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Measuring the Impact of Private Sector Engagement (PSE) Partnerships

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What is Private Sector Engagement (PSE)?

PSE is a strategic approach to planning and programming where USAID consults, strategizes, aligns, collaborates, and implements with the private sector for greater scale, sustainability, and effectiveness of development or humanitarian outcomes.

Emerging economies have investment potential



Fastest growing markets

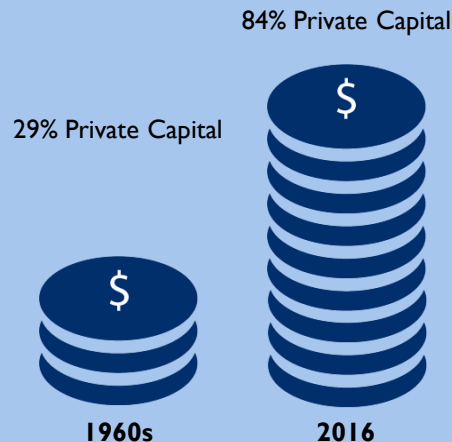
Accounted for **70% of global output growth** from 2010-2015



Drastic Increases in Consumer Spending

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

Financial flows to developing countries have changed dramatically



WHY NOW?

- **Trends:** Financial flows outpace development assistance.
- **Growing Alignment:** Markets in developing countries are increasingly attractive to investors and companies.
- **Scale:** Only the private sector's resources and capabilities can match the scale and complexity of the challenges countries face.
- **Pathways to Sustainability:** Businesses create nine out of 10 jobs in the developing world. As providers of market-based solutions, the private sector has the power to strengthen the sustainability of outcomes.



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)

Topline Change

USAID staff and partners should ask and assess these questions every time we approach development and humanitarian issues:

Can the private sector solve this problem by itself?

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

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

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

Is there a role for USAID to help alleviate or eliminate these constraints?

Market-based approaches and investment through the private sector are essential in identifying and implementing sustainable solutions to Jordan's development challenges. By working together, USAID and the private sector can leverage each others' resources, assets, relationships, and expertise to support Jordan's economic stability and prosperity.



PHOTO: USAID

PSE Policy Operating Principles

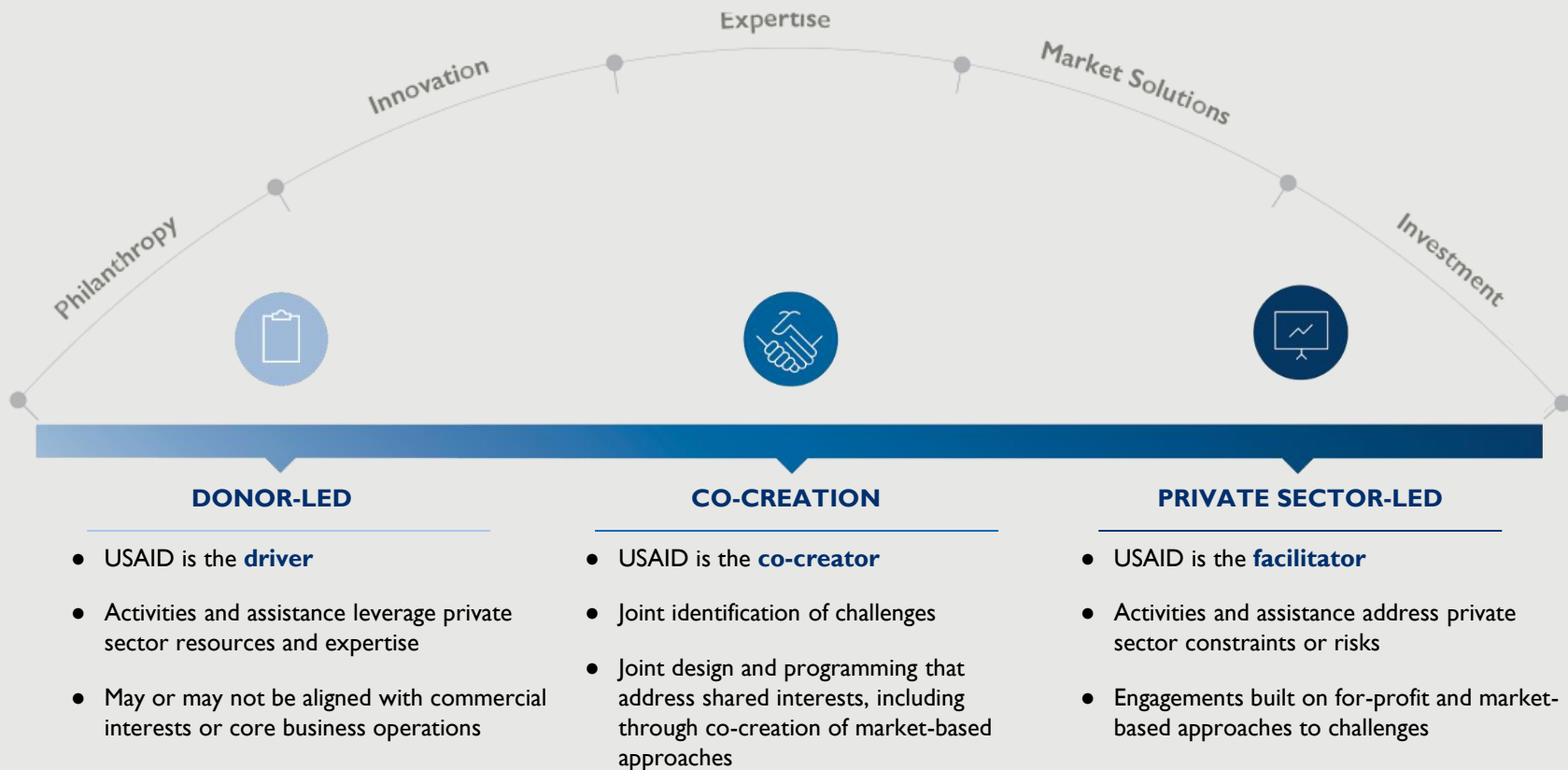
Principle 1 Engage early and often.

