Agency Priority Goal Action Plan

Private-Sector Engagement

Goal Leaders:

Karl Fickenscher
Deputy Assistant Administrator for Economic Growth, Education, and the Environment

Performance.gov

Overview

Goal Statement

Expand engagement with the private sector to achieve greater development outcomes. By September 30, 2021, 100 percent of USAID Missions will have a Private-Sector Engagement (PSE) Plan in place that integrates country-specific PSE approaches into programming and operations, and 90 percent of USAID Missions will demonstrate action taken in line with their PSE Plan.

Challenge

Private sources now represent nearly 90 percent of financial flows to developing countries,[1] and dwarf Official Development Assistance. The private sector creates nine out of ten jobs in the developing world[2] and provides an important pathway to self-reliance. On their own, donor agencies are unable to fulfill their goals for sustainable development. The public sector alone does not have the resources to match the scale and complexity of the challenges that communities face on the Journey to Self-Reliance.

Opportunities

- Changes in the global development context have increased the alignment of interests between the private sector and development actors.
- There is growing recognition within the private sector of the need for, and benefits of, investing in the developing world. Governments are expanding efforts to diversify their economies and connect with capital for investment.
- To capitalize on these opportunities and move closer to ending the need for assistance, USAID must increase and deepen our collaboration with the private sector.

Barriers	Actions to Address
- PSE requires a shift in the Agency's corporate culture and mindsets, which takes time and requires a robust and concerted strategy. - PSE presents challenges with already-stretched bandwidths. - Contracting impediments and risk-averse culture can discourage innovation.	- Developing a repository of compelling PSE stories that illustrate the strategic shift in PSE and how it is different from traditional approaches. - Encouraging working groups to distribute the responsibility, including PSE in work objectives. - Offering training targeted at contracting and legal staff; increasing awareness of Agency's Risk Appetite Statement; joining efforts with Effective Partnering and Procurement Reform.

---

[1] The Index of Global Philanthropy and Remittances 2016, Hudson Institute, 2016, page 9.

[2] *World Development Report 2013*, World Bank 2013, page 7; and Jobs Study: Assessing Private-Sector Contributions to Job-Creation and Poverty-Reduction, January 2013, International Finance Corporation.

Goal Leadership

USAID's PSE Team

The PSE Team (the future "PSE Hub") is the *Office of Private Capital and Microenterprise* in the Bureau for Economic Growth, Education, and the Environment, and the *Center for Transformational Partnerships* in the U.S. Global Development Lab. The PSE Team is leading efforts to advance the implementation and institutionalization of USAID's PSE Policy. Both units will become part of the new Bureau for Development, Democracy, and Innovation (DDI) when it becomes operational early in Fiscal Year (FY) 2021.

The Vision for the PSE Hub

Housed in the forthcoming DDI Bureau, the future PSE Hub will support the Agency in advancing the use of market-based approaches to deliver development and humanitarian results across all sectors. The Hub will drive transformation in the Agency's culture and operations to embrace greater collaboration with the private sector in achieving outcomes.

