



USAID
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Mobilizing Private Capital for Development

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**Mobilizing Private Capital
for Development**

Why does Private Capital Matter?

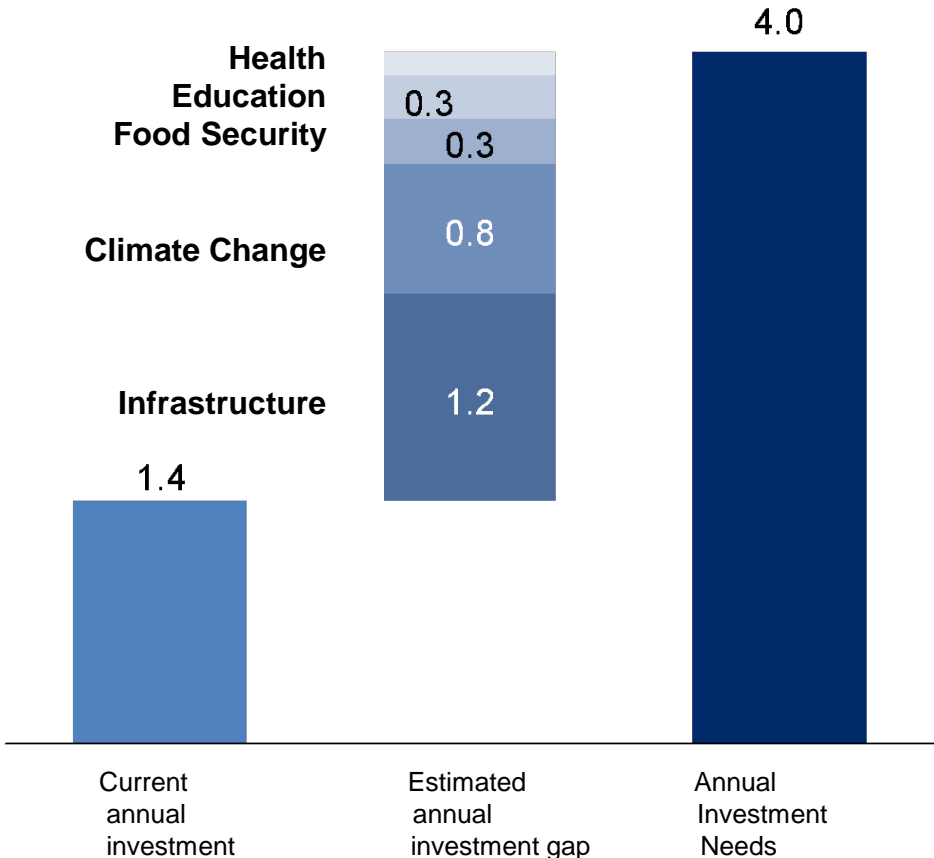
**The 'fuel' for enterprise,
sector and economic
growth**



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The Sustainable Development Goals Investment/Financing Gap (UNCTAD World Investment Report 2014)



The financing gap to achieve the Sustainable Development Goals is estimated to be **\$2.6 trillion**



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Who are USAID's Private Capital Partners?



Private Capital Partners

Finance Partner	Investment Profile
Microfinance Institutions	Debt finance for poorest segments and micro-enterprises; often only source of finance for BOP
Commercial Banks	loans for investment and working capital for individuals, farmers and businesses of all sizes
Investment Banks	Financial intermediaries offering long term finance (e.g. bonds, stocks) needed for larger investments
Leasing Companies	Finance 'use' of equipment, with the equipment used as collateral, enabling users to gain benefit of equipment without ownership
Vendors	Provide debt finance to help customers acquire equipment, inputs, etc to grow markets
Insurance Companies	Help farmers and businesses mitigate risk of natural and man-made disasters; are also active institutional investors



Private Capital Partners

Finance Partner	Investment Profile
Multinational Corporations	Investing in supply chain infrastructure, investing in supply chain credit to supplier, acquisitions
Impact Investors	Longer term equity or debt finance in social enterprises, or projects with development impact. Termed as “patient capital”
Private Equity Funds	Funds or holding companies that make equity investments in companies with growth companies, often playing management role.
Pension funds and institutional investors	Pool savers’ resources and seek to make safe, investments providing stable long term income for customers
Diaspora	Expatriates with an interest in investing (directly or indirectly) in their country of origin



