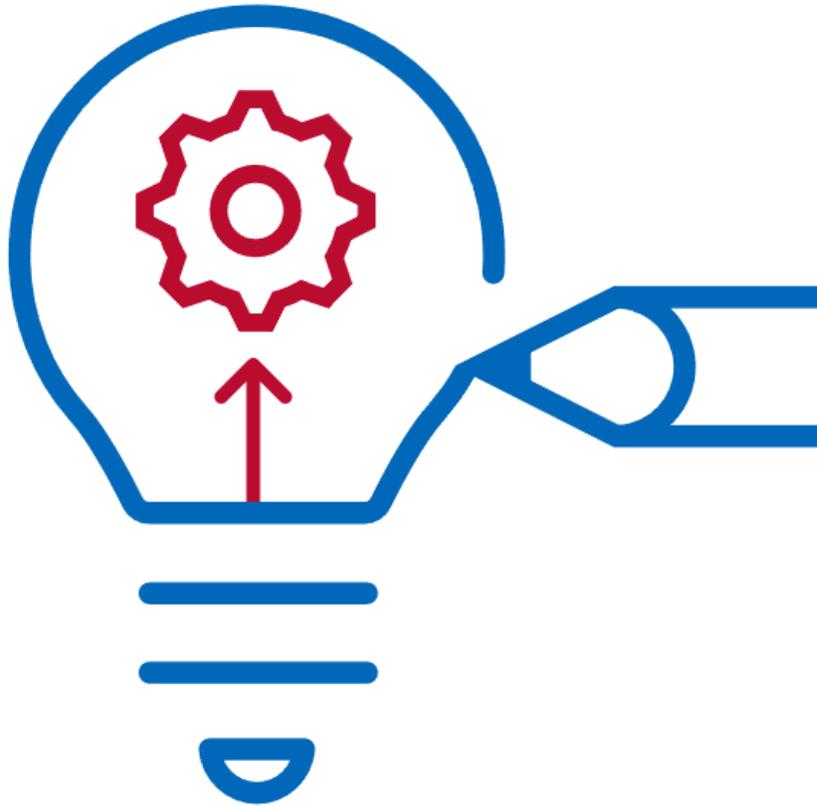




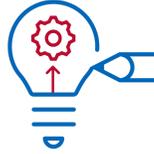
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PSE Opportunities Tool

Use Cases

Three PSE case studies using the PSE Opportunities Tool



The PSE Opportunities Tool Use Cases

This document provides three use cases that demonstrate how the PSE Opportunities Tool can be used to identify PSE opportunities in addressing your development or humanitarian challenge. Additionally, each use case may be a helpful example of how to interpret and respond to each of the PSE Policy Questions and sub-questions that are in the PSE Opportunities Tool.

All use cases were developed based on real PSE engagements at USAID; however, details have been embellished or fabricated for the purposes of these use cases. This document provides the following three use cases:

The PSE Opportunities Tool Use Cases:

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Detailed guidance and suggested data sources for all sub-questions can be found in the PSE Opportunities Tool’s User Guide. And a template for completing this analysis is also available.



Use Case #1 – Peruvian Quinoa Market Development

Disclaimer: This use case is based on USAID’s Poverty Reduction and Alleviation Project (PRA) in Peru. However, certain details have been embellished or entirely fabricated in order to demonstrate how the PSE Opportunities Tool can be used.

PSE Policy Sub-Questions	Responses
<p>Starting Point: What is your development or humanitarian challenge?</p>	<p>Challenge: Poor smallholder farmers in the Andean region of Peru need to boost their incomes in order to be more resilient in the face of shocks and stresses.</p> <p>Context: The Andean region of Peru is one of the poorest regions of the country with few viable sources of income available to the local people. USAID/Peru’s Agriculture Office is working to find markets for the few crops that can be produced in this region to support these populations and expand sustainable incomes.</p>

Question 1: Can the Private Sector Solve this Problem by Itself?

This question focuses on what is needed to solve your challenge and who is providing it

<p>a) What is needed to solve your development or humanitarian challenge?</p>	<p>The lack of income opportunities in the area results in a per capita income of around \$475 per year in rural areas, compared to \$1,000 per year in urban areas and \$3,000 per year in Lima. An agricultural sector assessment in the region examined commodities that could be sustainably grown at this altitude and would augment local incomes.</p> <p>This study identified a near extinct variety of quinoa that was traditionally grown in this region. This variety was very unique, particularly for its deep red color, which suggested it could fill a different market niche than conventional quinoa, which tended to be pale white in color. This variety is unable to be produced commercially at lower altitudes due to the conditions necessary for production. Commercial production of this “heirloom” variety would certainly give these marginalized farmers a competitive advantage and could lead to a sustainable source of income.</p> <p>USAID/Peru has reason to believe that this red variety of quinoa could address their development challenge by increasing the incomes of these smallholder farmers.</p> <p style="color: red;">Need: red quinoa variety</p>
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<p>b) Are there any private sector actors that can help solve some or all of this challenge?</p>	<p>This red varietal is essentially a new commodity and therefore there are no current private sector actors at any point in the domestic or international supply chain. There are of course domestic quinoa producers, processors, and aggregators who are active in the market for other quinoa varieties.</p> <p>Private sector actors: none currently for this variety. However, possible actors could include domestic quinoa producers, processors and aggregators, exporters, and international marketers and distributors who trade in other quinoa varieties.</p>
<p>c) If there are active private sector actors, what has been their experience in participating in the solution you've identified to the challenge? Has their participation, or business, been growing steadily in recent years? Are they reaching USAID's intended beneficiaries?</p>	<p>Experience: Not applicable for red quinoa.</p>

Question 2: Could there be a Market-Based Approach to Addressing this Challenge?
This question identifies the target population group, their demand, and the market dynamics at play