Principle 2 Incentivize and value PSE throughout planning and programming.






Principle 3 Expand the use of USAID's approaches and tools that unlock the potential of the private sector.

Principle 4 Build and act on the evidence of what works, and what does not, in PSE.

PSE Spans a Spectrum



PSE is important at all stages of improving a country's economic opportunities and political stability

	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

Key Shifts in Scaling and Mainstreaming PSE

Strategic Collaboration

Working **hand-in-hand** & building **relationships** that create opportunities for co-creation

Aligning for Enterprise-Driven Outcomes

Engage early and often to understand perspectives; **Jointly identify market-based solutions**

Shifting Roles

USAID is a **facilitator, convener, catalyst, thought leader**

PSE & collaborating with the private sector



COLLABORATION

means many things, including but not limited to...

- **Building** relationships and networks for ongoing co-creation
- **Using convening power** to **jointly identifying** issues & priorities
- **Aligning** efforts with the private sector to pursue market-based approaches
- **Co-creating** market-based solutions
- **Adaptively managing** to market-conditions
- **Catalyzing** new or additional capital and investment for scale **with** USAID resources
- **Co-financing** innovations
- **Sharing risk and reward** in development investments

Group Exercise

Breakout into groups by sector if possible.

Answer three questions:

- If you are working with the private sector, how are you working with them?
- How are you measuring impact of these relationships/partnerships with the private sector?
- If you are not working with the private sector, why not and what are the barriers?

We will have 20 minutes for this exercise.

THE GDA APPROACH:

DEFINITION OF A GDA

Global Development Alliance:

A GDA is a partnership involving USAID and the private sector where the partners work together to develop and implement market-based approaches and activities that leverage and apply our respective assets and expertise to advance core business interests; facilitate private sector led development; achieve USAID's development objectives; and increase the sustainable impact of USAID's development investments.

GDA Characteristics

Focus on Sustainable Development Impact



Based on Complementary Interests & Objectives



Market Based Approaches & Solutions



Collaboration: Co-Creation and Shared Responsibility



Significant **Private Sector** Contributions and Investments (> 1:1) that Expand Development Impact



