FUNDAMENTALS of PRIVATE SECTOR ENGAGEMENT

SUFIA PSE Webinar Session 1
June 7, 2022

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PUTTING USAID’S PSE POLICY INTO ACTION
USAID’s PSE Opportunities Tool

1. Determining the items or services that people or communities need (or would benefit from) to address the challenge and which private sector actors may be able to provide assistance.

2. Identifying the target population groups, their demand for these items or services, and the market dynamics at play.

3. Examining whether potential firms are willing to provide (supply) these items or services to the target populations.

4. Identifying constraints to the private sector actors who are providing these items or services to the target populations.

5. Brainstorming ways USAID can help address these constraints and ensure its role is additional in this market-based approach.

https://www.marketlinks.org/blogs/introducing-pse-opportunities-tool
ASSESSING POTENTIAL PARTNERS

High will, high skill: Potential partner appears both competent and willing to change. Engagement options include (1) identifying pre-commercial areas that need focus to scale their model, or (2) conducting further analysis on factors to improve in the business enabling environment.

Low will, high skill: Potential partner has capacity to change but interest and motivation to change is low. Engagement should focus on making the business case for change or reducing incremental risk associated with change.

High will, low skill: Potential partner displays strong incentives & is responsive but capacity to pursue change is underdeveloped. Engagement should focus on building partner’s skills and knowledge to operate outside current comfort zone to deliver desired change.

Low will, low skill: Potential partner lacks incentive and capacity to change. Engagement options include (1) reconsidering the feasibility of change, or (2) using a hard sell strategy to develop the competence and motivation of the partner.

SOURCE: AIP-RURAL Deal Making & Relationship Management Guidelines for private sector partners
MY TOP 5 PSE TIPS
TIP #1: BE CURIOUS!
**UNDERSTAND WHAT MOTIVATES THE PRIVATE SECTOR**

*Businesses are driven to engage in development and partner with USAID to:*

<table>
<thead>
<tr>
<th>Drive growth and profitability</th>
<th>Mitigate risk</th>
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<tbody>
<tr>
<td>Revenue growth, new markets, new customers, new products</td>
<td>Political, operating, financial, market, reputational, etc.</td>
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<tr>
<th>Achieve sustainability goals</th>
<th>Attract and retain talent</th>
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<tr>
<td>Reduce environmental impact, positive impact on employees and communities</td>
<td>Employee engagement, recruitment, healthy and productive workforce</td>
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<th>Strengthen reputation and relationships</th>
<th>Innovate</th>
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<tr>
<td>Improve image, build relationships with governments and communities, secure “license to operate”</td>
<td>Enable business outcomes through reduced cost, increased profitability, improved quality and efficiency</td>
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TIP #2: ALIGN INTERESTS!

- Business Interests
- Shared Interests
- Development and Humanitarian Outcomes
TIP #3: INVEST IN RELATIONSHIPS!
# Relationship Health Factors

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<tr>
<th>Factor</th>
<th>Philanthropic</th>
<th>Strategically Aligned</th>
<th>Shared Value</th>
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<tr>
<td>Alignment</td>
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<td>Trust</td>
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<td>Efficiency</td>
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<td>Mutuality</td>
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<td>Performance</td>
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**Key: Influences on relationship health**
- **Blue**: Essential
- **Gray**: Important
- **Light Gray**: Less Important

*These factors rated ~30% higher than commitment, the second most highly-rated factor.*

**Source:** [USAID's partnership health: 5 lessons from the private sector](https://www.usaid.gov/health)
TIP #4: MAKE IT WORTH THE EFFORT!
**Value Propositions**

**USAID Offers**
- Strong In-Country Networks and Relationships
- Support to Strengthen Enabling Environments
- Sectoral Expertise and Knowledge
- Risk-Mitigation and Flexible Authorities
- Reputation and Credible Convening Power

**Shared Interest**
- USAID and private sector are co-creators
- Joint identification of challenges
- Joint design and programming that address shared interests, including through co-creation of market-based approaches

**Private Sector Offers**
- Scale, Sustainability, and Reach
- Ability to Influence Policy
- Innovation, Expertise, and Capabilities
- Flexibility and Pace
- Efficiency and Effectiveness
- Job Creation and Service Provision

**Sustainability • Innovation • Expertise • Market Solutions • Investment**
TIP #5: PLAN FOR TRANSITIONS!
REMINDER OF MY TOP 5 PSE TIPS

- Be Curious
- Add Value
- Align Interests
- Build Trust
- Plan for Transition