THE GLOBAL DEVELOPMENT ALLIANCE

PUBLIC-PRIVATE ALLIANCES FOR TRANSFORMATIONAL DEVELOPMENT

U.S. Agency for International Development
Office of Global Development Alliances

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A WORD ON PARTNERSHIP FROM THE PRESIDENT OF THE UNITED STATES

We agree on the need for partnerships across borders and among both the public and private sectors. We must call upon the compassion, energy, and generosity of people everywhere. This means that not only governments can help, but also private corporations, foundations, faith-based groups, and nongovernmental organizations as well.

—President George W. Bush

PREFACE

In May 2001, my predecessor Secretary Powell launched the Global Development Alliance as a new business model for the U.S. Agency for International Development. Public-private alliances multiply the impact of official U.S. development assistance abroad. USAID made significant progress in this area and we must build on the established foundation.

The alliance stories in this document are a small but representative sample demonstrating the actions of committed individuals and organizations across all spheres of action—reducing poverty and encouraging democratization, economic reform, civil society, and opportunity for all through education.

I hope that potential partners will read this report with great interest. It should be seen as a celebration of those individuals and groups that have already come together to form alliances furthering international development, as well as an invitation to others to join in future partnerships.

—Secretary of State Condoleezza Rice

FOREWORD

Since 2001, the U.S. Agency for International Development (USAID) has multiplied the impact of foreign aid by welcoming businesses, foundations, nonprofit organizations, and others as partners in the vital project of improving the lives of the world's poor. The ongoing transformation—under the banner of the Global Development Alliance (GDA), one of USAID's principal business models—already has shown impressive results.

In recent years the composition of flows of financial resources into the developing countries has changed in a fundamental way. In 1970, the U.S. government was the largest source of funds for developing countries. Two decades later, most international resource flows to developing countries still came from governments. Today, about 80 percent of U.S. funds moving into the developing world come from the private sector: businesses, nongovernmental organizations (NGOs), universities, foundations, churches, private charities, and migrant and diaspora communities.

I established the Office of Global Development Alliances to respond to that change. It has allowed USAID to work more closely with new development alliance partners both in the NGO sector and more broadly with companies, foundations, and others. Among the improvements that USAID has made to promote alliance formation are procurement reform, which creates the flexibility to build alliances; new policies to provide clarification on competition, conflict of interest, and other legal concerns; and organizational change. In December 2005, I made the decision to convert the GDA Secretariat into a permanent office within USAID, now called the Office of Global Development Alliances.

GDA draws on some of our country's greatest strengths—among them flexibility and generosity. Acting through membership organizations, employers, and on their own behalf, Americans give of their time, money, and expertise at rates unmatched anywhere in the world, placing our country at the vanguard of the international trend in voluntary, nongovernmental action for development.

"I have often admired the extreme skill [Americans] show in proposing a common object for the exertions of very many and in inducing them voluntarily to pursue it," observed Alexis de Tocqueville in *Democracy in America.* "If they want to proclaim a truth or propagate some feeling by the encouragement of a great example, they form an association." Or, in this case, an alliance.

The GDA business model builds on these strengths by connecting the development expertise of USAID with the humanitarian instincts of American communities, the vitality of the voluntary organizations they form to put their beliefs into action, and the development potential of the global supply chains that connect consumers and producers all over the globe.

Through the GDA model, we believe USAID is blazing a new trail in foreign aid. In this USAID is not alone. In their use of the partnership model, other bilateral and multilateral donors have chosen a course parallel to USAID's—among them Britain's Department for International Development, Germany's GTZ, and the Inter-American Development Bank, through its Multilateral Investment Fund. The Swedish, French, Spanish, and Japanese development agencies, too, have expressed interest in GDA's work in public–private alliance building.

Thanks to GDA, the number and diversity of the agency's alliance partners have expanded significantly in recent years, fulfilling one of the goals in creating GDA. Many new partners in the for-profit sector have been pleasantly surprised at the tangible and intangible benefits that alliance with USAID brings to their business. I recall a GDA workshop in which a representative of Procter and Gamble remarked that 15 years ago she would have asked herself, "Why work with USAID?" With alliance activities spanning coffee, water filtration, and nutrition-fortified drinks, all designed to advance public health and individual livelihoods while serving vast new markets in the developing world, she now wonders how Procter and Gamble could *not* work with USAID.

If your organization operates in the developing world or has identified it as an area of potential interest, you probably have ideas about how your activities could contribute to, and benefit from, complementary activities by other organizations. We want to hear those ideas.

We have learned much in the years since we introduced GDA—from our partners and from within the agency. We still have much to learn, and much to share. In the years to come, we will report in greater detail the outcomes of the alliance approach. In the meantime, we are, in the words of former Secretary of State Dean Acheson, present at the creation of a new era of global development.

I believe that 10 years from now a strong alliance-building component will remain a central part of USAID and of the development community at large. I will consider that a success.

—USAID Administrator Andrew S. Natsios

WELCOME

One of four key pillars for the U.S. Agency for International Development (USAID), the Global Development Alliance (GDA) links U.S. foreign assistance with the resources, expertise, and creativity of the private firms and nongovernmental organizations (NGOs) that provide a growing share of finance, human capital, and other resources for global development.

The GDA approach enables alliance partners—corporations, foundations, and NGOs—to bring their strongest assets to bear to address *jointly defined* development challenges, thereby achieving together a solution that would not be possible for any individual partner. This multi-stakeholder approach represents a shift in the way USAID executes its foreign assistance mandate. For its entire history, USAID has acted either as a direct donor or through a client-vendor relationship with organizations that carry out projects defined by USAID. With the advent of GDA, however, USAID welcomes companies and NGOs as equals in the development project.

Thanks to the GDA, USAID is able to form alliances quickly as needs emerge. Since the devastating tsunami of December 2004, for example, the agency has formed 18 alliances with the private sector in affected countries, leveraging more than $17 million in private sector funds from partners including Mars, Inc., Chevron Corporation, Microsoft, The Coca-Cola Company, Prudential, Deutsche Bank, IBM, 3M, and ConocoPhillips.

This report has two purposes. The first is to introduce GDA to businesses and nonprofits interested in improving the lives of people in the developing world by coordinating their activities with other actors pursuing complementary goals. The second is to present some of the bold and innovative public–private alliances formed under the GDA standard.

It is too soon to say whether GDA or the alliance approach will fully realize its promise. The initiative is young. But each of the 22 alliances profiled here, a small sample of the nearly 300 alliances active today, represents a creative way of harnessing the fundamental forces now shaping the development landscape—the spread of globalization, the rise of private giving, and the need for cooperative solutions to the most significant development problems. The GDA has already exceeded expectations, had an important impact on development thinking, and generated promising early results through the application of nearly $5 billion in combined public–private funds. Moreover, the commitment of USAID professionals in the field attests to the fact that the agency sees alliance-building as a valuable approach to accomplishing our goals.

In December 2005, after close consultation with senior staff in Washington and mission directors overseas, Administrator Natsios converted the GDA Secretariat into an independent office, reflecting significant advances in mainstreaming the GDA business model within the agency. The former secretariat is now known as the Office of Global Development Alliances. It will assist missions and offices in Washington in their efforts to reach out to the private sector, to mainstream the public–private alliance model, and to manage relationships with private sector partners. The GDA team is honored to serve USAID and our alliance partners, present and future.

—Daniel F. Runde, Director, Office of Global Development Alliances,
U.S. Agency for International Development

PART I

THE GLOBAL DEVELOPMENT ALLIANCE BUSINESS MODEL

CHAPTER ONE

THE PRIVATE REVOLUTION IN GLOBAL DEVELOPMENT

The U.S. Agency for International Development's (USAID) Global Development Alliance (GDA) is at the forefront of an unprecedented change in the global system of development assistance. The facets of that change, characterized by the growing importance of private resources as instruments of development, are the tightening web of economic exchange between the developing and industrial worlds with the expansion and integration of the global market; the rising importance of foundations, nongovernmental organizations, companies, and individuals in conceiving, financing, and implementing solutions to development problems; and the renewed commitment by the industrial economies to increase official aid to countries that use aid well, especially poor countries that lack access to private sources of capital.

THE TIGHTENING WEB OF ECONOMIC EXCHANGE BETWEEN THE DEVELOPING AND INDUSTRIALIZED WORLDS

Foreign aid as traditionally conceived is just one part of an increasingly dense web of economic relations between the developed and developing worlds. In fact, the growth rate of flows of goods, capital, labor, and remittances over the last three decades has far outstripped increases in aid, or official development assistance (ODA). Today, foreign aid is only the third-largest source of financial flows from the developed to the developing world (and from the United States), but it remains important for the poorest countries, which have trouble attracting private finance and mobilizing capital to address specific development challenges. Elsewhere, the most important forms of economic engagement between developed and developing countries are private flows of capital (foreign direct investment, portfolio investment, and bank lending) and private transfers (remittances) from migrants working outside their home country.[1]

INTERNATIONAL DEVELOPMENT CONCERNS US ALL

Throughout its history USAID has worked with foundations and NGOs to carry out its assistance mandate. The Rockefeller and Ford foundations, for example, joined hands with USAID and U.S. land-grant universities to bring about the "Green Revolution" of the 1960s and 1970s. In 2000, the agency spent more than half of its $7.2 billion in assistance funds through contracts, grants, and cooperative agreements with NGOs (at least a quarter of which were faith-based[2]), favoring mechanisms that delegated to implementing partners a large degree of operating control over carefully chosen programs.