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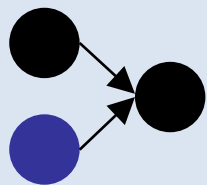
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**What does USAID gain by
collaborating with private capital
partners?**

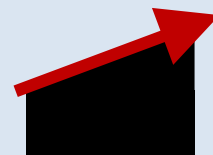


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Harness **world class expertise & capabilities**



Catalyze **investment & mobilize financing**



Develop & grow
targeted sectors &
value chains



Promote **inclusive & sustainable business practices**



Tackle **systemic, societal challenges**



Drive **innovation** at
the intersection of
business &
development



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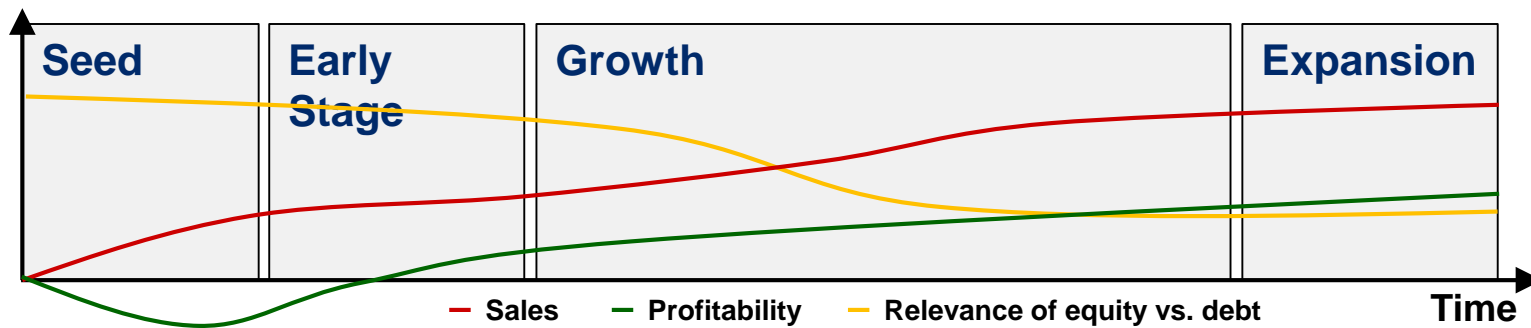
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Mobilizing/Catalyzing Investment/Financing to Achieve USAID Development Objectives

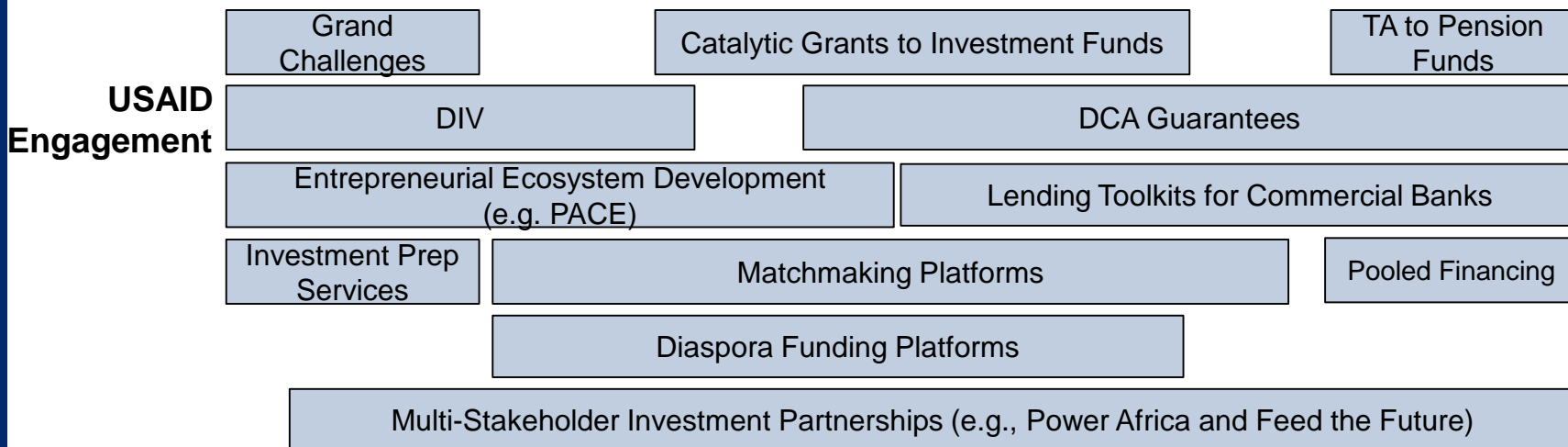
USAID Tools and Resources



Mobilizing Capital for Growing Enterprises



← USAID usually works here → ← Increasingly USAID is exploring opportunities here →





