Private Sector Engagement
Policy Update
September 14, 2018
Private enterprise is the single most powerful force for lifting lives, strengthening communities, and accelerating self-reliance.

— USAID Administrator Mark Green
Why now?
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
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**

- **Problem:** Corruption undermines national security and development efforts.
- **Solution:** Adopted a market-based approach to fight corruption in salary pay, switching from cash to digital payments.

**HAITI**

- **Problem:** Haitians urgently need decent, affordable, housing, but financial institutions perceive high risk of non-payment.
- **Solution:** Created HOME program, providing performance-based incentive payments to financial institutions once housing loans are disbursed to target beneficiaries.

**INDONESIA**

- **Problem:** High maternal and newborn death rate and poor access to rural health clinics.
- **Solution:** Created a platform for public + private stakeholders to co-create and test local solutions. USAID will co-finance scalable solutions alongside the private sector.

**GHANA**

- **Problem:** Power outages disrupt businesses and cost estimated $2.1 million in production loss daily.
- **Solution:** 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.

**SOUTH AFRICA**

- **Problem:** Pharmacies are the front-lines for health services in underserved areas but face capacity gaps.
- **Solution:** 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.
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
“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
CONTACT:
SARAH GLASS
SGGLASS@USAID.GOV
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
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