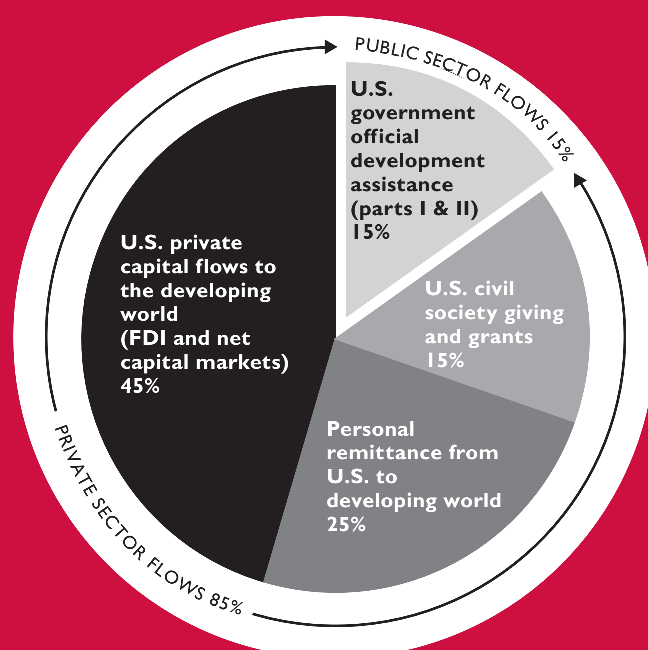
But in the last two decades independent foundations have grown rapidly in number and in wealth. Those headquartered in the United States alone now possess assets of close to half a trillion dollars. The exemplar of the new generation of private foundations is the Bill and Melinda Gates Foundation, which made $1.2 billion in grants in 2003 from a $29 billion endowment. With USAID as a "minority shareholder," the Gates Foundation is leading one of the world's largest immunization campaigns aimed at children in poor countries (chapter 5). Other philanthropic foundations are partnering with USAID to provide disaster relief, fund projects to build democracy and civil society, and restore peace and justice to conflict-torn regions (chapters 5 and 7).

The "global reach" of multinational corporations is nothing new. What is new, however, is the extent to which producers and consumers in the developed and developing worlds have become closely connected through the growth of international supply chains in nearly every sector of business activity, as the rate of growth in international trade over the last several decades has far outpaced growth in GDP as a whole. Today, raspberries grown in Chile may be harvested and packed on Tuesday and consumed in Illinois on Thursday. Packaged salads are consumed in London a day after being picked, packed, and shipped in East Africa. Running shoes made in China or fleece vests sewn in Lesotho may be no more than a few weeks old before they are bought in Toronto or Baltimore. The proportion of internationally traded goods in our market basket is at least three times what it was in 1970.

This means, in effect, that international development is everybody's business. Consumers know that they can hold companies and governments accountable through their collective buying decisions. And the many companies that rely on global supply chains for competitive advantage know the value of a positive environment wherever they source and produce traded goods. With incomes, education, and longevity rising faster in much of the developing world than in the industrialized countries, more companies are discovering that the people at the origin of their supply chains may soon become significant consumers of their products.

Companies are no longer concerned solely with managing the effects of their operations, and

U.S. RESOURCE FLOWS TO THE DEVELOPING WORLD IN 2003 — $112.6 BILLION



Source: Bureau of Economic Analysis; Conference Board; Foundation Center; faith-based groups; USAID internal estimates.

PUBLIC–PRIVATE ALLIANCES CAN ATTRACT FOREIGN DIRECT INVESTMENT TO DEVELOPING COUNTRIES BY IMPROVING THE BUSINESS CLIMATE

Like other types of private capital flows, foreign direct investment (FDI) is strongly influenced by a country's investment climate. Political and regulatory risks—conflict, confiscation, expropriation, nationalization, nonconvertibility of currency, and lax or inconsistent enforcement of regulations—are higher in poor countries than elsewhere. Most poor countries score much lower than middle-income countries on measures of corruption, efficiency of administration, law and order, quality of infrastructure, and other factors important to investors.

Despite these constraints, the share of FDI going to the least developed countries has grown steadily since the mid-1990s, suggesting that coordinated efforts to combine increased investment with improvements in investment climate would find a receptive audience among multinational firms. That expectation lies behind the efforts of USAID and its partners to foster world-class accounting practices in the former Soviet Union and to build information-technology capacity through workforce development (chapter 6).

Economic conditions in recent years have encouraged FDI in developing countries. Net FDI inflows to developing countries increased by $14 billion (9 percent) in 2004, partly reversing a steep decline in the two years following the global slowdown of 2001 and sluggish performance during the successive regional financial crises that occurred between 1994 and 2002. The net increase masks significant outflows of FDI from several countries, where companies have responded to stiffer foreign competition by seeking new markets elsewhere in the developing world.

Presently, FDI is still concentrated in a handful of middle-income countries—Brazil, China, India, Mexico, and Russia absorb more than half of all FDI worldwide—but it has generated important gains in some poor countries with good economic policies, among them Lesotho, Mauritania, Moldova, and Mozambique. In Mali, with help from USAID and alliance partners, the nascent sugar industry is poised to reap the largest single foreign investment in the country's history (chapter 8).

Sources include: Foreign Aid in the National Interest—Promoting Freedom, Security, and Opportunity (Washington, DC: USAID, 2002) and Global Development Finance 2005—Mobilizing Finance and Managing Vulnerability (Washington, DC: World Bank, 2005).

the public perception of those effects; increasingly they have become willing to deploy their capabilities—their business assets and their people—to contribute to the communities and countries in which they operate. Although still keen to avoid contributing to environmental and social problems, trend-setting firms such as GE (with its "ecomagination" initiative to help GE customers improve operating performance while simultaneously improving environmental performance) now think much farther ahead. Forward-thinking companies seek out opportunities to link their business investments to complementary efforts toward the achievement of a greater good—such as the sustainability of resources on which the company depends, the vitality of its present and future customer base, the quality of the economic and political institutions that affect its operations, or the development of quality standards that build markets (for example, by enabling buyers to make judgments about products).

The attainment of strategic goals usually involves partners—governments, NGOs, or other firms in the same region or sector—whose interests parallel the company's in essential respects, even as their goals remain distinct. Using ideas developed by thinkers such as James Austin, Michael Porter, David Grayson, and Adrian Hodges, leading corporations have learned how to get more bang from their buck by linking core business activities to projects that improve local conditions where they operate, enhancing their competitive position in the process.[3]

Cisco Systems, Inc., for example, has demonstrated the potential of fusing social and economic goals. Through its successful program of Cisco Networking Academies in some 150 countries (chapter 6), the world's leading producer of computer networking equipment trains skilled network administrators and so has removed a constraint to the company's growth while providing jobs to tens of thousands of secondary-school graduates.

When companies join with aid donors, nonprofit organizations, and host governments to raise quality and productivity, introduce better handling and transport practices, and improve the health and skills of the workforce, they reinforce domestic demand for the rule of law, transparent regulation, and more effective protection of property rights. In so doing, they make the country more attractive to other investors. Once it takes root, foreign direct investment (FDI) can reduce poverty and propel a country to sustained growth by creating jobs and building wealth and capital resources through export earnings, domestic supply responses, and other effects.

Today USAID's partners in sustainable development include global firms in agriculture (Mars, Inc., chapter 3), natural resources (The Home Depot, chapter 3), energy (Chevron Corporation, chapter 4), and technology (Cisco Systems, Inc., chapter 6).

NEW PLAYERS, NEW MONEY

As the volume and speed of international flows of goods and capital have grown, so too have movements of persons. Immigrants, both temporary and permanent, recent and not so recent, have become a powerful potential force for development, remitting billions of dollars annually to their countries of origin. By placing more money in the hands of the poor, remittances directly reduce poverty and vulnerability. Because a large share of remitted funds is spent on health and education, remittances also constitute an important form of social investment.[4] Well-educated, long-term immigrants contribute more than money; they improve access to capital, technology, information, foreign exchange, and business contacts for firms in the country of origin and help smooth the way for FDI. Diasporas have played an important role in the transfer of knowledge and finance to countries such as Armenia, where the diaspora helped rebuild after a devastating earthquake in 1988 (chapter 5). Recognizing this, USAID is working to increase the development effectiveness of personal remittances through

LEVERAGING PERSONAL REMITTANCES FOR ECONOMIC GROWTH WHILE BROADENING ACCESS TO FINANCIAL SERVICES

The portion of their income that immigrants send back to their home countries is the second-largest and fastest-growing source of financial flows to developing countries. Expected to exceed $160 billion in 2005, personal remittances amount to more than double the official aid provided by industrial countries. Remittance volumes have quintupled since 1990 with the rising tide of migration and growth in migrants' incomes.

But the transaction costs of remittances remain unnecessarily high for the small transfers typically made by poor migrants, depriving migrants and their families of much-needed income. The cost of such transactions is often well below the fees paid by customers.

Remittances reduce poverty in the developing countries from which immigrants come by directly increasing the incomes of the recipients and helping them deal with crop failure, health crises, or children's education. They also provide a source of savings and capital for investment, usually in education, microenterprise, and better health—all of which have a high social return. In Guatemala, the World Bank estimates that remittances have reduced the severity of poverty by 20 percent.

The developmental impact of remittances can be increased by policies that help poor migrants and their families gain access to reliable, low-cost financial services for sending and receiving remittances. With its alliance partners, USAID is encouraging expansion of banking networks, building competition in the remittance transfer market through the introduction of new technologies and new competitors, and facilitating the participation of microfinance institutions and credit unions in providing low-cost remittance services.

Sources include: Global Economic Prospects 2006—International Remittances and Migration (Washington, DC: World Bank, 2005).

diaspora groups in the United States and nonprofit organizations serving migrants' interests.