Global Development Alliances (GDAs)

A GDA is a partnership between USAID and the private capital partner – and may also include a range of other partners – in which we work together to develop and implement activities that leverage and apply our respective assets and expertise to advance core business interests, achieve USAID's development objectives, and increase the sustainable impact of USAID's development efforts.



GDA Characteristics

Focus on Sustainable Development Impact



Based on Complementary Interests & Objectives



Market Based Approaches & Solutions (as feasible)



Collaboration: Co-Creation and Shared Responsibility



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



Increased Scale, Efficiency and Effectiveness





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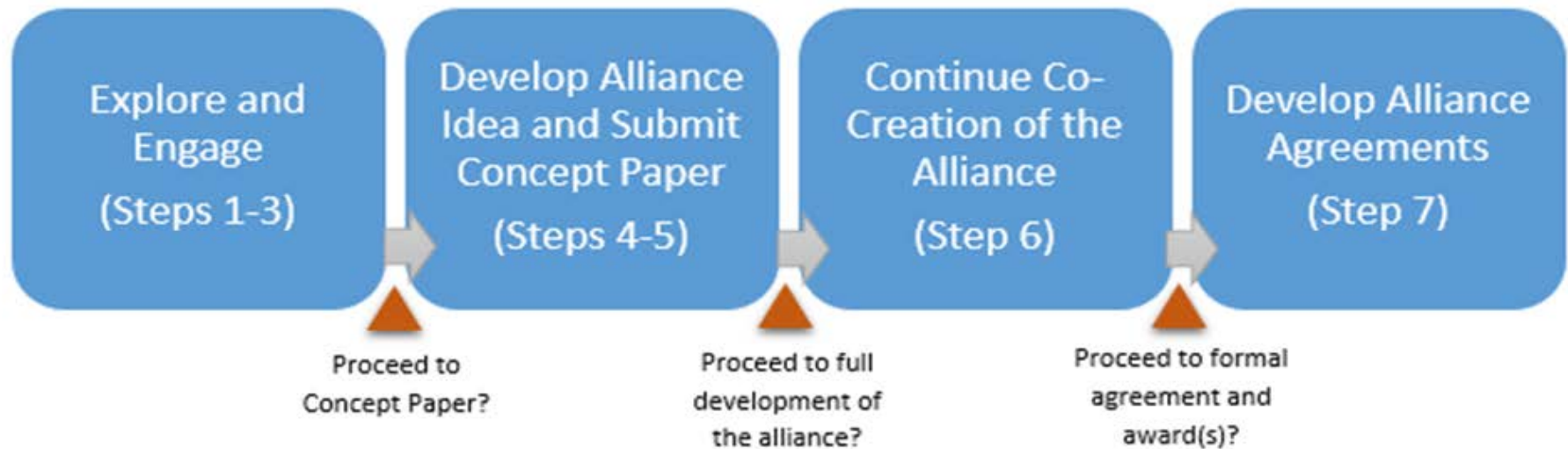
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GDA Annual Program Statement – Invitation to Co-creation (Partnering for Impact)

- Worldwide invitation to private sector collaboration
- Explains value of collaboration – to USAID and private sector
- **Requires early private sector engagement and ongoing communication** – by USAID and potential implementers
- **Satisfies competition AND lets us talk**
- Provides an application and award process that requires joint problem identification and definition, joint problem-solving, joint planning, and joint implementation
- Mobilizes private sector resources **for development impact**



SEVEN STEP CO-CREATION PROCESS



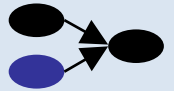


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Private Capital
Value Proposition

Harness World class Expertise &
Capabilities



- Expertise in **distribution networks** that can be applied in delivery of health products to rural areas
- Expertise & **solutions for clean water & sanitation**



