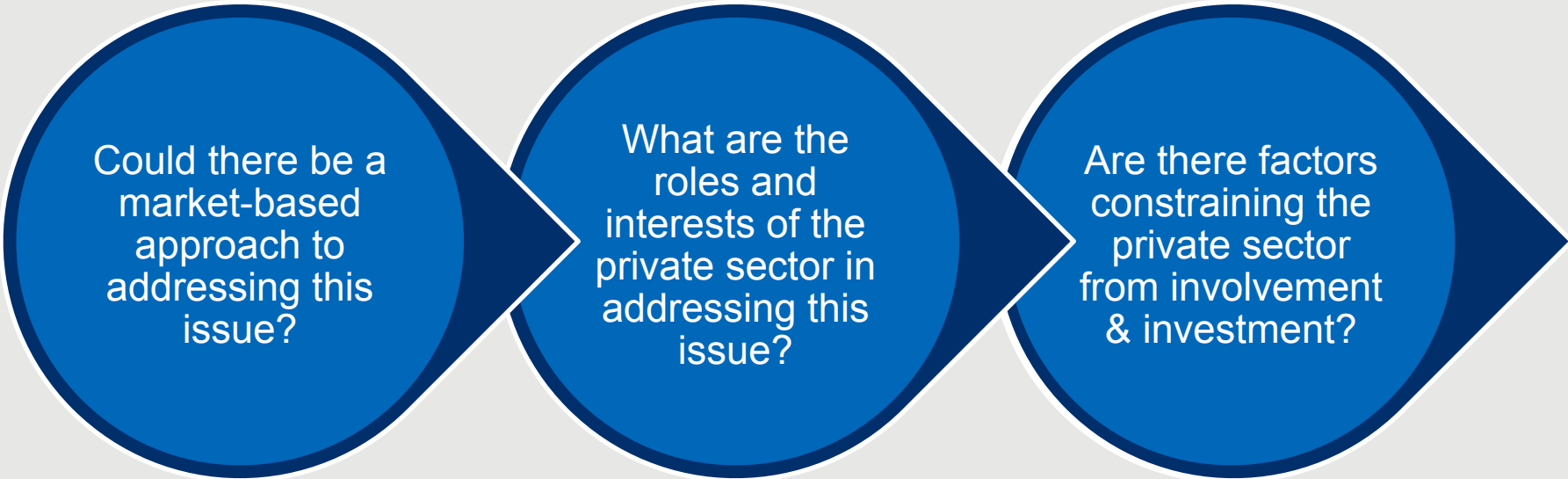
The PSE Policy is an Agency-wide *Call to Action* to expand the ways we work with the private sector

We will...

1. Prioritize **market-based approaches** as a means for increasing sustainability of outcomes
2. Actively work with the private sector to **understand and address barriers to investment and market development**
3. **Incentivize and value PSE** across the Program Cycle
4. **Expand the use of approaches and tools** that unlock investment and expertise of the private sector
5. **Build and act on evidence** of what works and what doesn't in PSE

What's New About this Policy?

A mandate to ask and address these questions every time USAID Staff & our partners approach a development or humanitarian issue:



Could there be a market-based approach to addressing this issue?

What are the roles and interests of the private sector in addressing this issue?

Are there factors constraining the private sector from involvement & investment?

Operationalizing PSE

This policy will be paired with strong support to USAID staff and our partners, including resources, tools, and training.