MORE AID, FOR COUNTRIES THAT USE IT WELL

Since 2002, the industrial countries have publicly recognized the need to increase foreign aid for countries that cannot yet gain access to private flows of capital but that have adopted policies that enable them to make good use of increased aid. Substantial increases in ODA are expected in 2005–06 to meet commitments the developed countries made at and after the 2002 Monterrey Conference on Finance for Development.[5] African countries are likely to be the largest recipients of future increases in ODA. The Africa Action Plan announced at the G-8 Leaders' Summit in Kananaskis, Canada, in June 2002 suggested that "in aggregate half or more of our new development assistance could be directed to African nations that govern justly, invest in their own people, and promote economic freedom."

In March 2002, in the first major presidential address on foreign assistance in decades, President George W. Bush announced a New Compact for Development centered on the Millennium Challenge Account (MCA). By vowing to boost U.S. development assistance by 50 percent over three years (a $5 billion annual increase over current levels), the President proposed the largest increase in U.S. aid since the Truman administration. The United States has increased ODA even beyond President Bush's pledge. U.S. assistance increased from $10 billion in 2000 to $19 billion in 2004—a quarter of the total from the countries of the Organisation for Economic Co-operation and Development and the largest increase in any five-year period in postwar history.

MCA provides development assistance to countries that rule justly, invest in their people, and encourage economic freedom.[6] A year later, the President announced his Emergency Plan for AIDS Relief, a five-year, $15 billion, multifaceted approach to combating HIV/AIDS; it is the largest commitment ever

THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT'S NINE PRINCIPLES OF DEVELOPMENT ASSISTANCE

Today, USAID's principles of development assistance reflect a global consensus about development that includes all of the factors discussed above. The agency's nine principles are:

1. OWNERSHIP Build on the leadership, participation, and commitment of a country and its people.

2. CAPACITY BUILDING Strengthen local institutions, transfer technical skills, and promote appropriate policies.

3. SUSTAINABILITY Design programs to ensure their impact endures.

4. SELECTIVITY Allocate resources based on need, local commitment, and foreign policy interests.

5. ASSESSMENT Conduct careful research, adapt best practices, and design for local conditions.

6. RESULTS Focus resources to achieve clearly defined, measurable, strategically focused objectives.

7. PARTNERSHIP Collaborate closely with governments, communities, donors, NGOs, the private sector, international organizations, and universities.

8. FLEXIBILITY Adjust to changing conditions, take advantage of opportunities, and maximize efficiency.

9. ACCOUNTABILITY Design accountability and transparency into systems and build effective checks and balances to guard against corruption.

by a single nation to an international health initiative. In his second term, President Bush supported the debt-relief plan approved by the G-8 leaders at their July 2005 summit in Scotland (involving immediate cancellation of $40 billion in debt owed by 18 countries to international financial institutions) and unveiled a $1.7 billion aid plan for Africa, the centerpiece of which is a plan to fight malaria, a leading killer of children there.

Using aid well requires political will, functioning institutions, and a coherent, homegrown strategy to reduce poverty and promote equitable, sustainable economic growth. To have maximum development impact, projects must be consistent with the development priorities of the host country, as expressed in its national development strategy or in a poverty reduction strategy devised in cooperation with the World Bank and the International Monetary Fund (IMF). Projects that fit within the strategy are more likely to be "owned" by the ultimate beneficiary, and more likely to benefit from active participation of the host-country government and local NGOs, citizens, and other stakeholders. Properly planned, they do not duplicate or compete with other efforts by the beneficiary or other donors, and do not impose onerous conditions or reporting requirements on the recipient.

Owned projects are more likely than those imposed by outside actors to complement other development efforts and to contribute to and benefit from synergies and spin-offs. They are less likely than projects that are not integrated or consistent with the host country's development priorities to be undermined, intentionally or unintentionally, by conflicting government policies or to see their support eroded by claims from competing projects and priorities.

There is ample evidence that aid usually is not the limiting factor on national development. Development progress depends, first and foremost, on governments having the political will to rule justly, promote economic freedom, invest in people, and create an environment in which competition can flourish.[7]

Competitive, well-regulated private markets are indispensable because they are the most effective institution ever devised for allocating resources efficiently, for fostering innovation, and for communicating information that helps consumers and producers make decisions. Regulatory frameworks should aim to build the public's confidence in private markets to protect property, enforce contracts, and generally respect the rule of law.

A NEW MINDSET FOR NEW CHALLENGES

Guiding the new global consensus about development are goals established by the international community. In September 2000, 189 heads of state ratified the Millennium Declaration, one of the most significant United Nations documents of recent times. The declaration articulated a set of Millennium Development Goals (MDGs) focused on reducing poverty, improving the quality of people's lives, ensuring environmental sustainability, and building alliances to make globalization a positive force for all the world's people. Specific targets and indicators have been set for each of the goals, to be achieved by 2015.

The MDGs are ambitious and not likely to be met through conventional top-down approaches to development, no matter how well funded. Instead, the combined efforts of many stakeholders, working in cooperation, will be required in a push-pull approach that offers more and better targeted aid while simultaneously stimulating domestic demand for honest, transparent governance. But coordinating multiple partners with diverse interests to achieve shared goals requires specific skills from all partners, including firms and governments. Firms must learn to accommodate stakeholders other than shareholders and regulators in their planning and operations. Governments, for their part, have to learn to "govern by network."[8] In this new model of governance, with implications for business as well as government, officials do more than manage people and programs in hierarchical structures—they manage relationships among a shifting range of partners and marshal the resources of those partners to produce public value.

USAID's emphasis on working in partnership, rather than in isolation, is an expression of the Bush administration's recognition of the sources of national strength and security in the modern world. It also reflects a broad change in the role of donors in development. Traditional donors, including foreign governments, the World Bank, and the United Nations, know that they are no longer the sole sources of development resources, ideas, or efforts. "To effect change and improve the living conditions of billions of people in a sustainable manner," reads a recent report from the United Nations, "partnering with civil society and business is more than just an option … it has turned into a necessity."[9]

ORIGINS OF THE GLOBAL DEVELOPMENT ALLIANCE

Conceived by USAID career staff during the transition to the Bush administration, the GDA concept was heartily endorsed by Andrew Natsios, incoming USAID administrator, and Colin S. Powell, then secretary of state, who featured it in testimony to Congress in May 2001 as a new approach to implementing foreign assistance.

A team of leading thinkers in USAID, supplemented by several key political appointees, fleshed out the concept and began implementation.[10] Career foreign service officer Holly Wise was appointed as founding director of the newly created GDA Secretariat in November 2001. The team built on and expanded USAID's long history of working in partnership with NGOs, foundations, and international organizations. In addition, USAID's ties to private companies, previously limited, were rapidly expanded. In keeping with the new realities of development assistance, in which the private sector and civil society were playing larger roles, USAID would welcome its partners as equals, to participate not only in the implementation of development projects, but now also in their identification, design, and funding.

USAID AND THE POSTWAR EVOLUTION OF DEVELOPMENT ASSISTANCE

Although USAID's predecessors date back to the Marshall Plan, the Truman administration's Point Four Program, and Eisenhower's International Cooperation Administration, among others, USAID in its present form was created by President Kennedy in 1961, following passage of the Foreign Assistance Act.

The new directions stressed in the 1961 act were a dedication to development as a long-term effort requiring country-by-country planning and a commitment of resources on a multiyear, programmed basis. The new focus was to achieve economic growth and democratic, political stability in the developing world to combat both the spread of ideological threats such as communism and the threat of instability arising from poverty.

Alongside USAID's four regional bureaus, three functional bureaus and one office manage the agency's transnational themes or "pillars":

- Global health
- Economic growth, agriculture, and trade
- Democracy, conflict, and humanitarian assistance
- And a cross-cutting pillar, the Global Development Alliance

Historically, USAID has moved away from providing so-called budget support to foreign governments (the direct funding often used by European aid agencies), preferring to target its efforts on specific development goals through cooperation with private voluntary agencies, international and local NGOs, and, in recent years, private companies whose goals and practices complement those of USAID and the countries in which they operate.

With an annual budget of almost $14 billion (less than one-half of 1 percent of the federal budget) and a staff of about 7,500, the agency manages programs in more than 100 countries, in close partnership with NGOs, indigenous groups, universities, American businesses, international organizations, other governments, trade and professional associations, faith-based organizations, consulting firms, and other U.S. government agencies.

USAID is led by an administrator appointed by the President and confirmed by the Senate.

No longer would the agency necessarily be the "majority shareholder" in the alliances it forged. The key would be to unite the skills and resources of several partners, including private companies, each with its own special strengths, and to apply them to a problem that no one actor could solve alone. The GDA initiative thus represented a shift in the role of USAID, from being primarily a funder of development projects to being an equal partner and manager of collaborative public–private relationships.

The new plan required changes at USAID—from the manner in which assistance projects were conceived to the specific modalities used to pay for them. But it drew on significant strengths within the agency and decades of agency experience in promoting sustainable development in countries around the globe. Notable among those strengths were USAID's extensive overseas presence, its credibility with developing-country policymakers, a dense network of NGO partners, and its history of alliances and partnerships.

THE OFFICE OF GLOBAL DEVELOPMENT ALLIANCES: CHANGE AGENT

The Office of Global Development Alliances (GDA) reports to the administrator of the U.S. Agency for International Development (USAID). In pursuit of its goal of institutionalizing public–private alliances within USAID, it provides support and services to agency staff and partners as they conceive and develop alliances. It also provides guidance for prospective alliance partners. GDA has a core staff of six people: five program specialists and the director.

