UNOFFICIAL ROOM DOCUMENT\(^1\)

The attached documents are being circulated upon the request of the United States, for the Aid-for-Trade Workshop being held on 10 June 2021.

Comité du commerce et du développement (Aide pour le commerce)

DOCUMENT DE SÉANCE NON OFFICIEL\(^1\)

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Comité de Comercio y Desarrollo (Ayuda para el Comercio)

DOCUMENTO DE SALA NO OFICIAL\(^1\)

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\(^1\) In Original language only/En langue originale seulement/En el idioma original solamente.

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USAID is undertaking a major cultural and operational transformation to expand Private Sector Engagement Agency-wide. Through its new **Private Sector Engagement Policy**, USAID is issuing an Agency-wide call to action and mandate to work hand-in-hand with the private sector to design and deliver our development and humanitarian programs in all sectors. This policy signals an intentional shift towards enterprise-driven development as a more sustainable way to empower people, communities and countries on their journey to self-reliance.

**ENTERPRISE-DRIVEN DEVELOPMENT**

This policy comes at a time in which the private sector is playing an unprecedented role in creating and shaping opportunities that improve the lives of the people and communities USAID supports. The private sector creates nine out of 10 jobs in the developing world, providing the best pathway out of poverty. It is the driving force behind new innovations that solve problems. Its scale and resources match the complexity of the challenges that countries face on the journey to self-reliance.

At the same time, emerging markets have become increasingly attractive to private businesses and investors as places to sell their products, invest their money, and do business. Enterprise-driven development means aligning with the private sector as co-creators of market-based solutions, with shared risk and shared reward. Engaging the private sector in this way can shape solutions that achieve sustained impact and carry forward long after USAID’s support has ended. Building on our history of working with the private sector in key areas of our work, we are committing to collaborate with the private sector and seek market-based approaches across all areas of our work – from economic growth, energy, agriculture and global health to gender equality, education, and addressing crisis and conflict.

*Private enterprise is the single most powerful force for lifting lives, strengthening communities, and accelerating self-reliance.*

— USAID Administrator Mark Green

**Private Sector Engagement (PSE) Concepts Defined**

- **PSE** is a strategic approach to planning and programming whereby USAID consults, strategizes, aligns, collaborates, and implements with the private sector for greater scale, sustainability, and/or effectiveness of development or humanitarian outcomes across all sectors.

- The **private sector** includes for-profit, commercial entities and their affiliated foundations; financial intermediaries; business associations; large, medium and small businesses; American, multinational, regional and local businesses; and for-profit approaches which generate sustainable income (e.g., a venture fund run by an NGO).

- **Market-based approaches** or solutions are interventions that address development and humanitarian challenges and also provide a return on investment for the private sector.
WHAT’S NEW ABOUT THIS POLICY?

At its core, this policy signals an intentional shift to pursue **market-based approaches** as a means to increase **sustainability**. For every development or humanitarian issue, USAID will ask three questions:

By asking these questions in this order, USAID will first focus on seeking more sustainable and enterprise-driven outcomes from the outset. Second, we will look for how and why the private sector may be interested in collaborating to address an issue, and what unique capabilities and resources private sector actors might bring. Third, we will actively identify ways in which we can work with the private sector to understand and address barriers to investment and market development.

OPERATIONAL PRINCIPLES

**Principle 1: Engage Early and Often.** Early and ongoing engagement with local and international private sector actors is essential to achieving better outcomes. This engagement allows USAID to identify market-based solutions, understand the role of the private sector and its barriers to investment, and identify the private sector’s potential role in building country capacities.

**Principle 2: Incentivize and value PSE throughout planning and programming.** Integrating PSE at every stage of strategic planning, design, and execution better positions USAID to understand private sector interests and capabilities, and continuously adapt to new evidence, opportunities or circumstances. USAID also recognizes that this shift in focus requires USAID to increasingly prioritize outcomes over inputs and outputs. To effectively institutionalize and incentivize PSE, USAID will adapt its talent strategy as well as operational and performance measurements of success to support and incentivize integration of financial and non-financial PSE approaches.

**Principle 3: Expand the use of USAID approaches and tools that unlock the potential of the private sector.** From leveraging our convening power to connect investors and businesses, to providing a grant as a first-loss guarantee to extend affordable healthcare services to the poor, there are many ways to engage the private sector to achieve our intended outcomes and catalyze market-based approaches. This policy calls for consideration of the full breadth of USAID’s financial and non-financial resources and core competencies in PSE. It also recognizes that as the Agency seeks to deepen its engagement with a broader set of private sector partners, it may need to enhance its tools and approaches to better align with the constraints and risks these partners face.