The PSE Hub will coordinate USAID's efforts to broaden our relationships with commercial entities and transform the way the Agency conceives of, designs, and delivers programs. This includes the development of USAID-specific frameworks for working and co-investing with private companies to create new tools; aligning incentives for staff; and bolstering processes to facilitate PSE across the Agency's work, from design to evaluation.
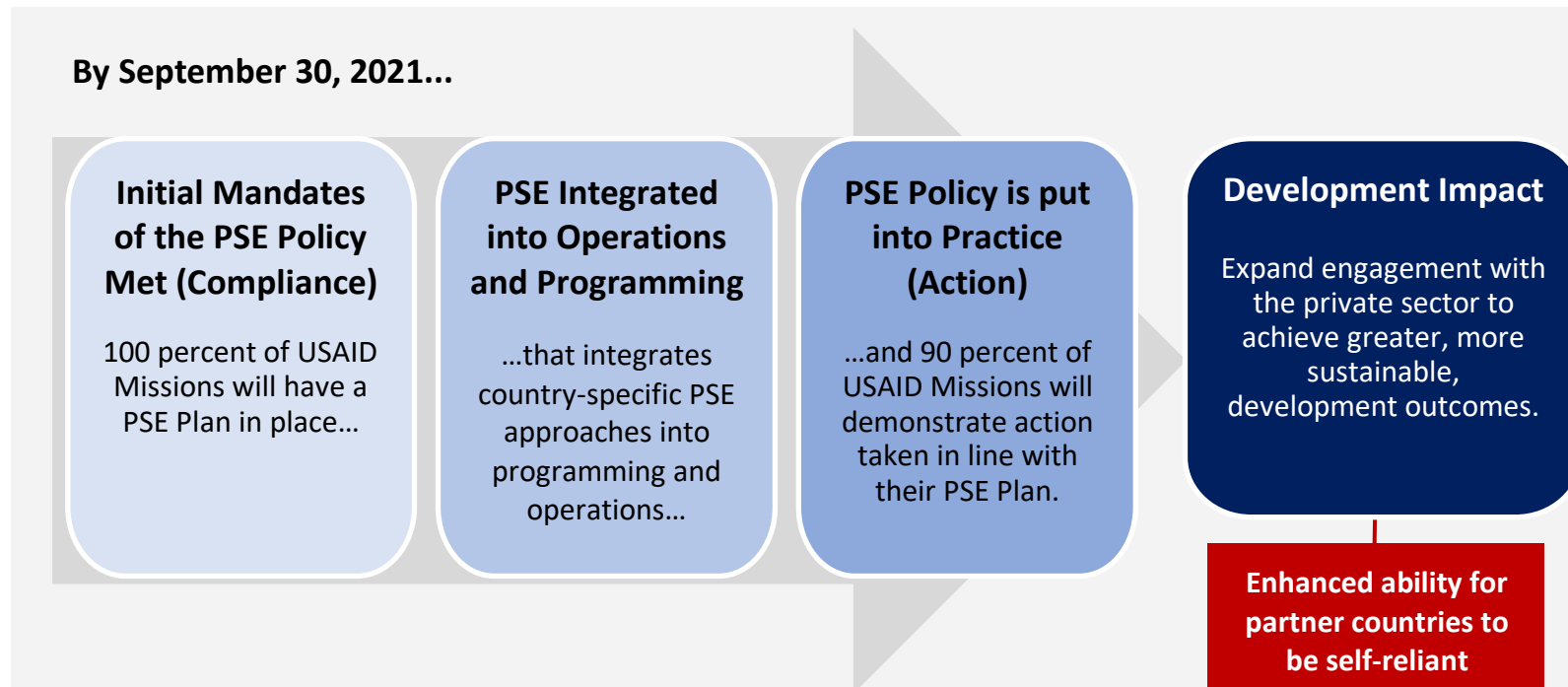
The goals of the future PSE Hub include the following:

1. Adopting more market-based solutions to development and humanitarian challenges;
2. Seeking to address market failures proactively through the Agency's programs in every sector; and
3. Increasing significantly innovation in and collaboration with private enterprise across USAID's work.

Goal Structure and Strategies

USAID's PSE Policy is an Agency-wide call to action to work hand-in-hand with the private sector to conceive, design and deliver our development and humanitarian programs across all sectors. USAID is building local capacities and institutions that bolster national self-reliance. To move the Agency closer to achieving our goal of ending the need for assistance, USAID is prioritizing sustainable, market-based solutions, the mobilization of private capital to expand the scale of development programs and their outcomes, and greater collaboration with the private sector.

The Agency Priority Goal (APG) on PSE will report on our progress made in implementing USAID's PSE Policy along the three phases outlined below.

By September 30, 2021...

Initial Mandates of the PSE Policy Met (Compliance)	**PSE Integrated into Operations and Programming**	**PSE Policy is put into Practice (Action)**	**Development Impact**
100 percent of USAID Missions will have a PSE Plan in place...	...that integrates country-specific PSE approaches into programming and operations...	...and 90 percent of USAID Missions will demonstrate action taken in line with their PSE Plan.	Expand engagement with the private sector to achieve greater, more sustainable, development outcomes.

Enhanced ability for partner countries to be self-reliant

During the first two quarters of FY 2020, USAID continued to make substantial progress in engaging the private sector and institutionalizing private-sector engagement as a key approach in delivering programming.

Summary of Progress - First and Second Quarters (Q1 and Q2) of FY 2020

- For the first time ever in the Agency, every Mission and Bureau has a designated PSE Point of Contact (POC) as per the PSE Policy's requirements. PSE POCs enable greater external engagement and lead implementation of the PSE Policy within their respective Operating Units. (Q1)

- As USAID Missions continue to develop their *Country Development and Cooperation Strategies* (CDCS), the PSE team has reviewed and supported more than 40 CDCSs to integrate PSE as a strategic approach to advancing communities on their Journeys to Self-Reliance. (Q1)

- Progress continues on new tools, such as the PSE Evidence Gap Map and Indicator Handbook; the PSE team is expected to release these tools in Q3 of FY 2020, in accordance with the PSE Evidence and Learning Plan and the Agency's Self-Reliance Learning Agenda (SRLA). (Q1)

- The PSE Community of Practice has grown to include nearly 1,900 staff, and 365 staff have opted in to a newly launched PSE platform (PSE Knowledge Exchange) for peer-to-peer exchange of experiences and approaches. (Q1-Q2)

- According to the PSE Policy's requirements, more than 97 percent of USAID Missions submitted plans to integrate PSE into their programming (Q1-Q2) and have responded to their first biannual data call to update on their progress.