Increased Scale, Efficiency and Effectiveness



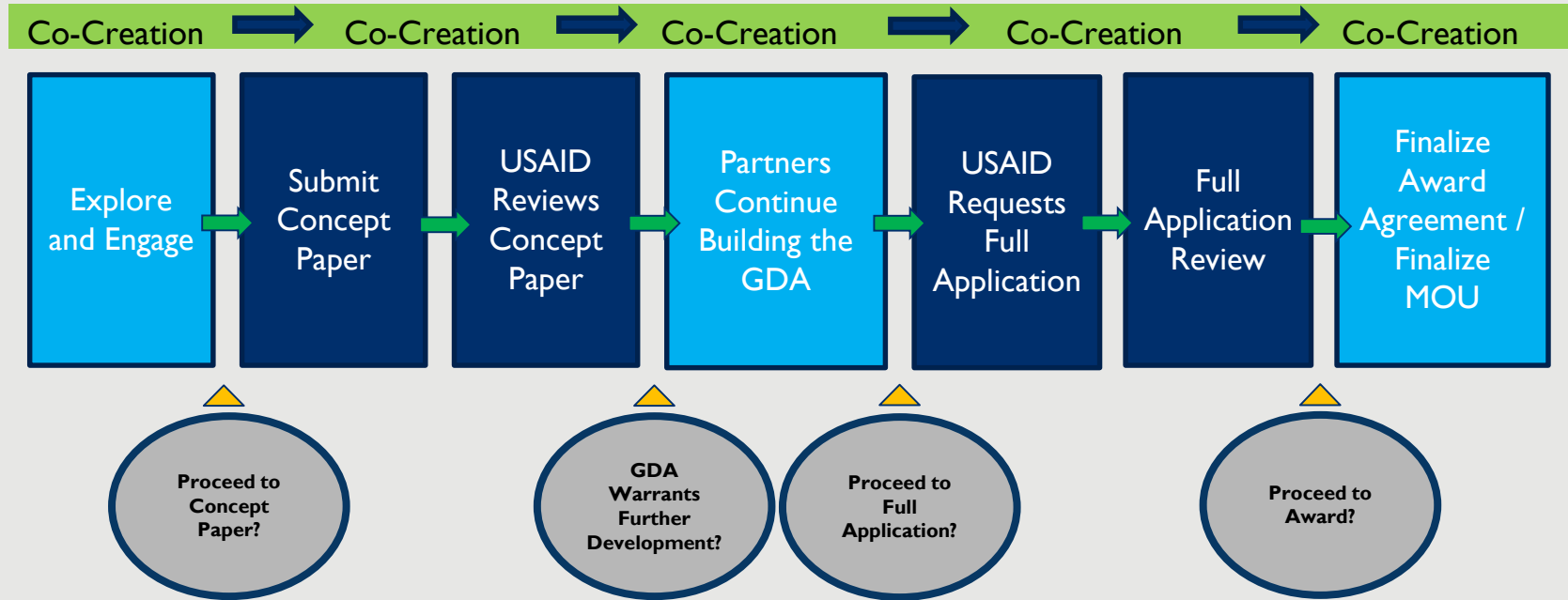
GDA Annual Program Statement (APS)

AN INVITATION TO CO-CREATION

Partnering for Impact

- Worldwide invitation for private sector collaboration around aligned interests
- Requires early private sector engagement and ongoing communication – by USAID and other prospective partners (e.g. NGO)
- Satisfies competition and eligibility
- Efficient concept paper and application review processes
- Allows use of full range of assistance awards
- Well-suited to use of pay for results design and award approaches
- Application and award process requires joint: problem identification and definition, problem-solving, planning, implementation, and risk-sharing
- Mobilizes and leverages private sector resources **for impact**

GDA APS Process



Leveraging Impact: Private Sector Resource Requirement

In order to meet the requirements of the GDA APS, the private sector's resources must:

- Drive development outcomes, results and impact
- Be leveraged and mobilized at a value that preferably doubles the amount of funding requested from USAID
- Be private in nature and origin
- Originate and be mobilized specifically for the alliance
- Have measurable inputs
- Provide the partnership with a comparative advantage

Colombia's Co-Creation in Action

Issued an
Addendum to the
GDA APS

Received 80 concept
papers

Narrowed down to 20
concept papers

Co-creation workshop with 90
participants

8 GDAs developed, utilizing 25 new and
existing private-sector partners



Co-Creation doesn't stop once a GDA is launched! It should involve adaptive management, joint monitoring, evaluation and learning, and organizing after action reviews.

Resources

[USAID's Private Sector Engagement Policy](#)

[GDA APS - APS-OAA-21-00001](#)

[USAID/Jordan Addendum to the GDA APS](#)