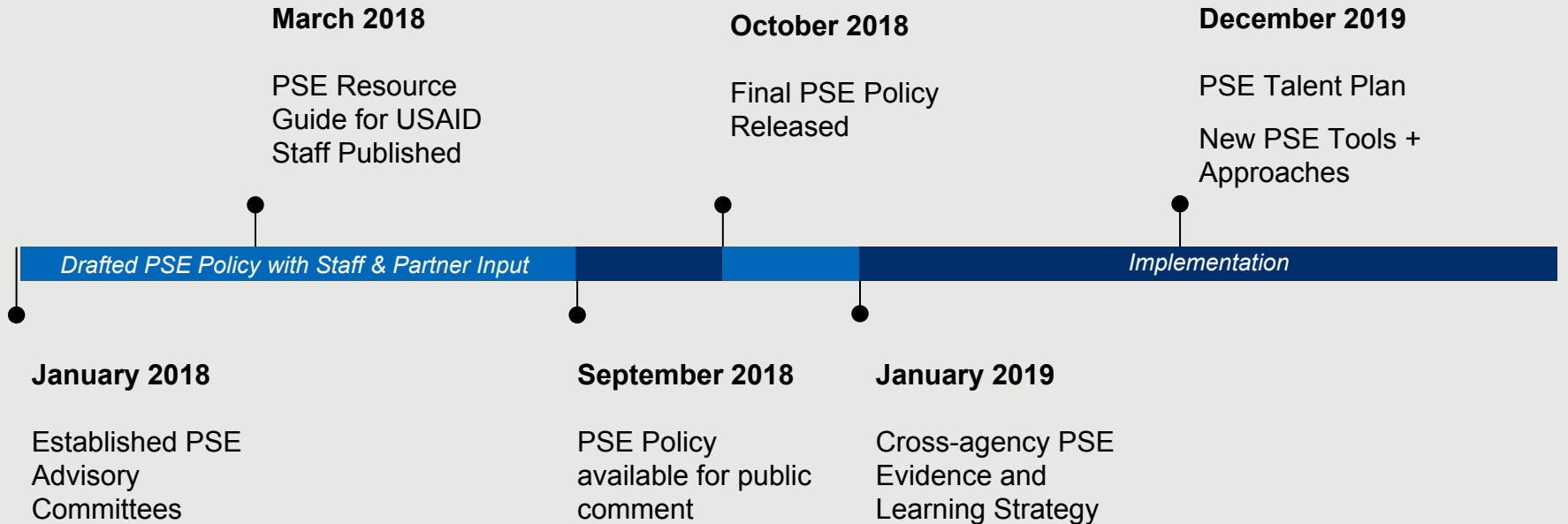
Implementing Partners are...

- Frontrunners - already working through market-based approaches
- On the frontlines of engaging private sector and identifying opportunities
- Diversifying to include more private enterprises
- Collaborators as we seek to test new ways to use PSE for better results



PHOTO: DAVID ROCHKIND FOR USAID

Timeline



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— Appendix



The Journey to Self-Reliance: Afghanistan



Problem: Rampant corruption undermines national security and development efforts.

Solution: Worked with Afghan National Army and Police to adopt a market-based approach to fight corruption in salary pay, switching from cash to digital payments.

The Journey to Self-Reliance: Haiti



Problem: Private investment barriers and capacity gaps persist.

Solution: Constructed the Caracol Power Utility. Now working with the Government of Haiti to establish a public-private partnership for sustainable, long-term management.

The Journey to Self-Reliance: Indonesia



Problem: High maternal and newborn death rate and poor access to rural health clinics.

Solution: Convened public and private actors to jointly identify evidence gaps; provided the platform and support to co-create and test solutions with local actors; will co-finance scalable solutions.

The Journey to Self-Reliance: Jordan



Problem: Lack of access to natural resources as well as non-competitive practices within the private sector.

Solution: Provided technical assistance for the government and private sector to identify, advocate, and implement policy reforms.

Definition of PSE

A strategic approach to planning and programming whereby USAID consults, strategizes, aligns, collaborates, and implements with private sector for greater scale, sustainability, and/or effectiveness of development or humanitarian outcomes



PHOTO: USAID

Learning Agenda

Measure sustained
development impact,
not dollars leveraged

in

Close gaps in our
knowledge



USAID Policy Implementation Expectations

Every OU Must:

- Designate a PSE POC
- Define a plan for how to operationalize the policy
- Conduct due diligence for formal private sector partnerships

Every OU Should:

- Create an annual PSE plan, integrated into the OP
- CDCS & PADs: Map private sector, conduct analysis on how PSE can be used to achieve outcomes
- Activities: Seek opportunities to co-create and/or align efforts
- Report on PSE progress through the PPR

Every OU is Recommended To:

- Establish cross-sectoral PSE working group chaired by MD/ OU Leadership