<p>a) Who has to buy, use, or access these products or services offered by the private sector, that may help in solving this challenge?</p>	<p>This red quinoa was previously grown in Peru but local consumers did not appreciate this variety, which has led to red quinoa nearly going extinct. As such, there does not seem to be a domestic market for red quinoa.</p> <p>Red quinoa has never been introduced to an international market so it is unclear if there are potential consumers in this group. An international market exists for quinoa with quinoa available for sale in most health food stores in the USA. Quinoa consumption was limited to consumers with knowledge of healthy foods. Individuals whose research had led them to value quinoa for its health benefits including its gluten-free status. Quinoa was not a product “consumed by the masses,” but rather one “discovered” by educated, health-conscious consumers.</p> <p>Who: International consumers of quinoa. After answering the following sub-question, the focus is narrowed to the international restaurant business (see next question).</p>
<p>b) Do these target groups want the items or services provided by the private sector that would help solve your challenge? Why are these items/services in demand?</p>	<p>There is no current demand for red quinoa. The majority of the quinoa sold in the United States is produced in Bolivia. Therefore, business linkages already exist throughout the supply chain in Bolivia. Additionally, the prices for quinoa in Bolivia and Peru are almost the same as they use very similar production techniques. Therefore, there is no reason to think consumers would demand red quinoa because of its lower price compared to other quinoa.</p> <p>There is also no significant nutritional difference between the varieties of quinoa.</p> <p>Finally, the size of the quinoa produced in Bolivia was larger than that produced in Peru. Therefore, the limited demand that did exist in the United States was already met by a product of larger size for which consumer</p>

	<p>expectations had already been established. Therefore, there is a risk that consumers might perceive Peru's smaller quinoa to be of inferior quality.</p> <p>So the question becomes: is there any reason to believe consumers would demand red quinoa over the well-established demand for white quinoa?</p> <p>In discussions with quinoa experts, one speculated that red colored quinoa could provide professional chefs with a colorful staple for their menus, which would be fairly novel and interesting. Chefs competing to make dishes that are unique may be a window of opportunity for red quinoa. Integrating a red colored entrée into menus would give restaurants a unique niche, allowing them to substitute quinoa for rice, couscous, potatoes, and other "white" starch-based products. The fact that quinoa is not a starch and contains high nutritional value offers this option even greater potential, especially for health-conscious restaurant patrons.</p> <p>Consumer demand: Possibly demand from international restaurants, to differentiate meals with healthy and colorful alternative grains.</p>
<p>c) Do you have any reason to believe the target groups would be willing and able to pay for this item/service?</p>	<p>Because red quinoa can be offered at the same price as white quinoa, there is reason to believe that consumers would be willing to pay this price. Yes.</p>
<p>d) Is the current price of this item/service equal to or lower than the amount that target groups are willing and able to pay?</p>	<p>Yes, Peruvian quinoa supply prices are on par with Bolivian quinoa in the US market, with a possible slight freight advantage that may give Peruvian farmers an advantage.</p>
<p>e) What other market drivers may be influential in the supply or demand of this item/service?</p>	<p>Current demand for white quinoa seems to be accelerating as more health-conscious consumers in North America become familiar with the commodity. Peru has successfully established a market presence in North American for their white quinoa, to compete with Bolivian quinoa. The Peruvian logistics network and value chain actors would be assets in promoting red quinoa.</p> <p>With that said, red quinoa is untested and the market is unknown. It is unlikely that competitors in this variety could emerge since the variety is only able to grow at certain high altitudes - limiting competition from farmers at lower altitudes.</p>

Question 3: What are the Roles and Interests of the Private Sector in Addressing this Challenge?
This question focuses on the willingness of the private sector to reach the target groups identified in the previous question

<p>a) What are the private sector interests in solving this challenge?</p>	<p>The presence of established suppliers and lack of price competition makes entry into a new market problematic as it is always difficult to unseat existing suppliers at similar price points.</p> <p>Instead, red quinoa presents a product differentiation opportunity that could lead to the development of a market niche. The foodservice industry consumers represent a good alternative to retailers (e.g., Whole Foods, Kroger) in this case because it involves supplying restaurants as opposed to managing the sometimes difficult and costly process of introducing a new retail product. The foodservice industry (as compared to retailers) is</p>
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	<p>primarily concerned with the quality and price of their ingredients and less about the brand image which is not known by the end consumer/restaurant patron. This is an advantage to new products with no established brand image yet.</p>
<p>b) What are the long-term business goals for these private sector actors and how does that relate to your development or humanitarian challenge?</p>	<p>The Quinoa Corporation owns, markets, and distributes “Ancient Harvest”, its commercial brand for packaged quinoa. Ancient Harvest quinoa has market penetration in more than 60 percent of the health food stores across North America. Although the Quinoa Corporation had strong commercial retail sales numbers, its distribution is limited with respect to the foodservice market.</p> <p>In discussions with the Quinoa Corporation, their goals seem to be to work with the foodservice sector to increase demand for red quinoa: consumption in restaurants would increase awareness of this new product, which should help to stimulate retail growth as consumers tasted the product at their favorite restaurants and then demanded it from their local grocery stores where the Quinoa Corporation has established networks.</p>
<p>c) What advantages would the private sector bring towards solving your challenge? Why might working with them be better than other modalities/mechanisms that USAID has access to?</p>	<p>The Quinoa Corporation has relationships with restaurants and the National Restaurant Association in the US. They participate in the annual National Restaurant Association tradeshow and have the knowledge and skills on marketing new products. They are also experienced in pitching new products to potential buyers and developing media kits to educate consumers on the general benefits of quinoa as well as the special characteristics of Peruvian red quinoa. They are much better placed than USAID to market the red quinoa and introduce it to their established relationships within the quinoa supply chain.</p> <p>Long term, introducing a product to retail requires capital investment to identify the appropriate packaging, working with retailers to “buy” shelf space, and promoting the product to individual consumers (advertising). Those costs can be significant. Those barriers are reduced, however, since Quinoa Corporation has an existing relationship with retailers and they already have complementary products on the shelves. In this case, the distributor can leverage its existing relationship to add a new item to an existing product mix.</p>

Question 4: Are there Factors Constraining the Private Sector from Involvement and Investment?