**Principle 4: Build and act on evidence of what works and what does not in PSE:** USAID will develop a knowledge base on what types of PSE work best under different circumstances. Fundamental to the success of operationalizing PSE, USAID will work with partners to establish metrics that measure, value, and incentivize PSE which delivers increased sustainability and deeper impact.
UNDERSTANDING OUR VALUE PROPOSITION

Effective PSE leverages USAID and the private sector’s comparative advantages to deliver more effective and sustainable outcomes.

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<tr>
<th>USAID Offers</th>
<th>Private Sector Offers</th>
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<tr>
<td><strong>Enabling Environment Support</strong>&lt;br&gt;Working with governments, USAID can help create a stronger enabling environment for inclusive market growth through support for policy &amp; regulatory reform, fair &amp; open competition, adoption of standards, and government capacity-building.</td>
<td><strong>Unique Expertise and Capabilities</strong>&lt;br&gt;Businesses and investors can bring innovation and technologies, entrepreneurship, industry expertise, market-based solutions, managerial and operational expertise including risk management, distribution networks, and investment capacity.</td>
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<td><strong>Sector Expertise and Knowledge</strong>&lt;br&gt;USAID has wide-ranging technical expertise across development and humanitarian sectors. It also offers deep understanding of developing markets, providing insights and market intelligence that can inform and shape private sector investment.</td>
<td><strong>Ability to Influence Policy</strong>&lt;br&gt;The private sector’s ability to deliver what host country governments seek to achieve—such as jobs, investment, and tax revenues—gives businesses and investors a strong, knowledgeable voice to inform policy.</td>
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<td><strong>Risk Mitigation and Flexible Authorities</strong>&lt;br&gt;USAID can use its funds, authorities, and technical expertise to de-risk investments and crowd in public and private investors to support investments that further development goals.</td>
<td><strong>Scale and Sustainability</strong>&lt;br&gt;The private sector’s vast financial resources and market-based approaches have the potential for achieving scale and sustainability in tackling systemic societal challenges.</td>
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<td><strong>Reputation and Credible Convening Power</strong>&lt;br&gt;USAID can lend authority to private sector investments and convene actors around business opportunities that address challenges.</td>
<td><strong>Efficiency and Effectiveness</strong>&lt;br&gt;With improved project systems and processes, the private sector can bring more efficiency and effectiveness to achieving outcomes.</td>
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<td><strong>Strong In-Country Networks and Relationships</strong>&lt;br&gt;USAID has relationships with national and local governments, businesses, and civil society that are useful to the private sector in making plans for market entry, collaboration, and co-investment.</td>
<td><strong>Flexibility and Pace</strong>&lt;br&gt;The private sector is often inherently more flexible, as they have a financial incentive and interest to move quickly and to respond immediately to opportunities and develop new markets.</td>
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Ways USAID Can Engage

- **Information Sharing and Strategic Alignment**<br>Align and coordinate respective strategies and efforts for achieving outcomes of shared interest
- **Unlocking Private Investment**<br>Address constraints to a transaction or broader investment. Emphasis is on activities that can be replicated or brought to scale, inclusive of efforts to “crowd in” and shape investment
- **Leverage Private Sector Expertise and Innovation**<br>Harness innovation, technology, R&D, industry expertise, and entrepreneurial support to achieve development outcomes
- **Catalyzing Private Sector Resources**<br>Mobilize private sector resources and action to address a specific issue and/or objective
- **Strengthening the Enabling Environment**<br>Engage on issues important to multiple private sector actors such as regulatory reform, policy, compliance with standards, and government capacity-building
- **Advancing Learning and Market Research**<br>Advance shared market research, good practices for PSE, and joint strategic planning and project design
WHAT'S NEXT?

This policy makes a bold statement and represents a major shift for USAID and its implementing. It is also just the first step in the process of institutionalizing PSE as a core tenet of USAID’s operating model. Following on this policy, USAID will strengthen its tools and resources to ensure staff are prepared to engage the private sector in new ways. For example, USAID will:

- Shift away from an over-reliance on traditional procurement-focused models, and begin to prioritize collaborative solutions which unlock private investment.