- During the first two quarters of FY 2020, the PSE team surpassed its targets and trained close to 160 staff through its flagship *Private-Sector Engagement and Partnerships* and *Mobilizing Finance for Development* courses. During Q2, USAID suspended a customized training in the Republic of Sénégal because of COVID-19, along with the other training sessions open to staff across the Agency. USAID is developing online training options, and will reschedule in-person training sessions once the COVID-19 crisis passes. Despite the impact of COVID-19, strong demand continues for training to build skills that enable staff to engage private-sector actors more effectively. (Q1-Q2)

Field Spotlights

Field Spotlight-Q1

Collaborating with leading apparel firms to strengthen Ghana's industry exports and create new jobs

The USAID West Africa Regional Mission (USAID/West Africa) engaged directly with major apparel companies to identify their constraints and explore ways USAID could position the industry for growth and create jobs. Through this collaboration, USAID worked with a U.S.-Ghanaian joint venture called Dignity Do The Right Thing Apparel (DTRT Apparel) to address its primary constraints to growth. Through consultations directly with DTRT Apparel and other clothing companies, USAID/West Africa learned that financing for training workers and access to working capital to scale, not technical assistance or buyer identification, were the biggest constraints to growth the companies faced. DTRT Apparel had large, confirmed orders for high-value apparel products, but it lacked sufficient capital to train a large number of workers and working capital to scale up production to meet demand.

USAID/West Africa collaborated with multiple private and public stakeholders to co-create and execute a multi-pronged approach to address this challenge and jump start the apparel sector's potential as a driver of economic growth in Ghana. The Mission established a two-year, pay-for-results, milestone-based agreement with DTRT Apparel to offset the short-term costs for training 1,200 additional employees. In addition, USAID provided a 50-percent credit guarantee to a lender, which allowed the company to obtain $2 million in financing to scale up its operation. The Mission also convened a buyer event at which major U.S. apparel buyers traveled to Ghana, and worked with the U.S. Embassy and Ambassador Sullivan to advocate for support from the Government of Ghana for vocational training, factory space, and financing.

The results of the new approach were rapid and dramatic. USAID's approximately $1.5 million investment directly allowed DTRT Apparel to expand, which boosted the value of apparel exports from Ghana to the United States from less than $4 million in 2014 to more than $17 million in 2019, with continued rapid growth expected in 2020. The company hired more than 1,200 new people, largely unskilled women who benefited from extensive training. DTRT Apparel paid back the bridge financing provided through the credit guarantee, and the firm received a loan from Ghana's Export-Import Bank and a private-equity investment, an unprecedented development in the region that enabled it to continue growing beyond its partnership with USAID. The buyer event facilitated by USAID/West Africa—which cost the Mission only $20,000—led to millions of dollars in additional business.

This mutually beneficial collaboration is far more sustainable and scalable than the Mission's previous approach. Having proven that the local apparel industry has the capacity to meet international demand, Ghana is now attracting additional international buyers. Building on the success of this partnership, USAID/West Africa developed a $60 million matching-grant facility as part of the new West Africa Trade and Investment Hub to take this approach to scale in the region. The combination of injecting direct, milestone-based, pay-for-results financing into apparel companies, coupled with convening buyers and investors and advocating with the

Field Spotlights

Government of Ghana, is a successful approach to creating jobs and economic growth the Mission plans to replicate with other sectors and companies in the region.