FORERUNNERS OF THE ALLIANCE APPROACH WITHIN THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

The concept of public–private alliances has strong precedents in USAID. The Matching Grant Program in the Office of Private and Voluntary Cooperation, established in 1980, enabled USAID to support international, indigenous, and U.S.-based NGOs that cultivated relationships with for-profit firms, foundations, and other partners previously outside the USAID orbit. When NGOs secured funds from such partners, USAID could match the investment and so expand budding NGO–private sector relationships and build the capacity of NGOs by challenging them to bring dollar-for-dollar resources to the table. By the mid-1990s, the agency was encouraging NGOs to develop relationships with companies. Conservation International's program with Starbucks Coffee Company, which began in 1997, was a product of that new emphasis (chapter 3).

But GDA represents a significant evolution in partnership thinking at USAID, particularly in the role accorded to private firms and philanthropic foundations in the definition as well as in the execution of international development activities. Partners in public–private alliances include organizations that have never before partnered with the U.S. government.

Other GDA forerunners at USAID were the New Partnership Initiative (NPI), which ran from 1995 to 2000. NPI focused on engaging local NGO partners and stakeholders overseas. It encouraged an alliance approach, but with limited staff and financial resources. The Global Trade and Technology Network (1994–2004) used an Internet platform to facilitate linkages for trade among small and medium-sized businesses in the United States and overseas.

Non-USAID initiatives also influenced the GDA business model. The World Bank's Business Partners for Development, a pilot project from 1998 to 2001, convened and seed-funded four public–private alliances. Still other initiatives sprang up simultaneously with GDA—among them the U.N. Global Compact. A direct initiative of Secretary-General Kofi Annan, launched in July 2000, the U.N. Global Compact encourages companies to abide by 10 social and environmental principles to promote responsible corporate citizenship.

A CLEAR VISION

With the creation of the GDA Secretariat, USAID Admininstrator Andrew S. Natsios also authorized the creation of a modest incentive fund to support demonstration projects as well as training and other activities required for transition to the GDA model.

With intellectual and financial resources from the GDA Secretariat, reforms in hiring and procurement policies, and a small number of successful projects that demonstrated the dynamism of the new approach, public-private alliances were progressively adopted by USAID's field staff, who began to explore alliances with partners in their geographic and sectoral spheres. Staff in the agency's bureaus and regions have been a steady source of alliance initiatives, complementing the many good ideas submitted in response to GDA's annual program statement.[11]

The patterns of adoption of the alliance approach by the agency's bureaus and missions reflected their priorities and the differing contexts in which they operate. In some cases alliance opportunities were already obvious; in others, they had to be sought out through the diligence of staff. Several bureaus formed alliances at the bureau level; others delegated responsibility for alliance building to their country missions. Some concentrated alliance-building in a specific sector, such as health or education; others did not. Some preferred to begin with a few large alliances; others looked for small demonstration projects to test the concept. All have supported the alliance approach with funds, outreach, and good ideas. It is now ingrained, and thriving, in all bureaus.

In GDA's first years, four dozen alliances, often global or multiregional in scope, were managed by the functional bureaus organized

SOME LESSONS LEARNED ON ORGANIZATION CHANGE

1. Nothing succeeds like success. A few early successes demonstrated the potential of the GDA model to internal and external audiences. USAID's alliances with Chevron Corporation (chapter 4) and Cisco Systems (chapter 6) played this role.

2. Invest in staff. GDA developed a two-day workshop on alliance building for USAID staff in Washington and in the field. GDA's *Tools for Alliance Builders* guides staff (and external partners) seeking to build alliances.

3. Adapt and change. Once it became clear that changes were needed in USAID's traditional processes to facilitate alliance building, the agency responded with a new solicitation tool (the annual program statement) and a new funding instrument (the collaboration agreement).

4. Respect the organization's existing strengths and culture. USAID is a decentralized organization that empowers those closest to problems in the field. Accordingly, selection and management of alliances now takes place at the mission level so that partnerships closely match the objectives of USAID field staff.

5. Tell your story to all who will listen. GDA delivers its message about public–private alliances around the world and down the hall.

6. Make it easy to say yes. The administrator ensured that GDA had a small incentive fund to encourage innovative alliances built by USAID missions. GDA asks people inside and outside the agency to accept a new way of doing business. Setting up meetings, writing the first draft, paying for the conference call — all help make it easier to begin the discussion.

7. Establish honest metrics, and use them. GDA has simple metrics to measure success. One is the number of new alliances built over time. Another is the amount of money leveraged by the agency. GDA keeps "alliance-like" activities off of the list and has excluded some of the very large global health alliances that would have skewed leverage numbers.

8. Reward and recognize. GDA recognizes the "Alliance of the Year" and the USAID professional who does the most to support alliance building each year. In 2005, the Alliance of the Year was the Balkan Trust for Democracy (chapter 5).

USAID'S INNOVATIVE APPROACH IS ATTRACTING ATTENTION… AND WINNING PRIZES

November 2005. For its groundbreaking use of public–private partnerships to achieve significant development results, USAID's Global Development Alliance (GDA) has been named the inaugural winner of the Lewis and Clark Award for Innovation in Collaborative Governance. The award is a joint effort of the Weil Program on Collaborative Governance and the Ash Institute for Democratic Governance and Innovation, both located in Harvard's Kennedy School of Government. The award celebrates real-world success in collaborative governance across government, business, and civil society.

"GDA represents the evolution of a loose bundle of partnership models into a more disciplined and deliberate rubric for the sharing of discretion between parties whose interests overlap but are far from identical," noted John D. Donahue, director of the Weil Program, in announcing the award.

April 2005. GDA was selected from among 1,000 applicants as one of 18 finalists for the Innovations in American Government Awards. Often referred to as the "Oscars of government," the Innovations Award is a program of the Ash Institute, administered in partnership with the Council for Excellence in Government. GDA was a semi-finalist for the award in 2004.

around USAID's other three pillars—economic growth, agriculture, and trade; global health; and democracy, conflict, and humanitarian assistance.

By 2003, GDA had initiated hundreds of contacts with corporate partners and played an active role in either facilitating the creation of public–private alliances through the appropriate USAID bureaus and missions, or directly initiating alliances through GDA incentive funds.

In addition to corporate contacts, GDA built relationships with foundations, surveying the landscape of foundation donors in an effort to coordinate USAID efforts with the interests and priorities of public, private, and corporate foundations in the United States. The unprecedented philanthropy of Bill and Melinda Gates and other wealthy individuals had recently emerged, and part of GDA's role was to prepare USAID to accommodate itself to the sudden "supply shock" of increased funding for vaccines and HIV/AIDS.

But GDA also cultivated relationships with smaller foundations that were taking an active interest in development issues. Executives of the Case Foundation, for example, joined USAID in planning support for initiatives such as a network of computer stations in Jordan and a social enterprise venture to provide revenue-generating products to rural producers in Kenya and Tanzania (chapter 8).

Several bilateral donors are adapting the alliance approach to their own agencies. For example, GDA has met with senior officials in Japan, Spain, and other countries to discuss how they can use public–private alliances in their own operations. The United Nations Development Programme (UNDP) and the German foreign aid agency (GTZ) have developed alliance initiatives and policies on a parallel track with GDA. In reference to UNDP's work with USAID and Chevron Corporation in Angola, former UNDP administrator Mark Malloch Brown declared that the Angola Enterprise Fund created by the alliance could "set an example for how public–private alliances can benefit the poorest in a very tangible way."

1. Other categories of growing assistance are international giving by independent and corporate foundations, other corporate giving, and transfers (including in-kind transfers, such as know-how and scholarships) by NGOs and educational institutions.

2. U.S. General Accounting Office, "USAID Relies Heavily on Nongovernmental Organizations" (Washington, DC, April 2002).

3. See, for example, Michael E. Porter and Mark R. Kramer, "The Competitive Advantage of Corporate Philanthropy," *Harvard Business Review*, December 2002, pp .5–6, and David Grayson and Adrian Hodges, *Corporate Social Opportunity: Seven Steps to Make Corporate Social Responsibility Work for Your Business* (Sheffield, England: Greenleaf, 2004). Grayson and Hodges define corporate social opportunities as "commercially viable activities which also advance environmental and social sustainability."

4. See *Global Economic Prospects 2006—Economic Implications of Remittances and Migration* (Washington, DC: World Bank, 2005).

5. ODA increased to $78.6 billion in 2004, the highest level ever. The United States is the largest aid donor in volume terms, followed by Japan, France, the United Kingdom, and Germany. Net ODA from the United States in 2004 was $19 billion, about a quarter of the world total, and a 14.1 percent increase in real terms from 2003. Source: OECD Development Assistance Committee and World Bank.

6. The Millennium Challenge Account began with nearly $1 billion in funding in 2004, and President Bush has asked that the 2006 amount be tripled, followed by annual funding of $5 billion. The administration requested $4.1 billion for USAID programs for the fiscal year that begins in October and runs through September 2006. The agency also would help manage and disburse some of the funding for other U.S. aid programs, including a requested $2 billion for the Global HIV/AIDS Initiative and $3 billion for the MCA. USAID proposes allocating more money to countries that have demonstrated a commitment to reform but do not meet strict MCA criteria.

7. The Report of the United Nations Commission on the Private Sector and Development estimates that developing countries have $9.4 trillion dollars in private financial assets that cannot be fully mobilized for development, largely because of corruption and inadequate legal protections for property and contracts. In one developing country, according to the World Bank's *Doing Business in 2004—Understanding Regulation* (New York: Oxford University Press, 2004), it takes 203 days to register a business; in another enforcing a contract takes 1,459 days. Such barriers to business formation and entrepreneurship keep businesses small and informal.