- Seek to increase the evidence on what works and what doesn’t when engaging the private sector to achieve development outcomes.

- Evaluate potential of models that focus on both financial returns and impact, through blended public and private capital.

- Adapt its talent strategy, as well as operational and performance measurements of success to support and incentivize integration of financial and non-financial PSE approaches.

- Go beyond measuring the leverage of engaging the private sector, and seek to measure their development impact without creating burdensome reporting for the private sector.

To learn more, contact: partnerships@usaid.gov

RELEVANT ACROSS SECTORS

USAID recognizes that supporting countries in achieving their development goals requires the unique contributions of all sectors: governments, civil society, philanthropy, faith-based organizations, academia and the private sector.

In fact, many philanthropic and development-focused organizations have been frontrunners in embracing market-based approaches and integrating the distinctive capabilities of the public and the private sectors to achieve greater development impact, including: launching impact investment and venture funds, business franchising models, and targeted value chain interventions leveraging unique corporate capabilities, as well as holding the private sector to account for making responsible, inclusive business investments which make a positive social and environmental impact on communities in which they operate.

For this reason, USAID believes that all sectors have a vital role to play in implementing this policy and engaging the private sector to address humanitarian and development issues in our work together.

Over time, USAID expects that implementation of this policy will diversify USAID’s partner base to include more private enterprises (e.g., financial investors and businesses of all sizes from across many industries), in addition to strong continued collaboration with traditional development partners.
The Seafood Alliance for Legality and Traceability (SALT) provides space for global knowledge exchange and learning, facilitation, and collaboration to build electronic seafood traceability systems that address social, economic, and ecological well-being.

SALT sprung from the idea that fostering fruitful conversations between industry, government, and civil society encourages us to learn from one another. Our alliance builds trust, sparks innovation, and accelerates progress together—rather than in silos.

OUR APPROACH

We envision an empowered and self-regulated seafood community that adopts improved and transparent seafood systems. That, in turn, will support stronger fisheries management to enhance food security and ocean biodiversity.

SALT PROVIDES:

- A learning hub with curated resources including a seascape map of traceability efforts around the world and a searchable traceability events database.
- A facilitated learning space to connect with experts, discover solutions, and collaborate.
- Incentives to fuel innovative leadership and solutions to complex seafood traceability problems.
TOGETHER WE CAN:

- Share experiences to learn from others and identify opportunities to collaborate
- Reduce business risks associated with illegal seafood
- Improve ability to comply with import requirements and sustainable seafood commitments
- Transform how industry collects, verifies, shares, and utilizes seafood data
- Increase our ability to manage fisheries sustainably

JOIN THE SALT COMMUNITY COMPOSED OF:

- Academia
- Governments
- NGOs
- Donors
- Industry (seafood, finance, and technology)
- Multilateral organizations

FOR MORE INFORMATION AND HOW TO PARTICIPATE IN SALT VISIT:

SALTtraceability.org

SALT is a five-year public-private partnership between USAID and the Walton Family, Packard, and Moore Foundations, and is implemented by FishWise, a non-profit sustainable seafood consultancy.
VIETNAM FORESTS AND DELTAS PROGRAM
2012 - 2021 | IMPLEMENTER: WINROCK INTERNATIONAL | PLANNED BUDGET: $31 MILLION

The USAID Vietnam Forests and Deltas (VFD) Program supports Vietnam’s transition to more resilient and sustainable development. The first phase of the program (2012-2018) helped put national policies and strategies into practice to respond to climate change, with a focus on the forestry and agriculture sectors, disaster risk reduction, and strengthening rural livelihoods. Beginning in 2018, the program’s second phase focuses on supporting the Government of Vietnam (GVN) to ensure that the payment for forest environmental services (PFES) system—a critical mechanism helping to conserve Vietnam’s forests—is an effective tool in accomplishing the country’s environmental and socio-economic goals.

RESULTS ACHIEVED
To date, VFD has successfully developed policies and implemented actions to achieve green growth, sustainable forest management, and equitable payment for forest environmental services in Nghe An and Thanh Hoa provinces. As a result of project support, approximately 25,000 households are receiving PFES payments and are now more actively engaged in local forest protection. In Nam Dinh and Long An provinces, VFD worked with communities to better prepare for disasters resulting in more than 200,000 people in 60 communes implementing risk-reducing best practices. VFD’s experts partnered with local agriculture extension centers to promote sustainable agriculture models. This collaboration helped more than 30,000 farmers in both forested and delta areas to improve their practices and productivity. At the national level, the program worked with the GVN to develop important policies including Vietnam’s Coastal Forest Decree 119, which for the first time provides specific guidance on management and protection of coastal forests. VFD also helped increase Vietnam’s annual PFES revenue by approximately 80% since 2018, resulting in an annual amount of about $100 million to finance forest conservation efforts.