- **Brand & media platform** capable of reaching hundreds of millions of youth world-wide



- **Technologies, expertise & financial solutions** in energy, health, & water sectors needed to improve quality of life worldwide



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Private Capital Value Proposition

Catalyze Investment & Mobilize Financing



- Provides critical **working capital** enabling **rural agriculture enterprises** in Latin America & Africa to **export worldwide**



- **Invests in energy** across Africa, providing generation capacity providing **access to electricity for millions**
- Brings expertise on power project development skills

















- **Invests billions of dollars** in Asia, Africa, Latin America, & the Middle East in **health, agribusiness, energy, education, transportation, & growing businesses**



Power Africa:

Using Multiple Tools to Support Energy Transactions in Africa

The Power Africa Toolbox			
	Technical assistance		Direct grants to African governments for energy projects
	Grants to off-grid communities for access		Feasibility, project preparation and technical assistance grants
	Risk mitigation insurance		Advocacy of legal, regulatory and institutional reforms
	Loan guarantees		Advise on government budgeting and financial accountability
	Medium and long-term direct loans for U.S. investments in Africa		Reverse trade missions and training
	Working capital loans for U.S. exporters		African trade promotion programs
	Loans to African purchasers of U.S. goods and services		Transaction advisory services



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Power Africa: Accelerate Energy Investment in Africa

The collage features a wide array of logos, including:

- Financial Institutions & Investors:** American Capital Energy & Infrastructure, THE ABRAAJ GROUP, AFCORP, AFC, ALDWYCH INTERNATIONAL, APR ENERGY, BlackRhino, EGG energy, VIABILITYAFRICA, GE, Goldman Sachs, GEA, GIGAWATT GLOBAL, Harith, HUSK, Heirs Holdings, IGD, IVENTUS, KMR, NEDBAN CAPITAL, NextGen Solar, USFA, Orchid, ORMAT, RG, QUANTUM POWER, Standard Chartered, SYMBION, ACUMEN, CAZURI, ENDEAVOR, FRV, BioTherm, beyond capitalfund, C>PRICORN, BBOX, d.light, CROSSBOUNDARY, The Eleos Foundation, Embark, fenix intl, EG, energiyaglobal, GRAYBOST VENTURES, VIRUNGA POWER, GVEP International, ImprintCapital, ID, khosla impact, KIVA, LENO, LGT Venture Philanthropy, Little Sun, MOSAIC, Persistent Energy, powerhive, SCHNEIDER Electric, SHELL FOUNDATION, SOLAR SISTER, UNITS NATIONS FOUNDATION, SunFunder, ERM, Low Carbon Enterprise Fund Foundation, LGT.
- Government & International Organizations:** THE WORLD BANK (IBRD + IDA), IFC, MIGA, Sida, DANIDA, NEPAD, DFID (Department for International Development), SUSTAINABLE ENERGY FOR ALL.
- Academic & Research Institutions:** WISCONSIN UNIVERSITY OF WISCONSIN-MADISON, THE UNIVERSITY OF TENNESSEE, ASU (ARIZONA STATE UNIVERSITY), UNIVERSITY OF COLORADO BOULDER, UNIVERSITY OF ROCHESTER, SIERRA CLUB, WWF, SOUTH EASTERN KENYA UNIVERSITY, STRATHMORE UNIVERSITY, UNIVERSITY OF KENYA, UNIVERSITY OF NAIROBI, UNIVERSITY OF ADDIS ABABA.
- Regional Energy Pools:** West African Power Pool (WAPP), Eastern Africa Power Pool (EAPP).
- Other Logos:** USAID, USDA, OPIC, MILLENNIUM CHALLENGE CORPORATION, US Army Corps of Engineers, SIERRA CLUB, WWF, SOUTH EASTERN KENYA UNIVERSITY, STRATHMORE UNIVERSITY, UNIVERSITY OF KENYA, UNIVERSITY OF NAIROBI, UNIVERSITY OF ADDIS ABABA.