<p>a) What are the most significant issues that constrain the private sector actors you identified in Question 1 (or the companies you are interested in)?</p>	<p>For the Quinoa Corporation, there are a number of risks associated with introducing new products in the North American market. However, those risks are part of their normal business exploration process. A bigger risk is that there is not enough red quinoa from the producers. Red quinoa, while very promising, is nearly extinct in this region and is not currently produced at commercial scale. For the Quinoa Corporation, there are too many risks to engage directly with the smallholder farmers and encourage them to begin producing red quinoa. To begin, they do not typically work with smallholder farmers directly and usually work with domestic processors to source quinoa.</p> <p>Processors in Peru are also unwilling and unskilled at working with smallholder farmers to begin producing an entirely new commodity. All parties along the supply chain (smallholder farmers, processors, and even the Quinoa Corporation) do not know if producing red quinoa will be</p>
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profitable or if there is any demand at all for this commodity internationally. This makes it very difficult to enter the market in the first place, without more information and high start-up transaction costs.

Constraint: This is a classic first mover disadvantage.

Government Failure	Incomplete Markets	Information Failure	Imperfect Competition	Missing Inputs	Externalities	Exclusion
Poor property regulations or weak enforcement	Lack of access to finance Coordination failure in supply chains or industries	Limited transparency First mover disadvantage Limited adoption of modern practices	Barriers to entry	Lack of basic infrastructure Poor workforce health and education	Detrimental environmental practices	Discriminatory formal and informal institutions

b) Why is the private sector interested in working with USAID? What do they want from USAID?

The Quinoa Corporation is concerned that there would not be enough red quinoa to source, in order for their efforts to be worthwhile. They need some kind of guarantee that producers in the Andean mountains will switch to producing red quinoa in sufficiently large quantities. The Quinoa Corporation does not typically work directly with producers. They also need actors along the value chain to keep this red quinoa separate from the white varieties that they trade in.

Need: Guarantees along the supply chain.

Question 5: Is There a Role for USAID to Help Alleviate or Eliminate these Constraints?

a) How is your proposed approach responding to a constraint identified in Question 4?

After further negotiations with the Quinoa Corporation and local quinoa processors in Peru, USAID/Peru is considering a strategic intervention to lower initial transaction costs and reduce the risk incurred at each level of the supply chain. This will help to de-risk the first mover disadvantage for all players along the supply chain when starting to create and market a new commodity.

To de-risk this business opportunity, USAID/Peru is considering helping farmers in rural Peru and a local quinoa processor to produce the volume and quality standards required by the customer. The first hurdle will require working closely with growers to grow a crop previously considered inferior due to lack of domestic market and to compete with well-established varieties in the international market. USAID/Peru could support the production of this unique seed given a very limited seed stock currently, and provide extension services to encourage its production.

USAID/Peru can also help facilitate contracts between producers and the local quinoa processor to guarantee the purchase of the red quinoa at pre-planting prices and ensure quick payment to farmers. With guaranteed payment, seed production, and provision of technical assistance (extension) USAID/Peru may be able to ensure that sufficient hectares will be cultivated to produce to the volume and quality required by the domestic processors and ultimately the Quinoa Corporation.

	USAID/Peru could also work with quinoa processors during the processing and shipping of the Quinoa Corporation's order to ensure proper quality control practices were employed for cleanliness, sizing, and packaging.
<p><i>If you are considering providing <u>funds</u> to support a company:</i></p> <p>b) Does the company/ies have sufficient funds to self-finance the project (within a reasonable timeframe)?</p>	N/a
<p><i>If you are considering providing <u>knowledge or technical assistance</u> to a company or group of companies:</i></p> <p>c) Does the company/ies truly lack this knowledge or competencies to design, scale, and/or implement a business model in a way that has an impact on your development or humanitarian challenge?</p>	<p>USAID/Peru is considering technical assistance to two private sector actors along the supply chain:</p> <ul style="list-style-type: none"> • The smallholder farmers who will begin producing red quinoa • Domestic quinoa processors <p>Most of the proposed smallholder farmers have not produced red quinoa and perhaps not even quinoa in large quantities. This will be a new venture for these farmers and as such, many will not have this knowledge. They do not have the resources to hire extension agents on their own to take advantage of this opportunity. It is advised to proceed with technical assistance with the smallholder farmers.</p> <p>USAID/Peru considered technical assistance to domestic quinoa processors. However, it was determined that the skills needed for quality control, cleaning, sizing, and packaging are the same as with white quinoa. Local quinoa processors should already have these skills and do not need USAID's help.</p>
<p>d) Would any of these engagements have the potential to improve the efficiency and competitiveness of a large number of local firms in the long run?</p>	<p>Yes. Should this be successful, this technical assistance would help a large number of smallholder farmers to be competitive in red quinoa. Local processors should also benefit from increased production.</p> <p>Furthermore, there is nothing exclusive about the relationship between the smallholder farmers, the processors, and the Quinoa Corporation. If Quinoa Corporation is successful in building an international market for red quinoa, there is no reason that other actors would not be able to enter this market as well.</p>
<p>e) Is this engagement likely to displace other companies already operating or ready to enter the market?</p>	<p>Unlikely. There is no indication that other companies are considering red quinoa as this is a nearly extinct variety. This is an entirely new business activity in the region and country.</p>
<p>f) Does this work duplicate the work of other donors?</p>	<p>No. There are other donors engaged with the population in this region, but they are focused on other sectors such as education and WASH programs.</p>
<p>g) Have these companies worked with other donors in the past to solve this challenge?</p>	<p>No. The Quinoa Corporation has not worked with other donors before and no private sector actors along the supply chain have worked with other donors in red quinoa.</p>
<p>h) Sniff test - Would a skeptical (but reasonable) observer find your argument convincing that you are not subsidizing the private sector?</p>	<p>Yes. Given that this is a different product and untested, USAID/Peru is confident that this is not subsidizing the private sector in developing a market for red quinoa that would come about in any case. This does appear to be an opportunity for USAID to be additional.</p>