8. Stephen Goldsmith and William D. Eggers, *Governing by Network: The New Shape of the Public Sector* (Washington, DC: Brookings, 2004).

9. See, for example, Jan Martin Witte and Wolfgang Reinicke, *Business UNusual — Facilitating United Nations Reform through Partnerships* (New York: United Nations, 2005).

10. The members of the USAID task force that gave life to GDA were (in alphabetical order): Colleen Allen, Thomas Anklewich, Joan Atherton, Chris Brown, Lawrence Brown, Letitia Butler, Rebecca Cohn, Pamela Cullen, Judith Gilmore, Carol Grigsby, Martin Hewitt, Scott Kleinberg, Kenneth Lanza, Bob Lester, Adele Liskov, Drew Luten, Delbert McCluskey, Linda Morse (chair), Kathleen O'Hara, Dana Peterson, Patricia Ramsey, Curt Reintsma, Wade Warren, John Wilkinson, and Holly Wise. For "outstanding teamwork in the conceptualization and articulation of the GDA business model," the team received USAID's Meritorious Unit Award in 2001.

    The members of GDA's interim secretariat were (in alphabetical order) Joseph Fredericks, Robert Goodwin, Martin Hewitt, Yumiko Ikuta, Jillian Inmon, Kurt Low, Linda Morse, Suzanne Nolte, Curt Reintsma, Reyna Rice, Lane Smith, and Holly Wise (interim director). The team received USAID's Meritorious Unit Award in 2001 for "outstanding teamwork, critical thinking, and innovation in the development of operational details and an implementation plan to support the GDA business model."

11. GDA's annual program statement for fiscal year 2006 was issued on November 10, 2005. The annual program statement specifies the type and scope of projects that may be considered for funding. It is available at www.usaid.gov/gda and on www.fedgrants.gov.

CHAPTER TWO

BUILDING DEVELOPMENT ALLIANCES

THE GDA MODEL AT WORK

A public–private alliance in the mold of the Global Development Alliance (GDA) is a formal agreement between two or more parties to define and address a development problem. Alliance partners combine resources and share risks in pursuit of common objectives, while recognizing that each partner will have other objectives not shared by other members of the alliance. There is no predefined maximum number of partners; each alliance is different.

Alliances bring together the resources of the U.S. Agency for International Development (USAID) and partners to solve problems that exceed the capabilities of individual actors. Those resources are as diverse as the alliances themselves. In addition to cash, they include human capital, technology and intellectual property, market access, cutting-edge business practices, policy influence, in-country networks, and expertise in development programs ranging from international trade to biodiversity protection. Because local ownership, leadership, and participation are important keys to success in development projects, alliance activities that involve local leaders and beneficiaries in design and implementation are most likely to be sustainable.

As of the end of fiscal year 2004, 339 corporate and 89 foundation partners were participants with USAID in a growing network of approximately 290 public–private alliances for development—in areas such as education, health, safe water, youth vocational training, information technology, forest certification, and small-enterprise development. The American people contributed $1.1 billion to those alliances through the USAID budget during the three fiscal years from 2002 to 2004. That contribution was more than tripled by GDA's for-profit and nonprofit alliance partners, yielding a grand total of almost $5 billion in development assistance.[1]

WHO PARTICIPATES IN ALLIANCES, AND WHY?

Effective public–private alliances draw on the comparative advantages of varied alliance partners, each of which brings unique strengths to the solution of a pressing development problem.

THE ROLE OF BUSINESS

Firms exploring alliances may be motivated by direct or indirect business interests, or by their policy of corporate social responsibility. Although alliances formed under GDA are not designed to promote a particular company's position or entry to a particular market, many alliances advance direct business interests by improving the quality and reliability of raw materials and other inputs, the health and skills of the workforce, the quality of infrastructure and trade facilities, the predictability of regulation, and the security of property rights. Many USAID-sponsored programs address issues of vital importance to businesses operating in the developing world—among them the rule of law, control of corruption, efficient courts, effective contract enforcement, and eased restrictions on investment, all of which enhance the environment for business activity for alliance partners and society at large.

Other alliances are motivated by corporate social responsibility (CSR), a subject that has evolved greatly in the last decade, as discussed in chapter 1. CSR makes good business sense in countries where companies operate. Socially responsible corporate performance can improve their financial performance, reduce operating costs, enhance brand image and reputation, and increase sales and customer loyalty, among other benefits. CSR also meets investor expectations and creates shareholder value.

In return, business activity reinforces development work. Success in business turns on the ability to set and achieve targets efficiently. When targets include a social component to be achieved in partnership with government and NGOs, corporate skill at analyzing problems, marshaling resources, and eliminating bottlenecks can energize all partners. With their eye for productivity, efficiency, and results, corporate philanthropists can identify and mentor effective NGOs, transferring to their partners, by example or more formal means, technical skill, advanced technology, and good management practice. Alert to the value of technical and managerial breakthroughs in radically enhancing productivity

THE GLOBAL DEVELOPMENT ALLIANCE BUSINESS MODEL IN BRIEF

Public–private alliances may be initiated from within USAID, but most come from outside. They typically involve at least three alliance partners (at least one private firm and at least one nongovernmental organization in addition to USAID). USAID may provide no more than half of an alliance's resources; a ratio of at least 3 to 1 is sought. The private contribution to the alliance must be at least 25 percent of its value, but it need not all be in cash. Contributions of goods, intellectual property, and volunteer time may also be counted.

The chief characteristics of the Global Development Alliance business model are:

- Joint definition of a development problem not likely to be solved by a single actor
- Sharing of resources, risks, and results in pursuit of the agreed objective by a single actor, and of the solution to that problem
- Use of innovative approaches that exploit the comparative advantage of each alliance partner
- Leveraging of resources, both financial and in-kind.

For more on the GDA business model, visit www.usaid.gov/gda.

and thus competitiveness, corporations spread a taste for innovation among alliance partners. At a more mundane level, corporate skill at managing inputs in complex supply chains and production processes applies directly to the resolution of development problems, provided firms are well advised by partners on the social, cultural, and sovereign aspects of those problems. Moreover, the credibility and cachet of leading companies can pique the interest of other firms and organizations in the work of the partnership, a phenomenon that Michael Porter calls "signaling other funders." Corporations are also adept at advertising the value of their results, which can sustain alliances and help them grow.

Private companies also provide access to markets and capital and are well positioned to address other global challenges, such as protecting the environment and fostering equitable labor practices, often through the adoption of international industry-wide standards negotiated with governments and multilateral organizations.

THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT'S PARTNERS ARE A VARIED GROUP

- Businesses and business trade associations
- Foundations and philanthropies
- Faith-based groups
- Diaspora communities
- Nongovernmental organizations and civic groups
- Institutions of higher learning
- International organizations, such as the United Nations and the World Bank
- Development consulting firms
- U.S. cities and states, and other U.S. government agencies
- Governments of other industrial nations
- Host-country governments and state-owned enterprises

THE ROLE OF FOUNDATIONS AND NONGOVERNMENTAL ORGANIZATIONS

Foundations are an increasingly important source of funds, ideas, and operating expertise for public–private alliances in development. American foundations large and small, old and new, spent $3 billion in developing countries in 2004 supporting civil society groups and democracy building, ensuring the sustainable management and exploitation of natural resources, funding health campaigns of global reach, helping people acquire technical skills to lift them from poverty, and healing the wounds of civil strife and natural disaster (chapters 5–7). Foundations are making particularly important contributions to global health; in 2002, the last year for which comprehensive data are available, U.S. foundations gave more than $707 million for international health programs.[2]

The foundation community includes large entities such as the Ford, Kellogg, and Rockefeller foundations, which combine research support with implementation. USAID has worked with such "traditional" partners since its founding—for example, with the Rockefeller Foundation in developing and disseminating the seed strains that boosted agricultural yields in the developing world in the 1960s during the Green Revolution. The community also includes growing numbers of family foundations in the United States and the developing world such as the Aga Khan Foundation, AlvarAlice Foundation, Case Foundation, Conrad N. Hilton Foundation, and Lincy Foundation.

With their ability to move quickly and target resources precisely, foundations are often the first to demonstrate what can be done to tackle a given development problem efficiently. In so doing, they catalyze other resources and hold governments accountable.

NGOs—not-for-profit entities characterized by a commitment to furthering humanitarian aims—play an essential role in the formation and implementation of public–private alliances.[3] International NGOs often broker alliances between the public and private sectors, as in the case of the International Youth Foundation, which has brought USAID together with a dozen major companies to provide jobs for young people in Latin America (chapter 6).

Local NGOs arrange for the participation of beneficiary communities in development projects. In so doing, they build their local capacity for advocacy and social action.

NGOs naturally serve to bridge government and commercial sectors in the development of a public–private alliance. Their involvement provides an important sense of legitimacy for such alliances, as it ensures that humanitarian, community-based interests will be represented in the relationship. NGOs may offer the advantages of being able to operate in politically sensitive situations, to deploy assistance more quickly than official donors, and to work smoothly with governments and communities with which they have established relationships. NGOs also foster pluralism, voluntarism, and compassion—values that have characterized the United States throughout its history.

THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT'S ROLE

USAID provides leadership by bringing together potential alliance partners around a specific development problem in a specific country or region. This convening power has proved to be a powerful tool to inform potential partners about the possibilities of the new model, and to generate ideas for new alliances.

USAID also contributes financially to alliance development, through the GDA Incentive Fund, and to implementation, through direct contributions to alliances. GDA may tap other sectors of USAID to link alliance activities with ongoing activities and so access additional sources of funding and technical expertise.