Active PPP in FY 15: 365

Africa: 89

Asia: 73

LAC: 65

E&E: 18

ME: 11

AF/PK: 8

Global Lab: 65

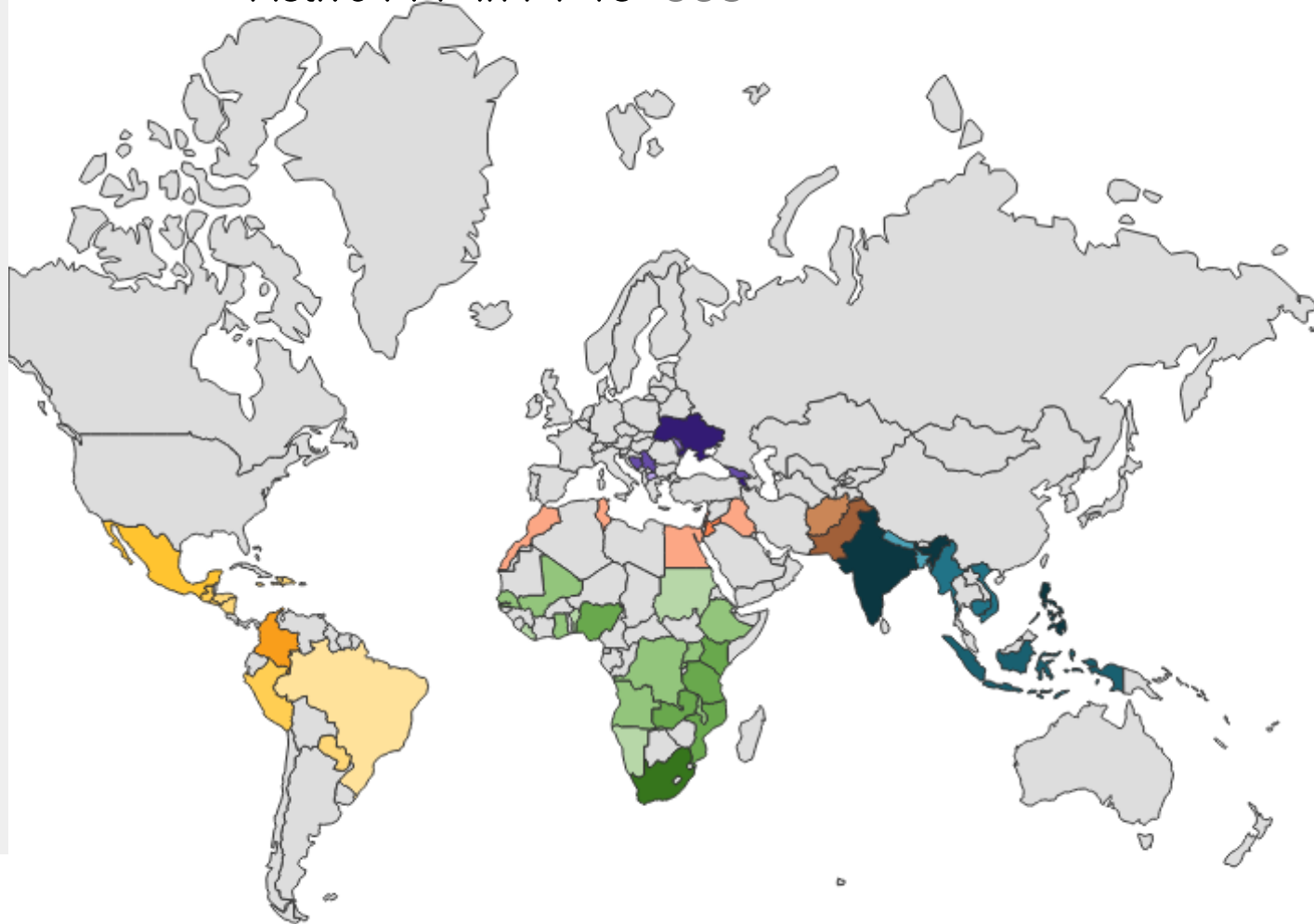
BFS: 16

E3: 9

GH: 7

DCHA: 4

EBOLA: 1





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Thank You!

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December 2017
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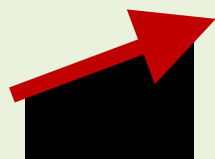
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**What do private capital partners
gain by collaborating with USAID?**



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Drive growth & profitability

Revenue growth, new markets, new customers, new products



Mitigate risk

Political, operating, financial, market, reputational, etc.