Data Sources

Record the most important or informative information sources you relied upon and who you spoke with

Key documents	USAID/Peru Agriculture Sector Assessment – 2001 Peruvian quinoa value chain assessment – 1999 Bolivian quinoa value chain assessment - 2000
Internal USAID discussions	Internal discussions with the entire USAID/Peru Agriculture Office USAID/Bureau for Resilience and Food Security
Private sector discussions/interviews	The Quinoa Corporation – President The Quinoa Corporation – VP Sales and Marketing The Quinoa Corporation – Demand and Supply Planner El Altiplano SAC (local quinoa processor)
Other relevant information sources	Smallholder farmers and quinoa cooperatives in the region Discussions with U.S. Department of Agriculture, Foreign Agriculture Service Officer based in Lima Ms. Julie Smith - Quinoa expert



PSE Use Case #2 – Serbia Media Platform

Disclaimer: This use case is based on some aspects of the USAID Strengthening Media Systems Project in Serbia. However, certain details have been embellished or entirely fabricated in order to demonstrate how the PSE Opportunities Tool can be used.

PSE Policy Sub-Questions	Responses
<p>Starting Point: What is your development or humanitarian challenge?</p>	<p>Challenge: There is limited independent news and information provided through the media sector in Serbia.</p> <p>Context: The media environment in Serbia is fraught with political interference and government directed market distortions through its control over advertising revenues. The current political and economic situation in Serbia is not in favor of media development. State capture, widespread clientelism, and a steady decrease in media freedoms are serious obstacles to the development of independent and responsible new sources (EU Progress reports, IREX Media Sustainability Index, Freedom House, Reporters without Borders, etc.)</p>

Question 1: Can the Private Sector Solve this Problem by Itself?

This question focuses on what is needed to solve your challenge and who is providing it

<p>a) What is needed to solve your development or humanitarian challenge?</p>	<p>As identified in the development challenge, the main item needed is independent news sources. More specifically, there is an ongoing process of media consolidation in the TV market, the main form of news consumption in Serbia. A state-owned company is actively acquiring cable operators and consolidating its position making it unlikely for TV to be a source for independent local news.</p> <p>Digital media represents an opportunity to promote more independent and unbiased local media, especially given the growth of online platforms (YouTube, Facebook, Instagram, Google) and increased cross-media consumption by citizens to complement television and radio news.</p> <p>Item needed: digital media outlets providing unbiased, independent local news.</p>
<p>b) Are there any private sector actors that can help solve some or all of this challenge?</p>	<p>The largest private players in the Serbian media market are slowly embracing digitalization and tech development (e.g., Ringier Axel Springer Serbia, Adria Media Group, and Color Press Group). However, the majority of media in Serbia, especially local outlets, are struggling to survive and cope with new technologies.</p>

	<p>In the last 10 to 15 years, a large number of online media have been established in Serbia operating at the local level. By the end of April 2018, 632 online media units were operating on the Serbian market.</p> <p>Domestic private sector actors: Primarily the hundreds of online media units operating in Serbia.</p>
<p>c) If there are active private sector actors, what has been their experience in participating in the solution you've identified to the challenge? Has their participation, or business, been growing steadily in recent years? Are they reaching USAID's intended beneficiaries?</p>	<p>Limited. There are some private sector actors that are interested in supporting or collaborating with Serbian online media operators. However, the relationships do not seem to be very well established.</p>

Question 2: Could there be a Market-Based Approach to Addressing this Challenge?
This question identifies the target population group, their demand, and the market dynamics at play

<p>a) Who has to buy, use, or access these items or services offered by the private sector, that may help in solving this challenge?</p>	<p>The primary consumers are Serbian citizens – 52 percent of whom have reported a very low level of trust in their media sources.</p> <p>Additionally, advertisers would be interesting target consumers since they provide significant revenue sources for media in Serbia.</p> <p>Who: Media audiences, particularly younger Serbians, and advertisers.</p>
<p>b) Do these target groups want the items or services provided by the private sector that would help solve your challenge? Why are these items/services in demand?</p>	<p>Media audiences: Most people in Serbia primarily consume their news through television and in fact, Serbians rank second in Europe by the number of hours they spend watching television each day. Daily newspapers are facing a steady decline, mirroring a global trend.</p> <p>However, internet usage is growing each year. Serbian citizens are very accustomed to reading news online (75.5 percent of Serbians in a recent assessment say they read news online). The internet media audience is steadily increasing, but with a slight slowdown in growth, which is due to technical challenges related to internet penetration. Demand for digital media appears to be a consequence of a larger trend towards greater usage of the internet and social media platforms.</p> <p>Advertisers: Advertisers tend to follow where the media audiences go. As such, there has been considerable growth of the digital media share in total advertising expenditures, doubling in only five years between 2012 and 2017.</p>
<p>c) Do you have any reason to believe the target groups would be willing and able to pay for this item/service?</p>	<p>Media audiences: No more than 6% of those polled reported having paid for media content in the past, not taking into account basic cable subscriptions. That said, as many as 24% declared their willingness to pay so in the future (mainly for sports, films, and TV shows), while 16% would be ready to pay for content they currently use if it became a subscription only. In total, 11% of all respondents claimed they would be willing to finance community/local media, by making either one-time or periodic payments. On average, respondents were ready to set aside 745 dinars per month (~7.50 USD) for local media in their city or</p>