FOCUS ON PAYMENT FOR FOREST ENVIRONMENTAL SERVICES (PFES)
The VFD PFES Activity (2018-2021) strives to develop a base of evidence through pilots and the development of policies and tools that support the GVN’s effort to improve its PFES system via three innovations:

- **Application of electronic payment mechanisms to distribute PFES benefits**: The current PFES cash-based system is inefficient and creates security risks as significant amounts of cash are transported to rural areas for distribution. VFD and local partners are developing more efficient, secure, and transparent electronic payment mechanisms that reduce transaction costs and streamline payment processes.

- **Strengthening PFES monitoring and evaluation systems**: In order to determine whether PFES is meeting its goals, VFD and the Vietnam Forest Protection and Development Fund (VNFF) are developing a system to monitor PFES implementation and improve data management, analysis, and reporting.

- **Expanding payment for new forest services such as carbon sequestration**: VFD, VNFF, and provincial partners are developing innovative carbon PFES pilots with local carbon-intensive companies. These large emitters will pay forest owners for the carbon sequestration and storage services provided by healthy forests. The mechanism will be scaled up to the national level to increase overall PFES revenues, protect more forests, and help Vietnam achieve its international climate change commitments.

FOR MORE INFORMATION: http://www.usaid.gov/vietnam/
PARAMOS & FORESTS ACTIVITY

Promoting sustainable economic development while reducing emissions, deforestation and forest degradation.

OVERVIEW

The Paramos and Forests Activity helps the Government of Colombia (GOC) meet its landscape-based climate change mitigation goals and strengthens local economic development. The activity reduces emissions from deforestation and forest degradation (REDD+), and improves local actors’ capacities to measure, report, and verify (MRV) emissions. The activity also supports the creation of sustainable income revenue streams for participating Afro-Colombian and indigenous communities, and improves water resource management by protecting high alpine paramos ecosystems. This activity is implemented in 16 municipalities and runs from March 2018-March 2025.
COMPONENTS

PROTECTING TROPICAL FORESTS

Paramos & Forests supports eight Afro-Colombian and one indigenous community with the development of Reduced Emissions from Deforestation and Forest Degradation (REDD+) projects. These projects protect 650,000 hectares (Ha) of tropical forests on the Pacific coast and generate carbon credits to sell to companies looking to reduce their carbon tax liabilities. Income earned through these projects is reinvested in community infrastructure, social services, and governance activities.

GENERATING ENVIRONMENTAL SERVICES INCOMES

Paramos & Forests employs the Payment for Environmental Services (PES) mechanism that pays landowners to conserve ecosystems and maintain environment services. The Activity uses PES to encourage communities to protect subalpine forests (paramos) and the clean, drinkable water that the paramos provide to the Colombian population.

PROVIDING TECHNICAL ASSISTANCE

Paramos & Forests helps Colombian institutions, like the Ministry of Environment and the Environmental Studies Institute, develop and implement policies and regulations related to the national carbon market. This support emphasizes capacity building, technology transfer, and learning-by-doing.

RESULTS

- Produced the first batch of carbon credits and delivered them to the company PRODECO;
- Generated 6.1 million Verified Carbon Units, worth USD $24 million, from REDD+ projects;
- Awarded four grants to Afro-Colombian and indigenous communities to develop new environmentally friendly, productive projects in REDD+ territories;
- Awarded four grants to civil society organizations to reduce forest degradation and greenhouse gas emissions in paramos ecosystems;
- Produced the first batch of carbon credits and delivered them to the company PRODECO and other 12 private corporations;
- Designed and launched a financial and legal mechanism for a paramos PES to be implemented by the Tolima Regional Autonomous Corporation; and
- Signed collaboration agreements with key regional environmental authorities, like the Valle del Cauca Regional Autonomous Corporation and the Hydrology, Meteorology, and Environmental Studies Institute (IDEAM), to develop comprehensive paramos management strategies.