Achieve sustainability goals

Reduce environmental impact, positive impact on employees & communities



Attract & retain talent

Employee engagement, recruitment, healthy & productive workforce



Strengthen brand, reputation, & relationships

Improve image, build relationships with governments & communities, secure 'license to operate'



Innovate

To enable business outcomes: reduced cost, increased profitability, improved quality & efficiency



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Extractive Companies



- **Ensuring uninterrupted mining or drilling operations**
- Mitigate political risk by strengthening relationships with communities & local & national governments
- Comply with community investment requirements
- Meet local content/sourcing requirements
- Comply with industry standards & norms (e.g. conflict minerals, workplace safety)
- Improve workforce productivity & health

Manufacturers & Retailers



- **Expand sourcing, production, & markets to grow sales**
- Develop new products to add value or serve new markets (e.g. BOP customers)
- Strengthen international & local supply chains
- Strengthen skills & productivity of workforce
- Invest in use of technologies & solutions to increase quality & efficiency of production & supply chain
- Strengthen brand & corporate image



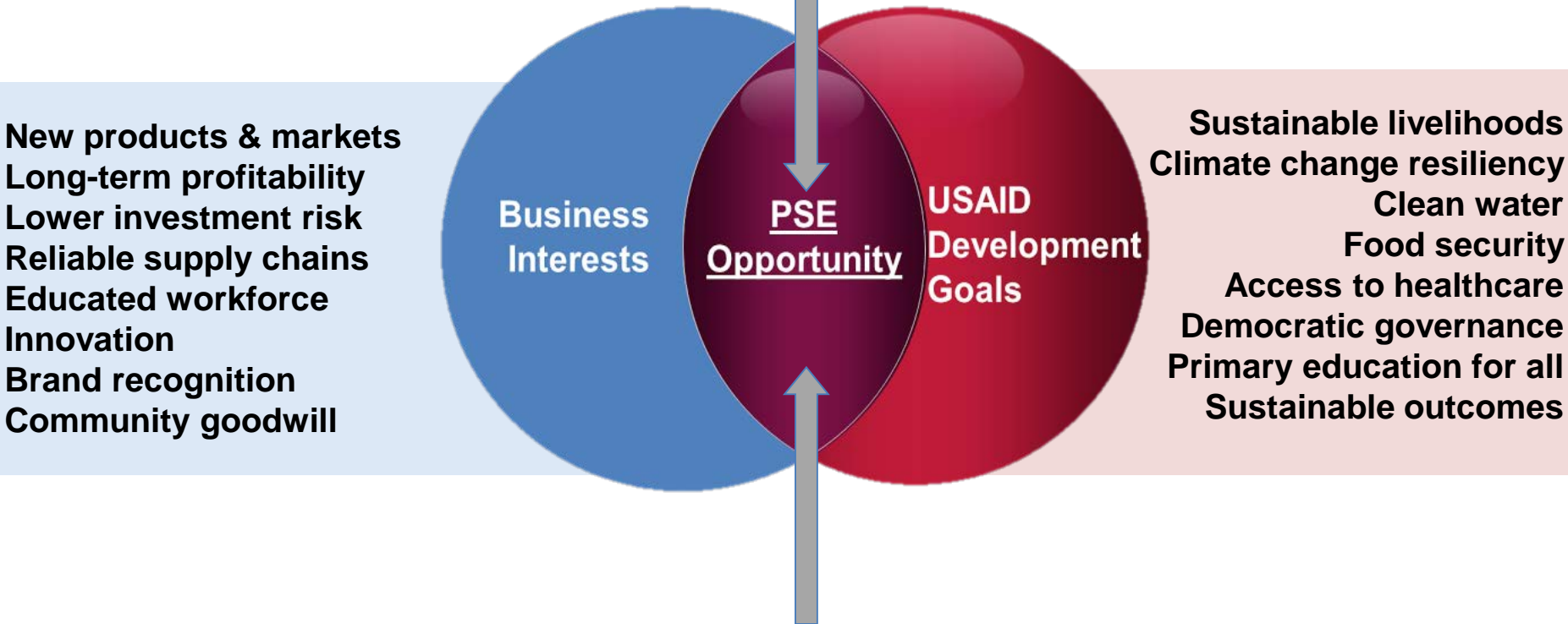
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**What is the crux of effective
private capital engagement?**