	<p>municipality. Willingness to pay also differs by age; younger audiences are less willing to pay for news consumption and look to sharing and referrals on free social media networks for their news consumption.</p> <p>Advertisers: Currently, TV in Serbia has the most accepted and clear model for measuring a return on investment for advertisers. This explains why TV still has an advantage over digital because advertisers still struggle to estimate a return on their investment in the digital media sector. However, firms are building new metrics and ways to monitor online traffic that has been directed from media to content promoted by advertisers. To date, smaller and more independent players do not attract advertisers.</p>
<p>d) Is the current price of this item/service equal to or lower than the amount that target groups are willing and able to pay?</p>	<p>Yes but it's unsustainable. Currently, the supply price for digital media is, on average, equal to what consumers are willing to pay (that is, it is usually free). However, this is not sustainable.</p> <p>Most digital media providers remain small and struggle to grow their audience base. Given a low willingness to pay, digital media must keep their prices low (or free), which limits their ability to invest in the skills and resources they need to grow. An inability to grow their consumer base means companies will struggle to attract advertisement sales as an additional way to finance their growth and sustainably provide their content.</p>
<p>e) What other market drivers may be influential in the supply or demand of this item/service?</p>	<p>The trend towards a younger and more tech-savvy population will mean increased access to digital media, and increased demand for this news from this platform. Advertisers will want to target this consumer group as they become increasingly relevant in the economy.</p>

Question 3: What are the Roles and Interests of the Private Sector in Addressing this Challenge?
This question focuses on the willingness of the private sector to reach the target groups identified in the previous question

<p>a) What are the private sector interests in solving this challenge?</p>	<p>Increased audience engagement, in terms of quality and quantity, is one of the key long-term strategies for the financial viability of online media outlets. This will also help media companies increase their revenue streams since a larger audience will attract more ad inventory sales. As such, online media companies are primarily interested in generating higher sales and long-term profitability.</p>
<p>b) What are the long-term business goals for these private sector actors and how does that relate to your development or humanitarian challenge?</p>	<p>As discussed above, there are hundreds of media organizations operational online in Serbia, many of whom are independent and provide valuable news at the local level. These organizations are interested in long-term profitability, which aligns with USAID's interests in supporting sustainable and commercially viable independent news and information at the local level.</p>
<p>c) What advantages would the private sector bring towards solving your challenge? Why might working with them be better than other modalities/mechanisms that USAID has access to?</p>	<p>This question is not as relevant to this case, as it is clear the private sector is providing the item needed (digital, independent media).</p>

Question 4: Are there Factors Constraining the Private Sector from Involvement and Investment?

a) What are the most significant issues that constrain the private sector actors you identified in Question 1 (or the companies you are interested in)?

As mentioned above, the independent, digital Serbian media sector struggles to grow and achieve financial sustainability. Their inability to substantially grow their audience loyalty and engagement is due to:

- Poor outreach techniques
- Inadequate editorial content or poor quality of its presentation
- Misunderstanding of the content that attracts audiences
- Inability to attract advertisers

A common theme here is that media staff need to increase their skills and know-how to evolve into more professional units that attract larger and more engaged audiences, as well as advertising revenues. This is a problem of **limited adoption of modern practices**.

Additionally, individual digital companies cannot attract advertisers due to their small audience numbers. They could collaborate (through networks or coalitions) to explore opportunities for joint ad sales but this has not happened. This seems to be a problem of **coordination failure**.

Government Failure	Incomplete Markets	Information Failure	Imperfect Competition	Missing Inputs	Externalities	Exclusion
Poor property regulations or weak enforcement	Lack of access to finance Coordination failure in supply chains or industries	Limited transparency First mover disadvantage Limited adoption of modern practices	Barriers to entry	Lack of basic infrastructure Poor workforce health and education	Detrimental environmental practices	Discriminatory formal and informal institutions

b) Why is the private sector interested in working with USAID? What do they want from USAID?

No entity in the private sector has identified a specific role for USAID yet as the discussions are too premature at this point. However, it seems clear that USAID could address the constraints identified in the previous sub-question.

Question 5: Is There a Role for USAID to Help Alleviate or Eliminate these Constraints?

a) How is your proposed approach responding to a constraint identified in Question 4?

USAID/Serbia is considering providing support through knowledge and mentoring to address the issue of **limited adoption of modern practices**. This could include editorial workshops, assistance in developing editorial policies and business plans and strategies for monetizing their content, assistance for managing social media accounts, content workshops on creating video formats/vertical videos, or mixed video-short text content, workshops on improving websites and focusing on mobile optimization and interactivity, etc.

Work with the media (by organizing workshops and developing strategies and action plans) to enhance their capacity for networking and shared production of content (jointly with other media), focusing particularly on online media to attract larger advertising revenues. This could address the coordination failure issue. This could be complemented with technical assistance to enhance media outlets' capacity to harness their advertising potential and organize workshops

	or educational programs/seminars on programmatic ad sales.
<i>If you are considering providing funds to support a company:</i>	N/a
b) Does the company/ies have sufficient funds to self-finance the project (within a reasonable timeframe)? Does the company/ies have access to capital on suitable terms or quantities through the conventional marketplace?	
<i>If you are considering providing knowledge or technical assistance to a company or group of companies:</i>	The technical assistance will be targeted toward digital media companies in Serbia, which is a heterogeneous group. However, they have in general demonstrated an inability to modernize to date . Few companies seem to be investing in consultants or other specialists to acquire this technical skillset on their own and it is unexpected that many of these companies have the resources to do so.
c) Does the company/ies truly lack this knowledge or competencies to design, scale, and/or implement a business model in a way that has an impact on your development or humanitarian challenge?	
d) Would any of these engagements have the potential to improve the efficiency and competitiveness of a large number of local firms in the long run?	Yes. This technical assistance should be designed to be very inclusive so that a large number of local firms will be able to benefit.
e) Is this engagement likely to displace other companies already operating or ready to enter the market?	Unlikely. Although the industry is growing and there are some companies who are performing better than others, no companies have been able to fully take advantage of this market niche as can be seen in other economies. Furthermore, this technical assistance will be available to all interested and relevant parties so that it does not exclude certain companies or “pick winners”.
f) Does this work duplicate the work of other donors?	No. USAID/Serbia has spoken with other donors active in the democracy and governance space and they have confirmed they are not actively involved in providing technical assistance to digital media operators.
g) Have these companies worked with other donors in the past to solve this challenge?	This is unknown as the target audience for this assistance includes hundreds of digital companies. USAID/Serbia has already spoken to donors who indicated they have not been working in this space, and research on the internet did not reveal any evidence of similar support provided by other foundations or donors.
h) Sniff test - Would a skeptical (but reasonable) observer find your argument convincing that you are not subsidizing the private sector?	Yes. Given the low and stagnant profits of the digital media operators, it seems very unlikely that any of them are poised to acquire these technical skills on their own and begin to grow in the near future. An intervention now is likely to accelerate the pace of change in the digital media space.

