

# Value Propositions: What USAID and The Private Sector Bring When We Work Together



*Supporting countries on their Journey to Self-Reliance requires the unique contributions of host-country governments, local communities, civil society and philanthropy, academia, the private sector, and USAID, in coordination with other donors and other parts of the U.S. Government. Effective PSE leverages the comparative advantages of USAID and the private sector to deliver more-effective and sustainable outcomes.<sup>1</sup>*

## USAID Offers

### **Strong In-Country Networks and Relationships**

USAID has relationships with national and local governments, businesses, faith-based organizations, local community leaders, and civil society that are useful to the private sector in making locally informed plans for market-entry, collaboration, and co-investment.

### **Support to Strengthen Enabling Environments**

Working with host-country governments, USAID can help create a stronger enabling environment that fosters transparent, inclusive economic growth. USAID supports policy and regulatory reform that encourages fair and open competition, institutional reforms and the adoption of standards, and government capacity-building.

### **Sectoral Expertise and Knowledge**

USAID has wide-ranging technical expertise across development and humanitarian sectors. USAID offers deep economic, political, conflict, and gender-sensitive understanding of developing markets, market intelligence that can inform and shape private-sector investment, and robust, evidence-based monitoring and evaluation.

### **Risk-Mitigation and Flexible Authorities**

USAID can use our funds, authorities, and technical expertise to mitigate the risks of investments and “crowd in” public and private resources that further humanitarian and development goals. USAID’s technical assistance can ready smaller companies for financing, or help expand their markets.

### **Reputation and Credible Convening Power**

USAID has strong capabilities in convening actors around business opportunities that address development challenges. USAID offers a neutral platform for actors to collaborate in addressing larger challenges.

## Private Sector Offers

### **Scale, Sustainability, and Reach**

The private sector’s vast financial resources and expertise in market-based solutions have the potential for achieving scale and sustainability in tackling systemic societal challenges.<sup>8</sup> The private sector’s extensive networks and operations provide distribution channels to reach, and communicate with, underserved populations and individuals.

### **Ability to Influence Policy**

The private sector’s ability to deliver what host-country governments seek to achieve—such as improved service-delivery, investment, tax revenues, jobs, and life-saving interventions—gives businesses and investors a strong, knowledgeable voice to inform policy that supports transparent, inclusive economic growth.

### **Innovation, Expertise, and Capabilities**

Businesses and investors can bring innovation and technologies; entrepreneurship; industry expertise; market-based solutions; distribution networks; investment capacity; and managerial and operational expertise, including risk-management.

### **Flexibility and Pace**

The private sector is often inherently more flexible than the public sector, as it has a financial incentive to respond quickly to opportunities and develop new markets.

### **Efficiency and Effectiveness**

With improved systems, processes, and logistics, the private sector can bring more efficiency and effectiveness to achieving outcomes.<sup>2</sup>

<sup>1</sup> For the purposes of USAID’s collaboration with the private sector, value proposition refers to the types of value that the private sector and USAID can offer to one another as a result of our respective expertise, services, products, resources and networks. It refers to why we should work with one another.

<sup>2</sup> When a market-based solution becomes commercially viable, the private sector has a financial incentive to continue and operate it at scale, which increases the sustainability of the intervention and decreases the need for donor support over time.