Field Spotlight-Q2

Catalyzing Enterprise-Driven Development and Private Investment to Conserve Brazil's Biodiversity
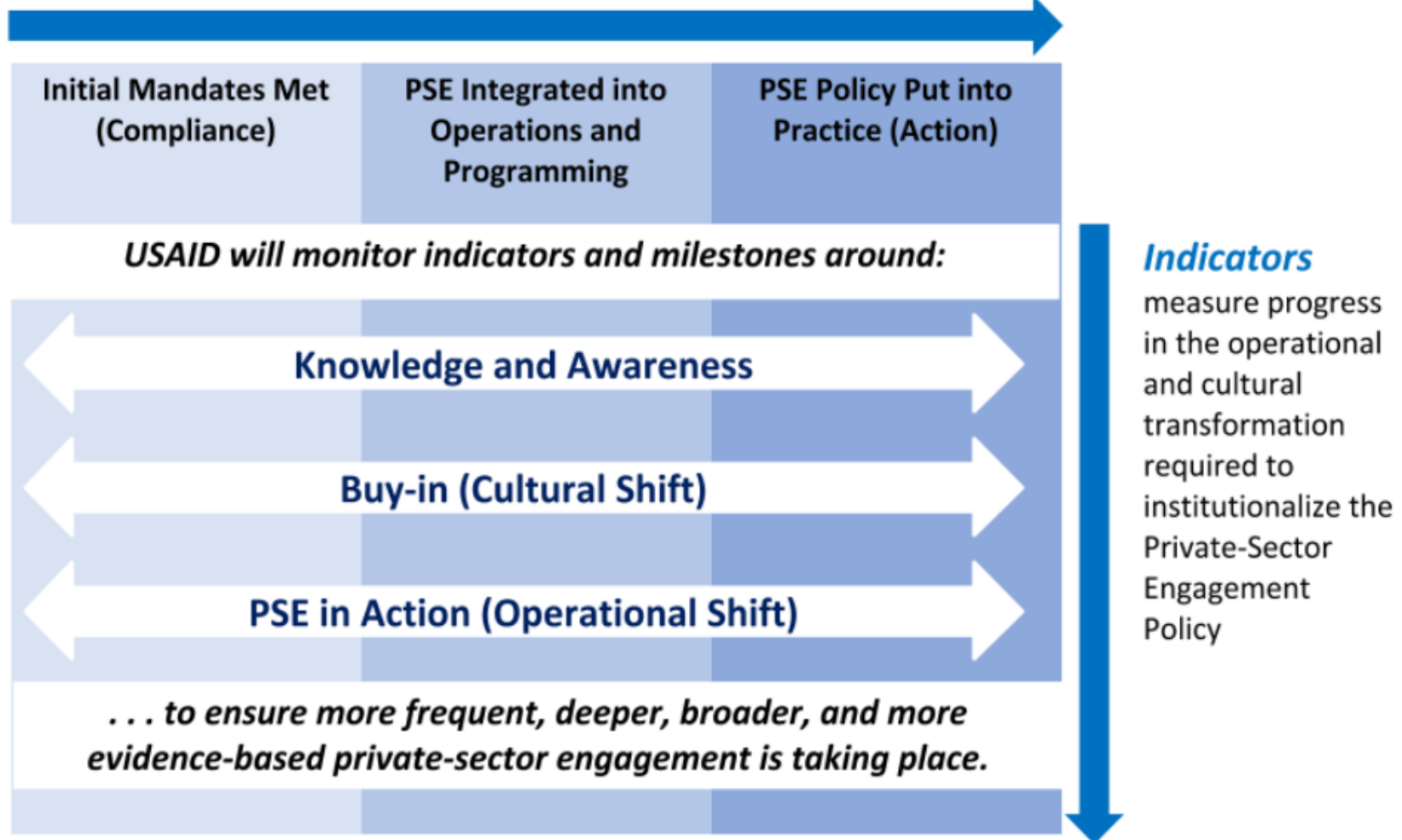
The Brazilian Amazon, home to the world's highest concentration of biodiversity, faces ongoing threats to its natural resources because of deforestation and illegal activities. Collaborating with the private sector and unlocking private capital are vital to financing sustainable, enterprise-driven solutions to the conservation and protection of the Amazon's biodiversity. Over the past decade, the USAID Mission in Brazil (USAID/Brazil) has worked to convene and collaborate with hundreds of companies on conservation efforts. This culminated in a private-sector-led Partnership Platform for the Amazon (PPA), which harnesses market-led solutions to conservation from 38 leading companies from the technology, agriculture, mining, and financial sectors. In its first two years, the PPA selected 30 startups in a range of sectors, from solar energy to transportation, for acceleration and co-invested $1.7 million in 13 of them.

Building off these efforts, in 2019USAID/Brazil played a catalytic role in establishing the Althelia Biodiversity Fund (ABF), a private-equity and impact-investment fund, to provide flexible and patient capital for businesses that seek to make transformational, positive improvements for the Amazon's biodiversity and communities. Using the Development Credit Authority (DCA), USAID provided a 50-percent loan guarantee to reduce risk, catalyze new investments, and incentivize potential investors to invest in the fund. With $15 million in grant funding that USAID provided to the Center for International Tropical Agriculture (CIAT), co-facilitator of the PPA and a partner with shared goals, CIAT became a cornerstone investor. This enabled the ABF to better reach its intention to raise $85 million in private capital.

In advancement of the Agency's PSE Policy, USAID/Brazil's experience provides examples of how USAID is shifting its role from driving programming to facilitating enterprise-driven development for greater outcomes.