USAID's staff assesses needs for assistance through field visits, surveys, and interviews; prioritizes programs for support by analyzing policy, legislation, country needs, and funding availability; negotiates with host-country authorities policy changes that will increase the development impact of the alliance's work; and monitors progress by visiting program sites, reviewing implementers' reports, and meeting frequently with counterparts. USAID also gathers data on alliances and reports to Congress and the American people on the progress leveraged with public funds.

WHAT DOES THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT BRING TO ALLIANCES?

- Long-term country presence with commitment to economic growth
- Financial resources
- Working relationships with developing country governments, and with U.S. and local firms and nongovernmental organizations
- Knowledge of language, culture, customs, and political context
- Expertise in project management, including monitoring and evaluation, and in technical matters related to development
- Ability to undertake policy, social, and investment research

CONCEIVING, DEVELOPING, AND IMPLEMENTING AN ALLIANCE

From the preliminary idea to written agreement on roles and responsibilities, the development of an alliance takes time. Prospective partners may come together at a forum or conference to develop the idea of the alliance and examine the potential risks and benefits of working together on a development problem. Before the first formal meeting, prospective partners should become familiar with the aims and experience of others.

Among the key questions:

- What are the results to be achieved, and how will performance be measured?
- How will activities be financed and how will the funding be managed? Most alliances are financed in parallel, with each partner retaining control of its funds. Pooled financing, where the partners deposit contributions into a single fund, is an alternative used primarily in large health-related alliances.

The initial stages require support from senior managers and staff time and resources to settle the details. For high-profile alliances, the time required of senior management may be significant. Staffing or a reconfiguration of

PRECONDITIONS FOR SUCCESS: AN ALLIANCE CHECKLIST

- **Common cause.** The issue to be addressed by the alliance is important to prospective alliance members. It is clear why forming an alliance is a good solution.
- **Belief in alliances as a strategy.** Prospective alliance members believe that cooperation can achieve more than going it alone. Alliance members are willing to treat each other as equal partners.
- **Presence of a convener.** At least one prospective alliance member has the standing to call the other alliance members to the table.
- **Principled behavior.** The U.S. Agency for International Development aligns itself with entities whose interests are compatible with USAID's and whose practices do not pose reputational risks for the alliance or for the agency.
- **Resources.** Financial and human resources to support the alliance are available.
- **Willingness to explore opportunities.** Alliance members are willing to take risks together that individually they might be unwilling to take; they are willing to work together creatively in doing so.

staffing may be required to implement an alliance effectively.

Alliance partners must commit to certain precepts—among them joint definition of the problem and joint pursuit of its solution; sharing of resources (financial, technical, intellectual, proprietary, in-kind) in pursuit of the common objective; openness to flexibility and innovation in getting the job done, including the possibility of adding new partners; and leveraging significant resources. For that reason, alliances should be formalized through instruments that establish the purpose of the alliance, define objectives and managing principles and procedures, and specify funding mechanisms and arrangements for the alliance. These instruments are not mutually exclusive; several instruments may be used in the process of creating any particular alliance. Possible instruments that may be used to formalize an alliance include:

- A memorandum of understanding or equivalent
- A funding award (contract, grant, cooperative agreement, or collaboration agreement) from USAID following a competitive selection process

Setting an alliance in motion requires agreement on the approach the alliance will take to address the problem around which the partners have coalesced, including the development of an action plan that addresses key points requiring clarification. The points of the action plan should include the development of implementation plans, resource allocation decisions, and attention to adjustments in the alliance to the different interests of the alliance members in the development of detailed plans. The many points to be considered are detailed in GDA's reference manual, *Tools for Alliance Builders*, available in PDF form at www.usaid.gov/gda.

GDA can assist in the formation process by connecting prospective strategic partners; providing support during different phases of alliance building; and clarifying USAID policies and standards. *Tools for Alliance Builders,* prepared by GDA, covers the phases of the alliance development process, from determining whether an alliance is appropriate, to getting alliances underway, to outlining the steps involved in formalizing and managing the relationship.

USAID performs a "due diligence" investigation of prospective partners before engaging in negotiations to establish an alliance.

USAID uses a variety of tools to assess corporate behavior and looks at:

- Economic performance
- Environmental record
- Social responsibility (respect for human rights, support for labor and environmental standards, and an interest in sustainable development).

USAID missions work with the U.S. embassy and others to make local determinations of the suitability of prospective alliance partners.

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT FUNDING MECHANISMS

The USAID contribution to alliances may take one of several forms. The agency uses three main instruments to obligate public funds under traditional vendor-client arrangements between USAID and implementing partners: acquisition *contracts* for the purchase of goods and services, and assistance agreements to award grants and cooperative agreements. *Grants* are made primarily to nonprofit organizations to carry out programs in support of a public purpose. *Cooperative agreements* are similar to grants, but USAID maintains substantial involvement in the activity covered by the award. To date, most alliances have been funded through cooperative agreements and grants.

USAID has recently developed a new funding mechanism—the *collaboration agreement*—to facilitate the formation of public–private alliances. Neither contract nor grant, the collaboration agreement is a procurement innovation that allows USAID to engage with a resource partner (such as a corporation or foundation) at a strategic level. It also allows USAID to program and fund alliances more quickly than before. The four criteria for its use are:

- The proposed alliance must be within the GDA precepts and consistent with the terms of GDA's annual program statement.
- A compelling reason must exist to commingle USAID and partners' funding resources for joint programming.
- Other implementing mechanisms must have been considered and rejected as unfeasible or inappropriate.
- A partner, notably a nontraditional partner,[4] will receive USAID funds directly under the alliance.

The collaboration agreement is an innovation that will prove instrumental in streamlining funding for alliances. Nevertheless, the agency foresees that most alliance funding will continue to be provided through cooperative agreements.

HOW HAVE ALLIANCE PARTNERS HAD TO ADAPT TO MAKE ALLIANCES WORK?

When different organizations, each imbued with a distinct culture, find themselves in a partnership, they must adapt to one another and learn to speak each other's language.

Despite a long history of working with foundations and NGOs, the agency understood that the business model represented by GDA would require significant changes in the agency's institutional culture. Redirecting a large organization is never easy.

GDA's status as a pillar ensured that public–private alliances would be incorporated, at least formally, in the strategies of USAID's bureaus and missions. GDA promoted that process by championing the partnership idea and providing model language. To convert formal adoption into live alliances, the agency identified the specific skills needed to build and broker alliances, and then ensured that personnel in the bureaus and missions possessed those skills. A program of alliance-building workshops presented by GDA and newly recruited alliance participants gave agency staff in Washington and overseas a taste of the challenges and the potential of public–private alliances. Those workshops have trained more than 1,000 USAID professionals, who have responded by bringing new partners to the table—among them corporations, foundations, universities, and faith-based organizations.

Finally, as already noted, the agency adapted its funding mechanisms to accommodate new types of partners. To invite good ideas from prospective partners, it began to issue an annual program statement (APS) that sets forth in clear and simple terms the parameters of fundable alliances. The APS for fiscal year 2006 was published on www.fedgrants.gov on November 10, 2005.

USAID's traditional implementing partners have had to make changes as well. The most obvious adjustments for NGOs accustomed to using agency money to accomplish tasks spelled out by the agency are the GDA requirement for leveraged funds, the enlargement of the scope of the typical alliance to include business firms and philanthropic foundations, and the concomitant sharing of responsibilities for designing and planning (in addition to implementing) development operations.

Each alliance partner tends to bring to the bargaining table certain "implicit interests"—limitations or assumptions that must be made explicit and reconciled with other partners' practices if fissures are to be avoided later. Partners' implicit constraints can be found along several distinct dimensions:

Geographic and sectoral. Partnerships only work when the parties' geographic and sectoral interests overlap. Prospective alliance partners may be willing to work in one area of a country but not in another. For instance, USAID often selects one or two regions of a developing country in which to work. Such geographic decisions are a result of consultations with developing country governments and the U.S. government's interagency process. Sometimes, companies and donors have reasons to focus on a particular part of the country—for example, the one in which their facility is based or where they source their crops. A foundation may have a history of grant-making in a certain region. Failure to understand such limits at the outset may prevent a successful alliance from scaling up later.

Alliance partners also have to come to general agreement about sectors. For example, alliance partners may agree in a memorandum of understanding that they will work in the "education, enterprise development, and other sectors." In other cases, alliance partners come with very fixed ideas about what an appropriate project might be.

Financial. Partners usually have an idea of how much they are willing to spend (in cash and other assets) on a given activity, and for how long. Such limits must be acknowledged and made explicit. Sometimes prospective alliance partners do not know or are unwilling to divulge what they are willing to contribute. They may be flexible (susceptible to adjustment as results are achieved) or they may have "hard budget constraints."

Temporal. Are partners in it for the long haul? There is no right or wrong answer, except with reference to the development challenge and the other partners' expectations. Corporate partners that join alliances that affect their core business interests tend to be long-term players, offering their NGO partners (local and international) significant opportunities to benefit from transfers of technical and managerial skill.

Relational. Prospective alliance partners often have preferred implementing partners. Sometimes alliance partners come with implementing partners. Often implementing partners come with funding partners in tow. It is important to understand the relationships and whether they make sense in light of the stated purpose of the alliance.

Some private firms may be reluctant to join alliances with direct competitors. On the other hand, some of the most productive alliances are centered on groups of firms working together to resolve collective industry supply chain issues, improve the business climate for a sector, or otherwise improve the context (economic, social, political, or environmental) in which they all must operate.

