INVEST: ABOUT US

On their own, international development agencies cannot meet all their goals for sustainable development. Despite the progress made, fulfilling the Journey to Self-Reliance and the goals of the 2030 Agenda for Sustainable Development will require both a better approach to financing and a more effective use of finance. Private sector engagement will increasingly become an essential component of effective development that sets countries on the path to self-sufficiency and creates positive, long-lasting impact on communities.

In 2018, USAID released both its Private Sector Engagement (PSE) Policy and its Acquisition and Assistance (A&A) Strategy. These policies create the framework for an institutional transformation whereby USAID will advance progress towards development goals through supporting and co-creating market-based solutions with the private sector, with an emphasis on working with new and underutilized partners.

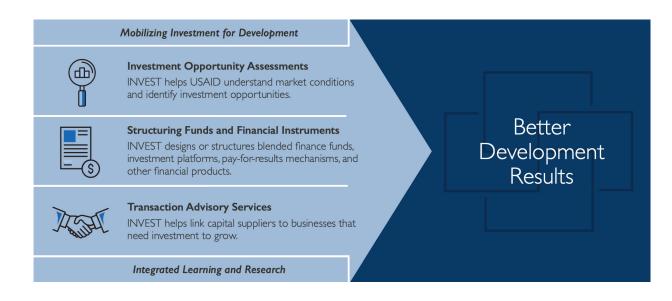## THE PROBLEM: FINDING MARKET-DRIVEN SOLUTIONS TO DEVELOPMENT CHALLENGES

As the world's development challenges become increasingly complex, some can only be solved through market solutions. However, investments are complex, and transaction costs can be high, especially for investors entering emerging markets with high levels of informality and information gaps. The legal, policy, and regulatory frameworks in these markets are often unpredictable. They can change rapidly, complicating an investor's ability to identify potential transactions and assess the risk of different investment opportunities.

USAID and other international development agencies can help raise awareness of investment opportunities, lower transaction costs, and lessen the risk, both real and perceived, of investments that generate positive development impacts. Through this work, they can strengthen local investment capacities and catalyze local market actors. However, while USAID and its peers have many assets which are valuable to investors and financial intermediaries, they have limited expertise in structuring finance transactions and sourcing deals with a range of investors across sectors.

Many companies, especially small firms, do not have the bandwidth or resources needed to write the lengthy proposals that the Agency usually requires. Most businesses also don't know how to follow USAID compliance requirements. If potential partners feel bogged down in paperwork, they will pass on opportunities to work with USAID, and USAID will miss out on their niche expertise.

THE INVEST SOLUTION: WORKING WITH THE PRIVATE SECTOR TO MOBILIZE INVESTMENT FOR DEVELOPMENT OBJECTIVES

The USAID INVEST initiative is a mechanism that addresses the longstanding operational and technical challenges that USAID has faced in working with the investment community. As a laboratory for procurement reform and technical innovation, INVEST has streamlined the subcontracting process, developed a rapid procurement procedure that is more user friendly for new firms, and built a growing body of knowledge on approaches to private sector engagement and blended finance (the strategic use of development funds to mobilize private capital into underdeveloped markets).

Mobilizing Investment for Development

Investment Opportunity Assessments
INVEST helps USAID understand market conditions and identify investment opportunities.

Structuring Funds and Financial Instruments
INVEST designs or structures blended finance funds, investment platforms, pay-for-results mechanisms, and other financial products.

Transaction Advisory Services
INVEST helps link capital suppliers to businesses that need investment to grow.

Integrated Learning and Research

Better Development Results

At the core of INVEST's work is a large and growing partner network of firms that have experience in investment and deploying private capital for development. This partner network enables USAID to access, on demand, the niche, technical experience it needs to take advantage of investment opportunities that will lead to positive development results.

Between February 2017 and May 2020, INVEST has grown its partner network from 26 to more than 250 members. With 38 buy-ins from 27 USAID Missions, Bureaus, and Independent Offices (MBIOs), INVEST's activities span 57 countries and 12 sectors. INVEST has issued 77 subcontracts for technical services valued at $25 million. Thirty-five percent of these subcontracts' total value was awarded to U.S.-based small businesses and 58 percent to new and underutilized partners.

As of May 2020, INVEST has directly mobilized $160 million in private capital for development.

65	**283**	**125**	**10** WEEKS
Procurements released	Proposals received	Unique firms submitting proposals	Average time from procurement release to executed subcontract
77	**$25M**	**35%**	**58%**
Subcontracts issued	Subcontract value	Value of subcontracts issued to U.S. small businesses	Value of subcontracts issued to new or underutilized partners