Theory of Change

Milestones reflect key steps in the process to institutionalize the Private-Sector Engagement (PSE) Policy

Initial Mandates Met (Compliance)	PSE Integrated into Operations and Programming	PSE Policy Put into Practice (Action)

USAID will monitor indicators and milestones around:

Knowledge and Awareness

Buy-in (Cultural Shift)

PSE in Action (Operational Shift)

. . . to ensure more frequent, deeper, broader, and more evidence-based private-sector engagement is taking place.

Indicators measure progress in the operational and cultural transformation required to institutionalize the Private-Sector Engagement Policy

Indicators and Milestones

Key Milestone	Milestone Due Date	Milestone Status	Comments
Compliance: 100 percent of USAID's Missions, Bureaus, and Independent Offices (M/B/IOs) have a designated PSE Point of Contact (POC).	Q1 FY 2020	Complete	The full list of USAID PSE Points of Contact is available here. Designating PSE POCs facilitates external engagement with each Mission and Bureau. They also serve as team leads for the implementation of the Agency's PSE Policy.
Cultural Shift: Launch the PSE Knowledge-Exchange, a listserv that enables peer-to-peer exchange of best practices, crowdsourcing answers to questions, and the sharing of opportunities with private firms.	Q1 FY 2020	Complete	Successfully launched the PSE Knowledge-Exchange on October 7, 2019. To date, 350 staff have opted to join the platform and are exchanging resources and information actively.
Compliance: 97 percent of Missions have a plan in place for putting the PSE Policy into practice (submitted to the PSE Team).	Q2 FY 2020	Complete	All but two Missions have submitted PSE plans to the PSE Team, for 98-percent compliance with the PSE Policy.
Learning: Complete PSE Evidence-Gap Map.	Q2 FY 2020	Complete	Completed design in Q2, and launched the Evidence Gap Map for use in April 2020.
Integration: Develop and launch a PSE Indicator Handbook to help M/B/IOs integrate PSE better into their approaches to monitoring, evaluation, and learning.	Q3 FY 2020		
Integration: Review all Missions' *Country Development Cooperation Strategies* (CDCSs) for the integration of PSE.	Q4 FY 2020		
Knowledge/Awareness: Hold a PSE Forum that brings together staff and the private sector to build skills, exchange good practices, and support an Agency community of PSE Champions.	Q4 FY 2020		
Learning: Update the PSE Evidence-Gap Map (as part of the update to the PSE Evidence and Learning Plan).	Q1 FY 2021		
Action: M/B/IOs take stock of their efforts in PSE, and update their PSE Plans accordingly.	Q2 FY 2021		
Learning: Conduct and complete a PSE failure-risk analysis.	Q3 FY 2021		
Action: All Missions demonstrate concrete actions taken in line with their PSE Plans.	Q4 FY 2021		

Indicators and Milestones

| Indicator[3]	Baseline FY 2019	FY 2020 Q1 Target	FY 2020 Q1 Actual	FY 2020 Q2 Target	FY 2020 Q2 Actual	FY 2020 Q3 Target	FY 2020 Q3 Actual	FY 2020 Q4 Target	FY 2020 Q4 Actual
1. Number of staff trained on the principles of PSE [QUARTERLY]	49 staff/quarter	40[4]	83[5]	49	75	49		49	
2. Percent of staff who "agree" or "strongly agree" that their Operating Unit adheres to USAID's PSE Policy [ANNUAL]	58 percent	N/A	N/A	N/A	N/A	N/A	N/A	63 percent	
3. Percent of Missions that report multiple active partnerships with the private sector [ANNUAL]	77 percent	N/A	N/A	N/A	N/A	N/A	N/A	80 percent	

---

[3] As a new and evolving initiative, it is difficult for the PSE Team to project targets beyond FY 2020. The PSE Team will establish targets for FY 2021 in Q3 of FY 2020 based on performance to date and anticipated activities.

[4] This target is based on the expected two training sessions per quarter. The PSE Team offers additional training sessions tailored to particular Missions or Operating Units, which could mean that USAID could exceed this target, but such training sessions are "on demand."

