The U.S. Agency for International Development and the Private Sector

07 June 2022
Private enterprise is one of the most powerful forces for lifting lives, strengthening communities, and accelerating self-reliance.
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
- Multinational, regional and local businesses
- For-profit approaches (e.g. a venture fund launched by a NGO)
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.

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 on their Journey to Self Reliance.
- **Pathways to Self-Reliance**: Businesses create nine out of 10 jobs in the developing world.
- **Sustainability**: As providers of market-based solutions, the private sector has the power to strengthen the sustainability of 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

- 1960s: 29% Private Capital
- 2016: 84% Private Capital

Financial flows to developing countries have changed dramatically as financial flows outpace development assistance.
When is there a role for the private sector?

*USAID* staff and partners 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?
USAID and the private sector can bring value to partnerships in a variety of roles.

**Co-Creator**
Collaboratively design a development activity with a partner based on shared interests and respective areas of expertise.

**Risk Mitigator**
Use credit guarantees and various advisory services to catalyze investment in priority areas.

**Convener**
Convene multiple actors around an idea, issue or activity.

**Broker/Facilitator**
Collaborate with others to leverage each party’s expertise in pursuit of common development objectives.

**Thought Leader/Expert**
Provide expertise, research, and action to lead or organize others around an issue or proposed solution.

**Advocate**
Encourage stakeholders to act in ways that benefit or complement USAID objectives.

**Investment Catalyst**
Catalyze private capital investments to achieve a development objective.

**Funder/Investor**
USAID invests financial resources in development activities.
### Priorities for the Private Sector in Southeast Asia

<table>
<thead>
<tr>
<th>Priority</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Invest in sustainability</td>
<td>26%</td>
</tr>
<tr>
<td>Reduce risk and crime</td>
<td>22%</td>
</tr>
<tr>
<td>Build capacity</td>
<td>21%</td>
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<tr>
<td>Convene like-minded actors</td>
<td>21%</td>
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<td>Catalyze industry change</td>
<td>19%</td>
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# Challenges for the Private Sector in Southeast Asia

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Issue Description</th>
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<tbody>
<tr>
<td>48%</td>
<td><strong>Data Issues.</strong> Includes challenges with data compliance, accuracy, access, and ownership.</td>
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<tr>
<td>36%</td>
<td><strong>Enabling Environment Challenges.</strong> A lack of, or poorly-aligned regulations, taxation, and policies as hindering their business priorities.</td>
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<td>24%</td>
<td><strong>Human Capital Issues.</strong> These issues include a lack of capacity within companies and their consumers, including gaps in the digital and financial literacy of their customers.</td>
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<td>18%</td>
<td><strong>A lack of prioritization inhibiting their priorities.</strong> Organizations struggle to implement changes because their business or development interests are not prioritized internally, by customers, or by governments.</td>
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<td>16%</td>
<td><strong>Challenges with Costs.</strong> Organizations adopting new technologies and approaches cite the high cost of those solutions as a barrier to meeting their goals.</td>
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# Co-Designing Solutions for Plastic Pollution in Timor-Leste

## Problem

1.3 million people generating 70 tons of plastic waste each day

## Private Sector Partners

![Heineken](image)

![Caltech](image)

## Co-Design Approach

- Identify business needs of Heineken and Caltech
- Identify common values and each party’s capabilities to deliver
- Over time, build trust and confidence

## Result

- Established a “Plastics Solutions Alliance”
- Is a value chain for single-use plastic
- Creates jobs for plastics collectors
- Adds to TL’s manufacturing base
- Diversifies the economy
Thank you!