Interests can change. Time tables can change. Facts on the ground can change. These realities affect the alliance calculus. Understanding and negotiating through these interests takes time and discussion to make the implicit explicit and to devise compromises and working arrangements that suit all partners. As alliances unfold and partners learn to trust each other, constraints can become more flexible, but they must be accommodated initially or trust may be crowded out by conflict. Lasting alliances are living, changing entities. Many start small and expand over time as the alliance matures and succeeds, trust is built, and the benefits to the partners become clearer.

Organizations accustomed to acting quickly on an idea, especially when they bring substantial money or resources to the table can learn from the example of the German Marshall Fund and the Charles Stewart Mott Foundation as they advanced the idea of the Balkan Trust for Democracy over three years beginning in 2000—navigating government regulations, competing to actualize their own idea, and eventually finding support within USAID that culminated in a 10-year partnership that won USAID's "Alliance of the Year" award for excellence in 2005. The two foundations took a long view to developing the alliance. Their patience paid dividends: the Balkan Trust has attracted new partners, new funding, and additional development expertise to guide the Trust's local and regional projects. USAID learned that it had to pay more attention to partners' differing priorities and constraints.

With several years of alliance experience under its belt (and a new procurement process and mechanism to obligate funds in its toolbox), USAID can implement an alliance much more quickly now than when the Balkan Trust was first proposed—generally about six months from idea to funding. Today, the binding factor is the time it takes to build trust and to learn each other's culture and language, goals, and methods.

EVALUATING ALLIANCES FOR EFFECTIVENESS

Alliance partners approach the challenge of monitoring and evaluation from their particular perspectives: USAID, NGOs, other aid organizations, institutions, foundations, and firms each have their own set of criteria and procedures for monitoring and evaluating projects. In an alliance, they must agree on shared criteria and procedures. But all alliance partners have an interest in measuring the effectiveness of their efforts, learning from experience, and building a body of knowledge that can be exploited by future alliances.

Different partners define success in different ways and hence may be interested in tracking different outcomes. In the Sustainable Forest Products Global Alliance, for example (chapter 3), IKEA and The Home Depot are most concerned about the levels of green timber production that can be achieved for a given input cost. The World Wildlife Foundation and The Nature Conservancy are more concerned with measuring the decline in illegal logging. USAID and other development agencies want to see the impact on farmers' income and, in turn, on the health and education achievement of rural families.

All are legitimate measures of alliance "success" that need to be assessed to determine whether an alliance is meeting the objectives of each alliance partner. The challenge is to knit these differing measures of success into an analytical framework that integrates each into the strategic logic of the alliance as a whole.

In designing any system for monitoring and evaluation (M&E), it is necessary to strike a balance between the value of the information collected and the costs in time and dollars to collect it. The key consideration is what information is needed to:

- Effectively manage alliance resources, ensuring that alliance managers can get information they need to make mid-course corrections as appropriate

- Properly account to taxpayers, shareholders, and donors for funds expended
- Meet the information needs of other stakeholder groups—among them host governments, other donors engaged in related development programs, and additional partners who may be sought in the future to sustain or expand the alliance.

Determining what information is needed by whom and with what frequency and degree of rigor drives the design of the M&E system for the alliance. Once the scope of the desired system is defined, alliance managers must agree on how M&E activities will be funded, who will manage them, and how widely the data and analyses will be shared.

EVALUATING EFFECTIVENESS IN *ENTRA 21*

entra 21—a $27 million initiative that provides youth in Latin America and the Caribbean access to training, internships, mentoring, and placement services—has been implementing an evaluation process to help verify the effectiveness of its many projects. In 2005 it completed external reviews of eight projects: El Salvador (Agape), Dominican Republic (ISA), Peru (Alternativa), Panama (Cospae), Paraguay (CIRD), Colombia (Comfenalco), Brazil (CEPRO), Mexico (CIPEC), and Argentina (SES).

Evaluators are thoroughly oriented on *entra 21,* and become fluent in project terms, procedures, and other essential features. Data is collected about the sample group of participants and compared with baseline data in use by the program; focus groups are facilitated with different categories of graduates: youth in salaried employment, the self-employed and, unemployed youth looking for work. Supplemental data is gathered from a sample of employers and individuals who provide technical assistance to young entrepreneurs.

Results are disseminated in stakeholder dialogues and publications to maintain continuous improvement throughout the program.

Participation by the private sector partner in the design of an alliance M&E plan may introduce new approaches and create learning opportunities for all parties. Performance management practices are well known to corporate and NGO managers but may be widely different from those applied in USAID, creating an opportunity for cross-fertilization. Corporate and business sector partners may offer special expertise on cost-effective data collection on pricing and marketing, while USAID and its traditional partners can contribute expertise on measuring development impact.

Some firms measure the impact of their public–private alliances in terms of their CSR objectives, which typically turn on the firm's reputation and employee satisfaction. Others assess impact in terms of the results achieved by the programs they support. In alliances where corporate participation is linked to core business interests, the bottom line will figure in the evaluation of program results.

USAID's 2004 assessment of the GDA model found that many alliances had not yet developed effective alliance-wide M&E systems. Where such systems were in place, they were typically carried out by an independent contractor or other third party funded by the alliance specifically to perform M&E. The Indonesia Timber Alliance provides an example of this approach. Following a suggestion by Britain's Department for International Development, to construct a bigger M&E component from the beginning, USAID increased the budget for that purpose. The implementing partners then contracted a research institute to handle the task for the alliance. The system is set up so that each alliance activity is tracked separately and each partner's resource contribution linked to the activity it is funding. Each partner can learn, for example, how much of its contribution is going toward timber tracking and the specific amount of wood saved. Giving each partner a clear idea of what their resources are accomplishing is a matter of accountability—and a good way to build commitment and sustainability into an alliance.

Other alliances have plans to carry out both process and impact-level evaluations at various points in alliance implementation.

READING THE CASES THAT FOLLOW

The chapters that follow represent some of the best work in development today. Organized into categories that illustrate common features of USAID's Global Development Alliances, the case examples are just a fraction of those underway in countries and communities all over the world. There is no standard approach or model to follow; each alliance develops in a unique way. Participating organizations come in all sizes and types—from governments and major corporations to foundations, small businesses, and NGOs. They work in all sectors—community development, education, health, environmental sustainability, enterprise development, better governance, and post-conflict recovery—to name just a few. And their motivations differ. Community groups want to educate their children and protect their environment; businesses want a reliable supply of high-quality products. USAID has designed GDA so that they all can succeed. Through careful planning and mutual respect, partners with distinct but complementary goals can come together to produce astounding results. To learn how, read on.

1. Reported funding amounts for USAID and alliance partners include expended funds and projected commitments for future years. GDA maintains a limited database of alliances for the entire U.S. Agency for International Development. Gathered through the agency's annual reporting process, the data cover funding both from USAID and partners, resource leverage ratios, countries and regions where alliances are active, and minimal information on activities and programs. Health alliances are a special case, since the funding for some of the largest ones, such as the Global Alliance for Vaccines Initiative, which is highlighted in this report, runs in the hundreds of millions of dollars. Only contributions made after 2001 are counted in the database. In the name of conservative measurement, USAID excludes the very significant private investment resources leveraged from USAID's Development Credit Authority program. The highly successfu DCA is a credit guarantee that attracts hundreds of millions of dollars in loan capital for investment projects that support international development. USAID also does not include data from a large universe of "alliance like" activities with companies that do not meet certain GDA criteria (such as 1:1 leverage ratio). Missions do not include these partnership relationships in their annual reports and, therefore, are not captured in GDA data.
2. *International Grantmaking III*, Foundation Center, New York, 2004. The nation's independent foundations made 1,266 international health grants in 2002 totaling $693,797,861; U.S. corporate foundations made 227 grants totaling $13,538,457 in the same year.
3. For USAID, an NGO is a registered nonprofit organization that receives part of its annual revenue from the private sector; receives voluntary contributions of money, time, or in-kind support from the general public; is financially viable; has a board of directors; fits USAID priorities; and does not have terrorist ties. USAID-registered NGOs work in 159 countries in nearly every area of development. Most are involved in health, nutrition, or microenterprise.
4. According to guidelines issued by USAID's Office of Acquisitions and Assistance, a "non-traditional partner is a private organization offering resources at a leveraged ratio in excess of one to one, whose principal business purpose is other than foreign development assistance or whose development assistance purpose was recently established, and who has not routinely received federal funding under traditional grants and cooperative agreements."

PART II

ALLIANCE STORIES

CHAPTER THREE

SUSTAINABLE SUPPLY CHAINS

RAISING STANDARDS, BUILDING TRADE

With help from the U.S. Agency for International Development (USAID), multinational corporations are working with local producers to raise agricultural productivity and improve quality standards for commodities such as cocoa, coffee, and forest products. In so doing they are assuring stable supplies of high-quality products and predictable returns for growers. This chapter looks at four examples of how such alliances have paid off by emphasizing higher productivity, sound agricultural marketing, sustainable environmental practices, and certification programs that deliver better value for buyers.

Each alliance is built on the strong interests and commitments of the partners and the communities in which they work. All show that globalization works by linking smallholder farmers to markets and that tropical products like cocoa, coffee, nuts, and lumber can be grown and harvested in ways that improve livelihoods and protect the environment.

- In the Sustainable Tree Crops Program Alliance, a consortium of chocolate companies including The Hershey Company and Mars, Inc. are securing long-term supplies of cacao by enhancing the well-being of the farmers who harvest it.
- In the Sustainable Forest Products Global Alliance, The Home Depot and the World Wildlife Fund have teamed up to promote market demand for certified forest products.
- In the Conservation Coffee Alliance, Starbucks and Conservation International are improving biodiversity through shade-grown coffee and paying price premiums to producers of high-quality beans.