Data Sources

Record the most important or informative information sources you relied upon and who you spoke with

Key documents	IREX Media Sustainability Index Digital Media Assessment – 2016 Serbia Media Assessment and Willingness to Pay Study – 2016 IAB Serbia Digital Ad Spend Report – 2017 Media Landscapes – Serbia (online)
Internal USAID discussions	Internal discussions with the entire USAID/Serbia Democracy, Human Rights, and Governance Office
Private sector discussions/interviews	Ringier Axel Springer Serbia – digitization specialist Adria Media Group – media manager Color Press Group – President Regional online media groups Local marketing and advertising companies (i.e., Brisbane Digital doo, Four Dots, Homepage, Victorious communications) Online media (Blic, Kurir, B92, CINS, BIRN, KRIK, Istinomer, Insajder, Cenzolovka)
Other relevant information sources	Nezavisno drustvo novinara Vojvodine (Independent Journalists' Association of Vojvodina – NDNV) Asocijacija onlajn medija (Online Media Association - AOM) Asocijacija nezavisnih medija (the Association of Independent Electronic Media – ANEM) Interactive Advertising Bureau Serbia (IAB)

PSE Use Case # 3– Improved Sanitation in a Refugee Settlement

Disclaimer: This is a theoretical case, using a real company that USAID has worked with before. However, certain details of this company have been embellished or fabricated. Data is based on a UNHCR and Bill and Melinda Gates Foundation example, which can be found [here](#).

PSE Policy Sub-Questions	Responses
<p>Starting Point: What is your development or humanitarian challenge?</p>	<p>Challenge: There are difficult ground conditions in the protracted ABC refugee camp in Kenya (e.g., high groundwater table, flood-prone, hard rocky ground) making sanitation difficult in these camps.</p> <p>Context: In the ABC refugee camp, not all refugees have access to sanitation and if they do, they often use pit latrines comprising an unlined pit up to 5m deep, a dome-shaped concrete slab, and a superstructure. The pit is abandoned when full and another pit is dug within the compound; however, there is often insufficient space for digging new latrine pits. These latrines are prone to overflowing/flooding during heavy rains, which are not uncommon in this area.</p>

Question 1: Can the Private Sector Solve this Problem by Itself?

This question focuses on what is needed to solve your challenge and who is providing it

<p>a) What is needed to solve your development or humanitarian challenge?</p>	<p>A landscape analysis concluded that whilst the basic pit latrine is usually the most cost-effective option, in the long run, waste-to-value (WTV) solutions can provide more cost-effective alternatives in areas where the site is congested, or where there are difficult ground conditions. This study also found that WTV solutions might provide additional livelihood and protection benefits.</p> <p>Need: a different solution to sanitation such as waste-to-value solutions to quickly remove waste from congested refugee areas, where there are difficult ground conditions</p>
<p>b) Are there any private sector actors that can help solve some or all of this challenge?</p>	<p>There is one Kenyan company that has designed container-based toilets to fuel briquettes in Kenya. Sanivation is a social enterprise based in Kenya. Its mission is to increase access to safe and cost-effective sanitation services in urbanizing communities. Sanivation designed an above-ground household toilet that safely contains feces and could be regularly emptied. By being above the ground, the toilet avoids pit digging and mitigates the risks of the toilet overflowing into the environment and/or contaminating groundwater. The ability to regularly empty the toilet increases the lifespan of the toilet and decreases the need for space to build new ones, ultimately saving precious land space in a congested area. Additionally, the system provides safely managed sanitation in difficult ground conditions as well as the production and sale of sustainable fuel to replace locally collected firewood. Human waste is collected and treated at an on-site treatment facility, which is then converted to safe-to-use fuel briquettes compatible with refugee stoves.</p> <p>Regionally, there are two other companies in Ethiopia with different solutions: double vault urine diversion toilets and vermi-filter toilets.</p>

	Private sector actors: Three are three companies in East Africa, one in Kenya.
c) If there are active private sector actors, what has been their experience in participating in the solution you've identified to the challenge? Has their participation, or business, been growing steadily in recent years? Are they reaching USAID's intended beneficiaries?	Experience: Sanivation has previously worked in Kakuma Refugee Camp in Kenya, as well as in non-refugee housing. They have had a lot of interest from donors and impact investors, due to the innovative nature of their design, which has helped them scale so far. However, they had a unique challenge in providing their sanitation solution in the Kakuma Refugee settlement that is making them reluctant to engage in other refugee areas (discussed in Question 4). Therefore, we cannot conclude that Sanivation would enter the ABC refugee camp on its own.

