



BSR Weekly

A WEEKLY NEWSLETTER FROM BUSINESS FOR SOCIAL RESPONSIBILITY

Vol. 10, No. 38 | October 16, 2007

bsrweekly@bsr.org

In Focus

Leveraging the Power of Partnerships for Enlightened Self-Interest

By James Thompson, USAID

Why would The Coca-Cola Company, the largest beverage company with the most extensive distribution system in the world, invest millions in an alliance between the U.S. Agency for International Development (USAID) and local bottling facilities in Africa, Asia and South America to conserve water resources?

And why is Starbucks Corporation working with Verde Ventures, Calvert Foundation, EcoLogic Finance, Conservation International and USAID to finance more than \$12 million in loans for rural entrepreneurs in Latin and Central America?

How does MTV justify its commitment to provide technological resources to a \$13 million alliance between USAID and the MTV Europe Foundation to increase awareness about and prevent the trafficking of women and children for forced labor and sexual abuse?

The reasons behind these investments are straightforward: self-interest. Companies that rely on the natural resources and human capital of emerging markets are investing and instituting sustainable development practices and education initiatives in partnership with the U.S. government because both government foreign assistance programs and companies alike are dependent on the global economy. Because of this reliance, both the public and private sector are motivated to act.

There are global challenges so complex that no government, no private enterprise, no single team of experts can effectively tackle alone. In 2007, the U.S. government will spend an unprecedented \$31 billion to support sustainable economic development in emerging markets. At the same time, the private sector has never been more committed to engaging with the developing world and to carving out new markets in previously overlooked regions. As the interests of the public and private sector converge, government can offer complementary resources, networks and entry to markets to develop the long-term capacity needed to increase development's effectiveness.

Public-private partnerships are not new. There have been numerous examples of joint projects where government agencies and individual companies team up to support educational initiatives, deliver healthcare or increase environmental conservation.

Developmental change, of course, needs to be both sustainable and scalable. The answer may lie in what makes markets sustainable and growth-oriented.

Recognizing the resilience of the market, the U.S. government has created mechanisms to implement alliance models that attach developmental goals to market-based solutions. What is new about the alliance approach is its strategic leveraging of the resources --intellectual, financial and associational -- among partners. These business-minded alliances are increasingly strategic leveraging opportunities, weighing risk against return on investment.

USAID has a track record of applying this model for development that aligns itself with business priorities. USAID's Global Development Alliance (GDA) was created to link U.S. foreign assistance with the resources, expertise and creativity of the private sector. Now in its sixth year, USAID has cultivated over 600 partnerships with 1,700 individual partners and leveraged \$5.8 billion invested in activities designed to stimulate and embed social and economic improvements throughout the world.

Within each major aid agency and special initiative -- USAID, the U.S. State Department, the President's Emergency Plan for AIDS Relief (PEPFAR), the Overseas Private Investment Corporation (OPIC), and the Millennium Challenge Corporation -- increased resources are shifting to this new model of alliance, linking the interests and assets of companies, foundations and NGOs to work collaboratively to stabilize and improve social, economic and environmental conditions worldwide.

Companies partner with government donors and host governments, NGOs and others to train current and future workers in essential business skills. Information technology companies, in particular, have partnered with USAID and PEPFAR to create and expand this pool of workers. Where are Cisco, Intel and Microsoft going to get their next billion computer users? They, among other information and communications technology (ICT) leaders, see the solution to that challenge in their Global Development Alliances that bring women, disabled people and other marginalized groups into the path of employment and purchasing power.

For companies to balance the risks of investing in emerging economies, they need stable and accountable governments. It is similarly in the interests of the U.S. government that post-conflict and impoverished countries have the economic resources to compete in the global economy. This requires a legal climate and business environment that is reliable, transparent and secure. Alliances that protect human rights and democratic freedoms build trust among citizens and corporations alike.

There is a mutual self-interest in companies that rely on natural resources to co-invest with government in instituting sustainable environmental practices. Where is Coca-Cola going to get the water supply it needs to serve its next billion customers? Or Starbucks the quality coffee it needs to do likewise? For its part, the U.S. government is looking for opportunities to work across agencies with new partners to better meet the needs of the developing world.

James Thompson is acting director of the Global Development Alliance at USAID. For more information, go to www.usaid.gov/our_work/global_partnerships/gda.