[5] Because of unexpected demand, USAID University conducted an additional course of the PSE and Partnerships training, which caused the Agency to exceed the target for Q1.
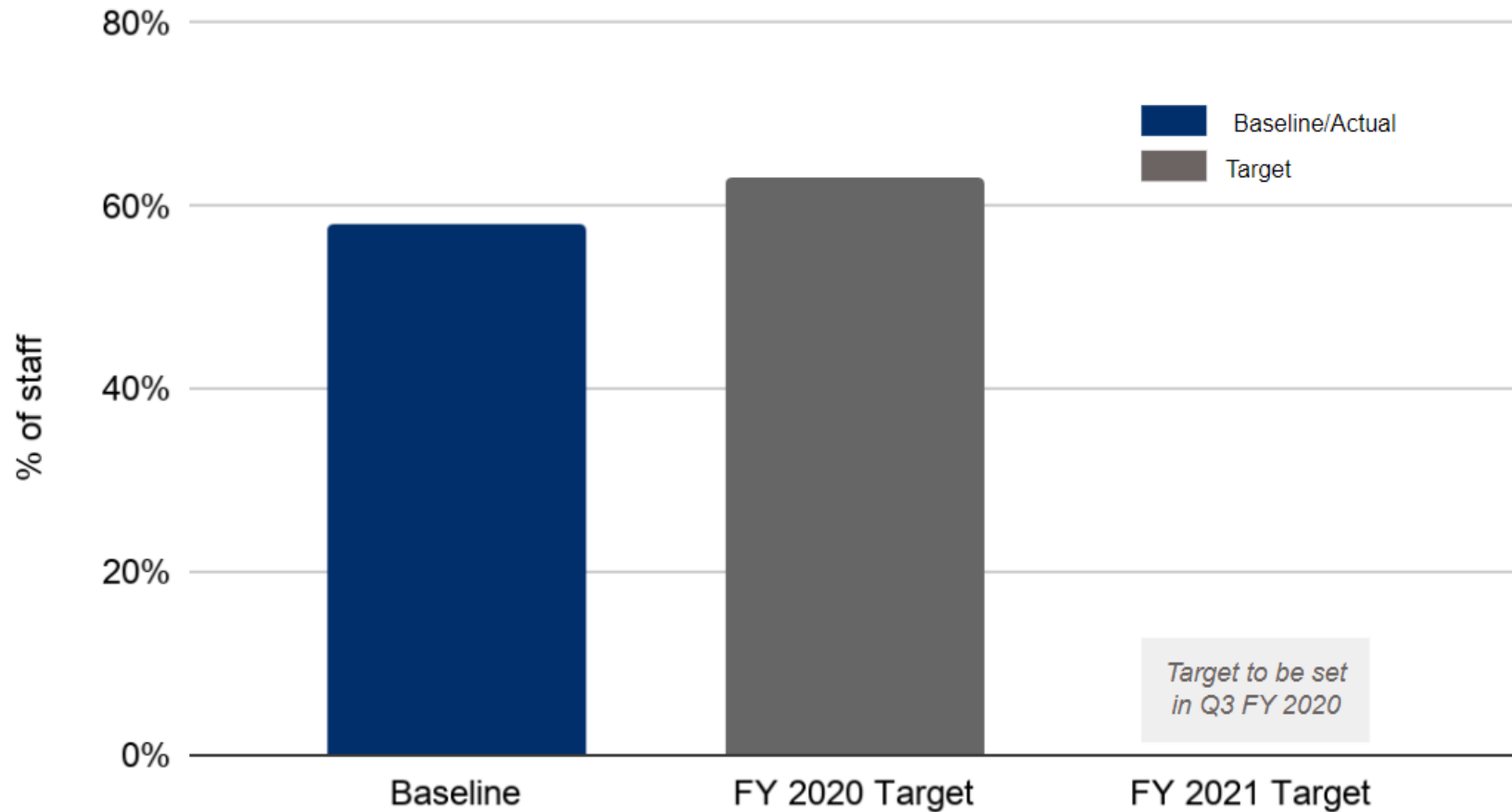
Indicators and Milestones