Question 2: Could there be a Market-Based Approach to Addressing this Challenge?
This question identifies the target population group, their demand, and the market dynamics at play

a) Who has to buy, use, or access these items or services offered by the private sector, that may help in solving this challenge?	<p>In this case, the target group is the refugees in the ABC refugee camp. They are currently using basic pit latrines. The total camp population is just under 100,000, comprising just under 20,000 households. Of those households, only roughly 30 percent (5,875 households) have access to a pit latrine. The proportion of households meeting the definition of Safely Managed Sanitation is less than 25 percent as latrines are full, and some latrines are prone to overflowing/flooding during regular heavy rains.</p> <p>Who: Refugees in ABC refugee camp.</p>
b) Do these target groups want the items or services provided by the private sector that would help solve your challenge? Why are these items/services in demand?	<p>In Sanivation's experience in the previous Kakuma refugee camp, users of the new container-based toilet system had a 95 percent user acceptance rate and an independent evaluation found that 80 percent of respondents preferred the Sanivation toilet to the pit latrine they used previously. Sanivation also monitored the amount of feces collected from the toilets, which also indicated high usage. Unlike pit latrines, the elderly and people with physical disabilities found the container-based toilet system particularly amenable. While there were some complaints of odors, overall users found Sanivation's toilet to be more hygienic than pit latrines, and less prone to insect nuisance.</p> <p>Consumer demand: Previous experience suggests that the target groups may prefer this sanitation solution over pit latrines.</p>
c) Do you have any reason to believe the target groups would be willing and able to pay for this item/service?	<p>It is unlikely that the refugees would be willing or able to pay for the Sanivation toilet, especially since this population does not often have access to cash and their current option (pit latrines or open defecation) is free.</p> <p>However, in order for Sanivation to sustain this operation, they need to be able to sell the briquettes (for cooking) that incorporate treated human waste from the refugee settlement. In Kakuma, refugees were given free samples and interviewed about their willingness to buy such fuel. Two-thirds of interviewees expressed willingness to buy the briquettes at the current price of 20 KES/kg (which is a lower price than charcoal, which has an average price of KES 23/kg).</p> <p>Refugee households in the briquette distribution catchment that were not purchasing briquettes were also interviewed. Fifty percent gave lack of</p>

	<p>money as the main reason for not purchasing briquettes. Some further explained how they had to survive with the free firewood provided.</p> <p>Consumers are not willing to pay for the sanitation service, but they have indicated a willingness to buy the briquettes, especially when free firewood is not available.</p>
d) Is the current price of this item/service equal to or lower than the amount that target groups are willing and able to pay?	<p>Yes, the Sanivation toilets would be free, the same price as the alternatives (pit latrine, open defecation).</p> <p>When refugee customers were asked why they purchased the briquettes rather than other fuels, 75 percent cited briquettes being cheaper than charcoal and 55 percent mentioned that briquettes cook food faster and last longer.</p> <p>However, in Sanivation’s experience in Kakuma, their briquette sales dropped during weeks when free firewood was provided to the refugees.</p>
e) What other market drivers may be influential in the supply or demand of this item/service?	<p>For the operations of this WTV system, Sanivation also needs to rely on refugee labor to travel to the households twice a week, collect the plastic barrels, and transfer them to the treatment site outside the refugee settlement area. The treatment plant also needs to rely on refugee staff to operate. Lastly, Sanivation relies on a direct-to-refugees distribution and sales model, and refugee labor is needed to travel door-to-door to sell the briquettes. However, in the past, finding labor for this work has not been an issue.</p> <p>There may also be other customer segments that are interested in buying the briquettes, in order to help make this profitable. In the past, Sanivation has tried to sell to local restaurants but it has not worked if the restaurants are too geographically dispersed, which added transportation costs that made it too expensive to compete with local charcoal.</p>

Question 3: What are the Roles and Interests of the Private Sector in Addressing this Challenge?
This question focuses on the willingness of the private sector to reach the target groups identified in the previous question

a) What are the private sector interests in solving this challenge?	<p>Sanivation is a social enterprise that is motivated to help refugee communities to solve this challenge. As an enterprise, they are also interested in scaling its operations to new markets in order to make a profit.</p>
b) What are the long-term business goals for these private sector actors and how does that relate to your development or humanitarian challenge?	<p>Sanivation has worked in refugee settlements but is reluctant to do so again, without the issues from their previous experiences addressed (see Question 4). Otherwise, they are performing well in densely populated areas (e.g., municipalities) that do not have sanitation systems and plan to continue to scale in these areas.</p>
c) What advantages would the private sector bring towards solving your challenge? Why might working with them be better than other modalities/mechanisms that USAID has access to?	<p>This approach to sanitation seems particularly well suited to the poor ground conditions in the ABC refugee camp and has the potential to be sustainable in the long run, without USAID support, if the company can earn a profit.</p> <p>In addition to sustainability and directly addressing our challenge, it should improve sanitation conditions in the camp (and associated health issues),</p>

along with additional advantages in that it promotes labor in the camp and a fuel source that is an environmentally-friendly alternative to charcoal and firewood. It may also benefit the incomes of the refugees since the briquettes burn longer than charcoal and are cheaper, lowering the overall cost of fuel at the household level.

Question 4: Are there Factors Constraining the Private Sector from Involvement and Investment?

a) What are the most significant issues that constrain the private sector actors you identified in Question 1 (or the companies you are interested in)?

In Sanivation’s previous experience in refugee settlements (Kakuma), the revenue of briquette sales did not cover the costs of waste treatment and briquette production. Although they had high user acceptance of the briquettes, one of the main challenges of selling directly to refugee households was competing with the free firewood distribution. The United Nations High Commissioner for Refugees (UNHCR) was purchasing firewood from the host community and this was viewed as a key element of peaceful coexistence; UNHCR did not wish to remove or reduce the firewood purchasing program because they thought any partial replacement was predicted to cause tension with the host community. Firewood is purchased from the local host community and substituting even a small proportion of the firewood for another product would have been strongly resisted. Free firewood is also offered in the ABC refugee camp.

Additionally, because ABC refugee camp is a new area, it costs money to scale the operation before it can be profitable. Sanivation estimates that building a house-to-house distribution system for the entire camp (100,000 people) would take approximately two years to develop and require a US\$270,000 additional investment. They are reluctant to make this investment because of the high risk that it will not be profitable, especially if free firewood is offered in the community.