Optimum Point for Collaboration with Private Capital



Convergence of Development Goals & Business Interests



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Alignment of Interests Increases

Corporate Philanthropy – Contributions or volunteerism from a private sector partner to ‘do good’ in the communities or countries where a company may operate or sell products

Corporate Social Responsibility – Engaging in social, environmental, & developmental issues that are aligned to a business’s strategy & operations, but not part of its core business

Shared Value – Co-created partnership between USAID & the private sector that addresses long-term strategic business interests while creating sustainable development impact



Project Last Mile
Applying Coca Cola’s logistics, supply chain, distribution, & marketing expertise to improve medicine distribution in Africa



4Afrika & YouthSpark
Scholarships, mentoring skills, development in entrepreneurship, & employability to build a competitive workforce



Coffee Farmer Resilience Initiative
Green Mountain Coffee Roasters is helping coffee farmers (their suppliers) combat the leaf rust epidemic in Latin America



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Private Capital
Value Proposition

Develop & Grow Targeted Sectors & Value
Chains



- Purchasing power to **create market demand** for local farmers & producers
- **Expertise in supply chain management** to support more efficient & competitive value chains



- **Modern equipment & technologies** to increase agricultural productivity & rural incomes
- **Expertise in modern agriculture practices** adaptable to varying climate & agronomic conditions



- **Technologies & solutions** that serve as the foundation of ICT sectors & knowledge-based economies
- Proven models & methodologies for **developing skills** of ICT professionals



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USAID Tools and Resources to Mobilize Capital

Risk Mitigation Tools

- Multiple Development Credit Authority Risk Mitigation Products

Internal Advisory Services

- Private Capital and Microenterprise Office (PCM) (E3)
- Markets, Partnership and Innovation Office (BFS)
- Center for Advancing Innovation and Impact (Global Health)
- Field-based Investment Officers

Co-Investment Frameworks

- Global Development Alliances (GDA)
- GDA Annual Program Statement
- Partnership to Accelerate Entrepreneurship (PACE)



USAID Tools and Resources to Mobilize Capital

Catalytic Capital Tools

- Development Innovation Ventures (DIV)
- Grand Challenges

Project-based Advisory Services

- Investment Support Program (BFS/PCM)
- Financing Growth (PCM)
- Partnering for Innovation (FtF)
- SHOPS (Health)

Multi-stakeholder Investment Partnership

- Power Africa
- New Alliance for Food Security and Nutrition
- Private Financing Advisory Network (PFAN)















Other

- Lending Toolkits (Clean Energy and Agriculture)



Power Africa:

Using Multiple Tools to Support Energy Transactions in Africa

The Power Africa Toolbox			
	Technical assistance		Direct grants to African governments for energy projects
	Grants to off-grid communities for access		Feasibility, project preparation and technical assistance grants
	Risk mitigation insurance		Advocacy of legal, regulatory and institutional reforms
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	Loans to African purchasers of U.S. goods and services		Transaction advisory services



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Development Credit Authority (DCA)

- DCA is USAID's partial loan guarantee tool used to bridge access to finance gaps in support of USAID's programming around the world
- Unlike grants or contracts, DCA is a unique tool deployed with support from DCA Investment Officers and a USAID missions



Development Credit Authority (DCA)

How does it work?

- A private lender and borrower (or group of borrowers) are identified through various channels
- A formal agreement is signed between USAID and a private lender
- The lender provides a loan(s) to a targeted borrower/beneficiary(ies)
- USAID pays 50% of realized loss following receipt of claim from lender