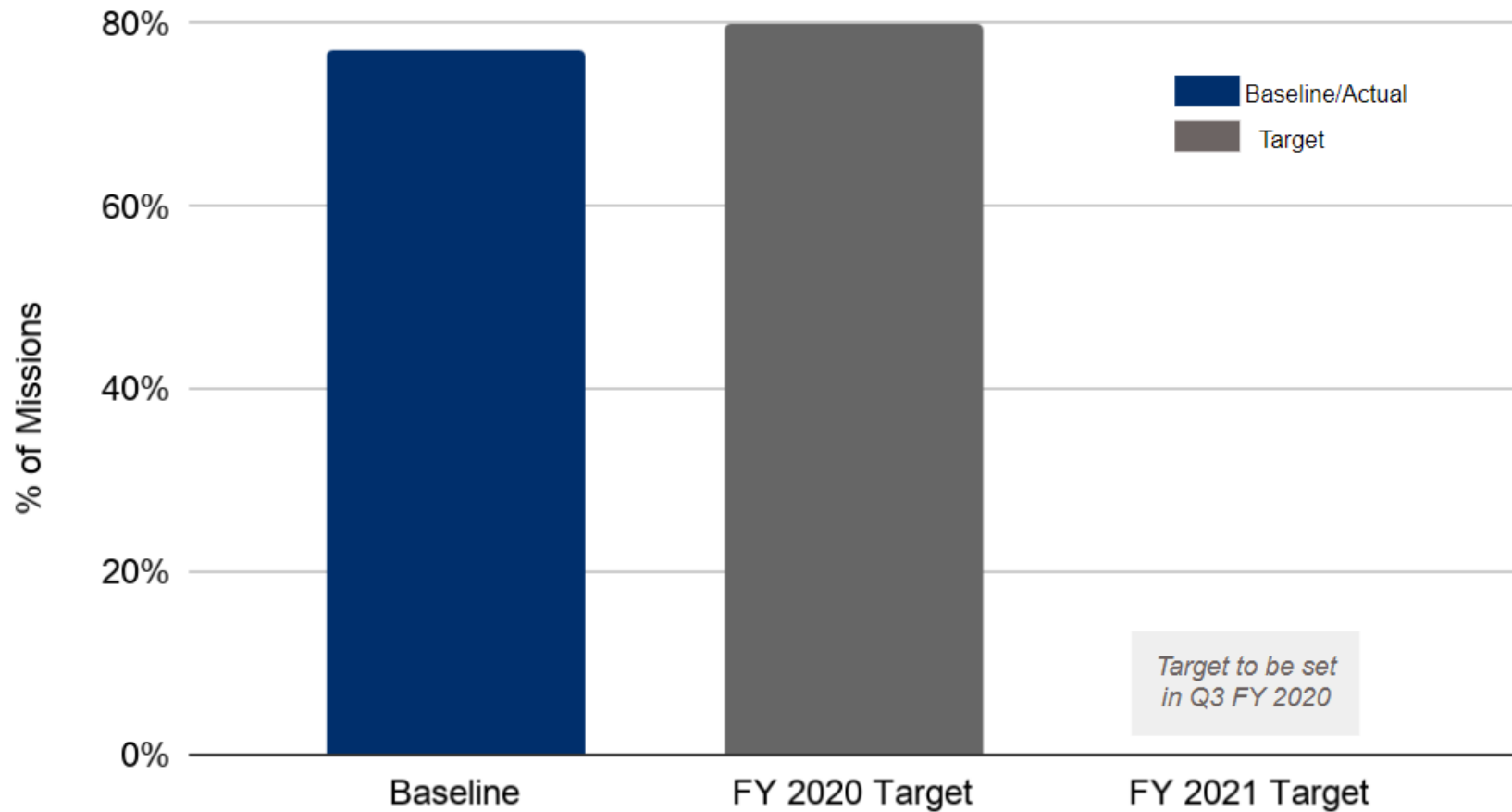Key Indicator 1: Number of staff trained on principles of PSE (Quarterly)
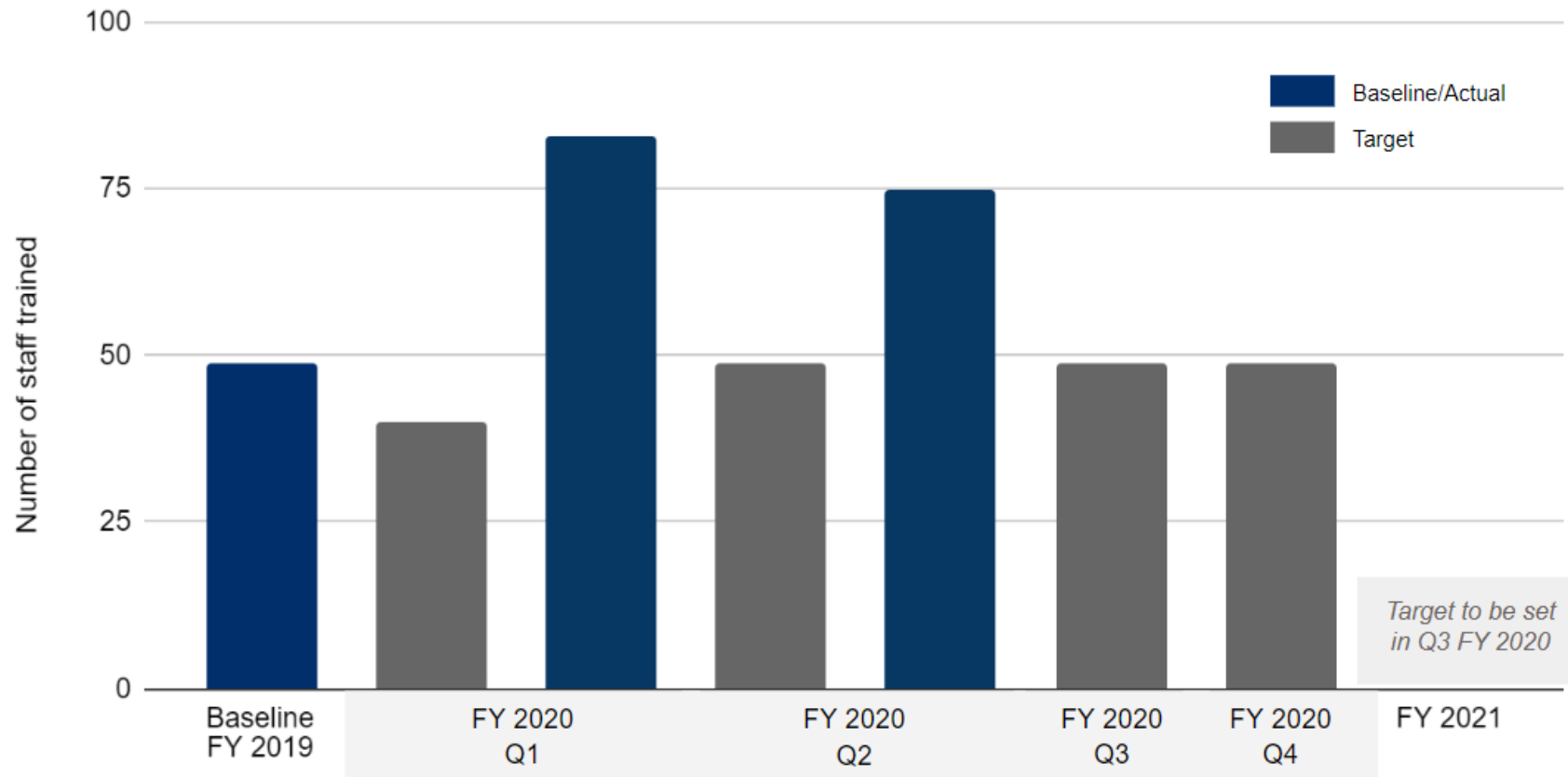
Indicators and Milestones