Constraint: This is a classic first-mover disadvantage, both the uncertainty about if they will be profitable and uncertainty if free firewood will continue to be provided in the camp.

Government Failure	Incomplete Markets	Information Failure	Imperfect Competition	Missing Inputs	Externalities	Exclusion
Poor property regulations or weak enforcement	Lack of access to finance Coordination failure in supply chains or industries	Limited transparency First-mover disadvantage Limited adoption of modern practices	Barriers to entry	Lack of basic infrastructure Poor workforce health and education	Detrimental environmental practices	Discriminatory formal and informal institutions

b) Why is the private sector interested in working with USAID? What do they want from USAID?

Due to the uncertainties about profitability, Sanivation is not willing to offer and scale their product in the camp unless they can receive some kind of guarantee that they can sell their briquettes. In discussions with USAID, they conveyed that they would like USAID’s help in:

- Negotiating the reduction of the free firewood provision
- Or help them find another nearby customer for their briquettes
- Provide them with funding in order to scale their sales model

The host government, with the support of humanitarian and development actors, has a role in providing de-risking arrangements for the private sector.

Need: Guarantees along the supply chain.

Question 5: Is There a Role for USAID to Help Alleviate or Eliminate these Constraints?

<p>a) How is your proposed approach responding to a constraint identified in Question 4?</p>	<p>After using USAID's position in the humanitarian community and in lengthy discussions with UNHCR and the Kenyan government, we determined that the domestic energy market in the ABC refugee community is also benefiting from the regular provision of free firewood and refugees have limited cash funds to make supplemental fuel purchases. Removing the free firewood component would be difficult politically in the short-run (which was confirmed by the Kenyan government).</p> <p>Therefore, we are exploring options to provide catalytic capital to Sanivation to build their own markets for the briquettes, including within the ABC settlement camp, but also with the nearby communities and restaurants. USAID will also help to find large customers, who may be able to buy in bulk, lowering the distribution costs of the briquettes.</p> <p>Catalytic capital and facilitating discussions with potential customers will directly address concerns about Sanivation's first-mover disadvantage in this community.</p>
<p><i>If you are considering providing <u>funds</u> to support a company:</i></p> <p>b) Does the company/ies have sufficient funds to self-finance the project (within a reasonable timeframe)? Does the company/ies have access to capital on suitable terms or quantities through the conventional marketplace?</p>	<p>Sanivation does have the funds, but they are not willing to self-fund this initiative because they are not convinced it will be profitable. USAID's catalytic capital will help to de-risk their entry into this new market.</p>
<p><i>If you are considering providing <u>knowledge or technical assistance</u> to a company or group of companies:</i></p> <p>c) Does the company/ies truly lack this knowledge or competencies to design, scale, and/or implement a business model in a way that has an impact on your development or humanitarian challenge?</p>	<p>n/a</p>
<p>d) Would any of these engagements have the potential to improve the efficiency and competitiveness of a large number of local firms in the long run?</p>	<p>If the briquettes are successfully sold to nearby businesses at a lower price than their current fuel sources, this will lead to cost savings. This is only possible if the transportation and distribution costs can be managed so that the briquettes remain cost-competitive compared to charcoal. Beyond that, this initiative has the potential to lead to jobs for refugees in the camp. While not "firms" per se, this will be beneficial to the local economy within the settlement camp.</p>

<p>e) Is this engagement likely to displace other companies already operating or ready to enter the market?</p>	<p>Possibly. On the sanitation side, the pit latrines are not operated by any companies. There are laborers who help build new pit latrines when needed that may be displaced; efforts can be made to offer those same individuals opportunities to work with Sanivation.</p> <p>Beyond that, the charcoal industry is a direct competitor to the Sanivation briquettes. Should Sanivation be successful, the charcoal producers may lose this market segment. Since charcoal is made locally, this initiative may have a noticeable impact on these companies. USAID will explore this market segment further to determine if any mitigating measures may be possible.</p>
<p>f) Does this work duplicate the work of other donors?</p>	<p>No. In coordination meetings with the donor community, it was clear that USAID is taking the lead in addressing the sanitation situation in the ABC refugee camp. This will be done in coordination with other donors and in particular the UNHCR.</p>
<p>g) Have these companies worked with other donors in the past to solve this challenge?</p>	<p>Yes. Sanivation has worked with Gates Foundation, UNHCR, and USAID among others in the past. The directly comparable experience is the Gates Foundation/UNHCR work with Sanivation in the Kakuma Refugee Camp, which was not sustainable. However, we believe there were lessons learned from that experience that is informing our approach in the ABC refugee camp. In particular, our ability to explore and secure customers for the briquettes early on will likely help ensure the sustainability of this approach.</p>
<p>h) Sniff test - Would a skeptical (but reasonable) observer find your argument convincing that you are not subsidizing the private sector?</p>	<p>Yes. Private sector actors (including Sanivation) are not interested to enter the ABC refugee camp on their own. USAID/Kenya is confident that this market segment would not come about without assistance. This does appear to be an opportunity for USAID to be additional.</p>

Data Sources

Record the most important or informative information sources you relied upon and who you spoke with

<p>Key documents</p>	<p>USAID/Kenya Landscape Assessment – 2021 Emergency needs assessment – 2020</p>
<p>Internal USAID discussions</p>	<p>Internal discussions with USAID/Kenya USAID/Bureau for Humanitarian Assistance and USAID’s WASH team</p>
<p>Private sector discussions/interviews</p>	<p>Sanivation – CEO and COO, Project Development, Investor & External Relations, Government Relations</p>
<p>Other relevant information sources</p>	<p>Discussions with UNHCR, the Kenyan Ministry of the Interior Review of a financial analysis of Sanivation’s experience in the Kakuma Refugee Camp (done by the Gates Foundation and UNHCR) Recent maps of the area, to examine potential nearby customers</p>