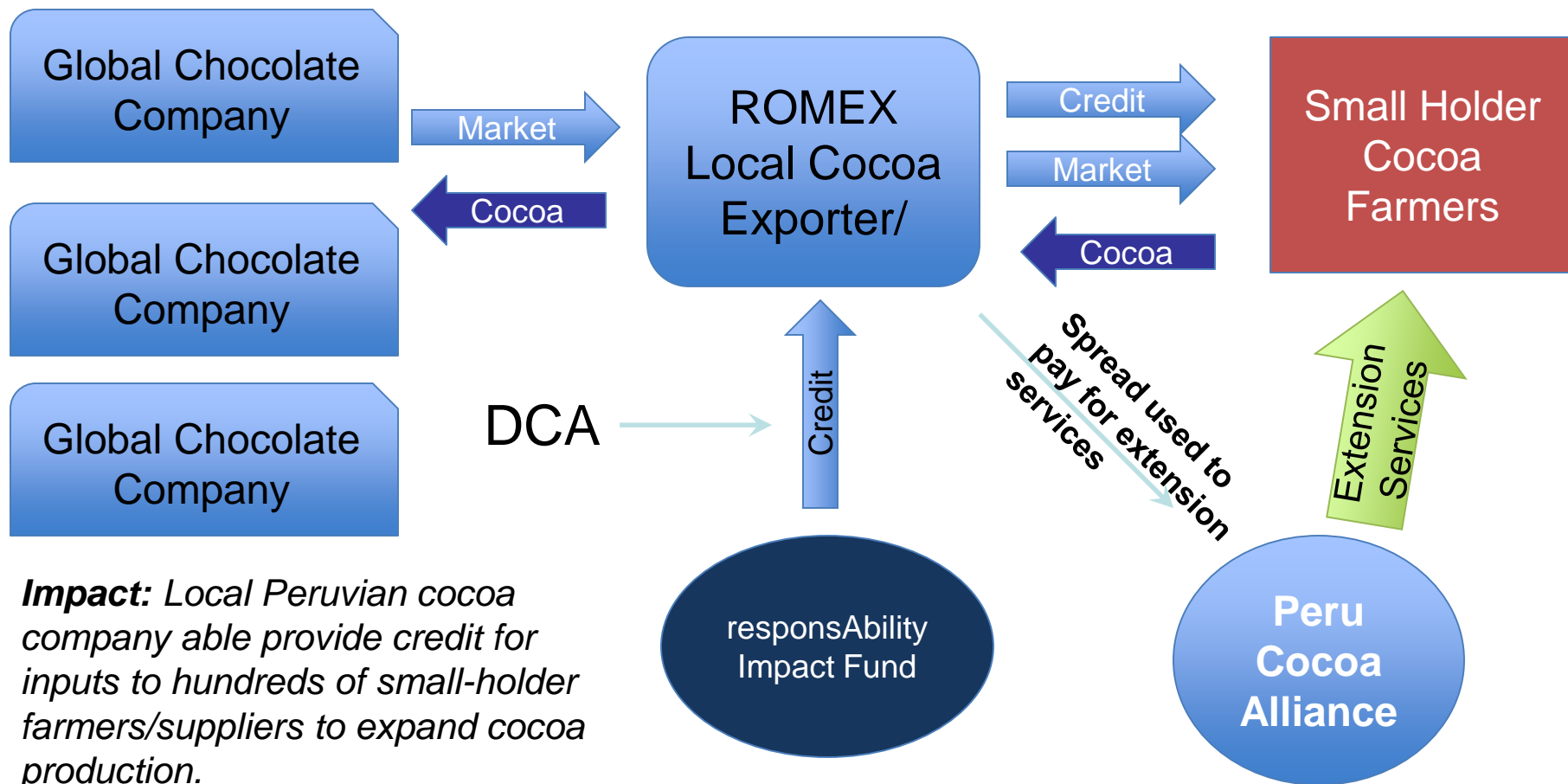
Why does it exist?

- To assist in mobilizing commercial debt solutions to underserved borrowers facing challenging financial market conditions



Peru Cocoa Alliance and responsAbility-Romex DCA

Embedding a guarantee for anchor buyer to finance input on-lending to small holder farmers within a GDA



Impact: Local Peruvian cocoa company able provide credit for inputs to hundreds of small-holder farmers/suppliers to expand cocoa production.



Since FY99, DCA has signed **528** guarantees, leveraging **\$4.8 billion** in private capital, achieving a **75%** utilization rate for expired guarantees



\$4,814,952,733
Total Portfolio



\$1,711,871,641
Utilized Portfolio



528
Guarantees



386
Financial Partners



76
Countries



229,346
Borrowers



23:1
Leverage Ratio



\$206,926,384
Total Subsidy Cost



\$19,789,167
Net Claims



\$19,055,400
Fees Received



75%
Utilization Rate
(Expired
Guarantees)



2.31%
Default Rate