Key Indicator 2: Percent of staff who "agree" or "strongly agree" that their Operating Unit adheres to USAID's PSE Policy   (Annual)

Indicators and Milestones

Key Indicator 3: Percent of Missions that report multiple active partnerships with the private sector (Annual)

Accuracy and Reliability of Data

Data for the APG will come from the following sources:

- **Indicator 1:** USAID University will collect the data on the number of staff trained, which the contractor that is overseeing training under the PSE Team will validate. USAID will count participants in the *Mobilizing Finance for Development* and *Private-Sector Engagement 101* course. The Agency will also count participants in customized versions of these core trainings offered to individual M/B/IOs, and/or any successor training programs created by the PSE Hub within DDI.

- **Indicator 2:** The PSE team conducted an all-Agency baseline survey of USAID staff in the fourth quarter (Q4) of FY 2019: 276 people responded from 78 Operating Units. USAID will repeat the survey in Q4 of both FY 2020 and FY 2021.

- **Indicator 3:** Since 2014, the Global Development Lab has collected and analyzed Agency-wide data on public-private partnerships (PPPs) through an annual data call to all Missions. Currently, the Lab, in coordination with the Office of U.S. Foreign Assistance at the U.S. Department of State (State/F), collects and stores current and historical data on PPP in the PPP module of the Foreign Assistance Coordinating Tracking System (FACTS) Info NextGen system and submits them to USAID's Development Data Library (DDL). Missions report the data, and therefore this process might not capture every partnership. In the future, the PSE Hub within DDI will administer the annual data call and continue to refine the process of collecting and analyzing the data.

Additional Information

Contributing Programs:

Organization:
Successful achievement of this APG requires leadership at all levels across USAID on PSE. The PSE Team will work to ensure M/B/IOs have access to the resources and tools to expand and deepen our programs in PSE for greater outcomes.

Programmatic Activities:
PSE is a catalyst for accelerating communities and countries on their Journey to Self-Reliance. The Journey to Self Reliance Framework will advance implementation of this goal. PSE aligns with USAID's *Acquisition and Assistance Strategy,* recommendations for Effective Partnering and Procurement Reform, and the Administrator's vision for Financing Self-Reliance.

Regulations and Policies:
Attainment of the APG will advance, and is in alignment with, USAID's PSE Policy.

Other Federal Activities:
USAID will coordinate the collection of data on PPPs with the U.S. Department of State (State/F and the Office of Global Partnerships).

Stakeholder / Congressional Consultations:

USAID will continue to work and coordinate with stakeholders and Congress to ensure the effective implementation of this goal.

In developing the PSE Policy, USAID consulted a wide range of stakeholders including implementing partners and representatives from the private sector. An Advisory Committee of the Agency's Washington and field staff informed the requirements and recommendations set forth in the PSE Policy.