ECOLOGIC

- In the Continuous Improvement Alliance for Labor Standards in Central America, Gap, Inc., and other partners are raising the competitiveness of clothing manufacturers by improving the standards under which factories operate.

In each of these cases, USAID is a supportive alliance partner — a funder, convener, and broker of solutions that improve lives. As developing countries participate in world markets, USAID is ensuring that farmers and workers have greater opportunities to improve their livelihoods by participating in global trade.

SUSTAINABLE TREE CROPS PROGRAM ALLIANCE
HELPING THE SMALLHOLDER FARMER IN AFRICA

"As a specialty chocolate company, we see the importance of building regional cocoa programs that increase farmer productivity and the quality of cocoa grown in the tropics."

—ED SEGUINE, GUITTARD CHOCOLATE COMPANY

PURPOSE
To improve the economic and social well being of smallholder farmers and the environmental sustainability of tree crop farms in West Africa, Latin America, and Asia.

CONTEXT
The most important tree-based commodity in West Africa, cocoa also provides a livelihood for rural producers in Latin America and Asia. In all three regions, millions of small-scale family farmers cultivate the crops. Fungal diseases and insect pests destroy a third of the crop annually, while weak extension and information systems, inefficient market systems, and shortcomings in national policy pose a threat to chocolate industry buyers as well as rural producers.

ALLIANCE MEMBERS
U.S. Agency for International Development

U.S. Department of Agriculture

World Cocoa Foundation (WCF), with more than 45 chocolate industry members, among them Mars, Inc., The Hershey Company, Nestlé Products, Kraft Foods, ADM Cocoa, Ferrero, Guittard Chocolate Company, Barry Callebaut, and Blommer Chocolate

Smithsonian Institution

International Institute of Tropical Agriculture

ACCOMPLISHMENTS AND OUTCOMES
STCP promotes shade-crop biodiversity methods that improve the quality and availability of cocoa beans for the international chocolate industry. The healthier trade climate fostered by the alliance is also raising the standard of living of participating farmers and improving the labor climate for cocoa workers. Globally, more than 60,000 smallholders have graduated from farmer field schools and realized productivity gains of 30 to 50 percent. More than 2,000 farmers in Africa have been sensitized to child labor issues.

FUNDING ARRANGEMENT
U.S. Agency for International Development—$5 million

World Cocoa Federation and chocolate industry—$5 million

The Sustainable Tree Crops Program Alliance (STCP) improves the economic and social well being of small farmers and the environmental sustainability of tree crop farms in Africa (with expansion projects in Asia and Latin America), by bringing industry expertise and resources to bear on the cultivation and marketing of cocoa. The industry is represented by the World Cocoa Foundation (WCF), whose 45 members include Mars, Inc., The Hershey Company, Nestlé, Kraft Foods, ADM, Ferrero, Barry Callebaut, Blommer and other chocolate companies and trade associations.

About 70 percent of the world's cocoa comes from West Africa, where it is the most important tree-based commodity. There, and in Latin America and Asia, millions of small-scale family farmers cultivate the crops according to time-honored tradition. But that tradition is challenged by deforestation, fungal diseases, and insects, which destroy a third of the cocoa crop annually. Weak extension and information systems, inefficient market systems, and shortcomings in national policy pose additional threats to the multinational chocolate industry as well as rural producers. The disappearance of tropical forests and declining yields on remaining acreage imperil the supply of cocoa to the industry and the livelihoods of producers.

In the 1980s a fungal plague called witches' broom turned Brazil — at the time the world's second-largest cocoa producer — into a net importer. Brazil's rural producers were devastated by the plague, and industry buyers resolved to work together to help producers prevent the recurrence of preventable diseases that had proved so destructive.

COCOA AND BIODIVERSITY: AN AWAKENING

The $40 billion chocolate industry is most visible in the form of companies in developed countries that grind cacao into cocoa and process it into finished chocolate products. Because cacao can be grown only in very specific climates (at 20 degrees latitude), the 10 leading producing countries account for more than 95 percent of exports. Similarly, the 10 leading consuming countries account for 75 percent of imports.

But as the chocolate industry became less vertically integrated over time, its connection with and understanding of cocoa producers grew increasingly distant. "The whole notion that they needed to be thinking about diversified systems or stability to rural communities was not yet part of their rationale," commented Jeff Hill, senior agricultural advisor for USAID. "They didn't see that it was in their enlightened self-interest to directly invest in smallholder producers."

The problems of cocoa supplies did not receive serious attention until the 1990s, when issues of biodiversity conservation, rural livelihoods, and poverty were finally recognized as inextricably linked. Today, the same concentrations have facilitated the development of a concerted approach to cultivation and marketing of cacao.

In 1998, a critical mass of stakeholders began to form around the problems of the cocoa supply chain. An industry-supported conference organized by the Smithsonian Tropical Research Institution in Panama convened some 200 government and industry leaders to discuss ways to strengthen cocoa production and cocoa producers. A research paper presented at the conference profoundly changed the views of industry and the donor community.

The paper described cultivation systems developed by farmers in Cameroon, who grew food crops on the ground under cocoa trees, taller fruit trees over the cocoa trees, and even taller shade trees that supplied local lumber. The farms using these practices were the most economically productive in West Africa and second only to rain forest producers in their preservation of biodiversity.

The Smithsonian conference concluded that cocoa farms could function simultaneously as economic engines and conservation tools. USAID representatives at the conference found it immensely significant that revenue production, food security, and poverty reduction efforts could be combined with conservation and biodiversity strategies.

Following the conference, USAID invited a high-level industry delegation to visit West Africa. The delegation visited research institutions, extension programs, and ministries of agriculture and finance to gain a better understanding of the systems supporting cocoa farmers. The reality that confronted the delegation contrasted sharply with the hopeful message of the conference. Existing support structures were extremely limited, and most farmers received no support at all. Less than 15 percent of farmers were organized in farmer organizations or co-ops — mechanisms through which extension services could be delivered and innovations disseminated.

The delegation presented its findings at a series of global stakeholder meetings in Paris in 1999. The resulting "Paris Declaration" by the chocolate industry, USAID, trade organizations, producer groups, and major international research institutions expressed the commitment of all parties to sustainable cocoa production. STCP evolved from that declaration.

USAID played a critical role in brokering the Paris agreement. "The chocolate companies have an interest in building up cocoa production," says GDA director Dan Runde. "Through our collaboration with neutral entities such as the World Cocoa Foundation and the International Institute of Tropical Agriculture, USAID is helping to bring alliance partners together."

A REGIONAL ALLIANCE IS BORN

Late in 1999, USAID invited 250 participants to Washington, D.C., to review a rudimentary outline of what is today known as STCP. Through a series of facilitated working meetings, stakeholder teams hammered out the four primary components of STCP:

- Stronger community groups
- Dissemination of technology and research
- Better policy, and
- More robust marketing and information systems.

Later the focus would expand to social and labor issues tied to cocoa production.

The plan called for the four focus areas to be implemented in West Africa, where Cameroon, Côte d'Ivoire, Ghana, Guinea, and Nigeria recognized their common interests. As the initiative matured, independent national cocoa networks began to collaborate on a regional basis.

In the pilot phase of STCP, innovations in productivity, marketing and trade, and farm diversification were tested and validated. Successful practices were then integrated into national and regional development efforts. Farmers were linked to markets through producer organizations; farm field schools expanded farmers' knowledge and use of proven technology and techniques. Together these actions now protect rural producers from dangers, such as crop pestilence and market instabilities and help ensure a more secure and sustainable supply of cocoa for industry buyers. "Sustainable cocoa farming in West Africa not only secures the supply chain for the long term," says John Lunde of Mars, Inc., but also protects the livelihood of more than 1.5 million cocoa farmers in the region."

ADVANCING COCOA CULTURE AT 20 DEGREES LATITUDE

Operating in all of West Africa's major cocoa-producing countries, STCP is administered by the International Institute of Tropical Agriculture (IITA), a U.K.-based member of the UN-affiliated Consultative Group for International Agricultural Research that works to enhance incomes and food security in Sub-Saharan Africa. A spin-off alliance, SUCCESS, operates in Indonesia, Vietnam, and the Philippines. Another spin-off, ACCESSO, was recently launched in Peru, Bolivia, and Colombia. With the new alliances in Asia and Latin America, USAID and industry stakeholders — joined later by the U.S. Department of Agriculture (through USDA's Food for Progress program) — are now engaged in a global alliance spanning the entire band at 20 degrees latitude north and south of the equator.

All three regional initiatives provide farmers with organizational support, marketing information, policy reform, research services, and technical training through dedicated farmer field schools. The schools teach farmers how to boost their incomes by increasing yields and quality, while protecting cocoa's natural resource base. As with coffee, cocoa is often cultivated with other plant and animal life. That practice offers the benefit of diversifying farmers' overall production, but it also requires special care to avoid disrupting the ecosystem.

Farmer field schools also teach farmers about shade management, tree husbandry, and postharvest handling. The teaching has been effective. A recent random sampling demonstrated a 42 percent reduction in hazardous practices among field school participants compared to nonparticipants. The curriculum will soon include crop diversification, natural fertilization, and other best practices. The result has been dramatic; incomes have increased between 20 and 50 percent. In some cases producers doubled their income.

To date, more than 80,000 farmers have graduated from schools supported by the alliance. Each trainer works with about 20 facilitators, who then conduct workshops and training on cocoa farms — an extension function. In many cases, new facilitators are recruited from among the most avid field school participants.

ELIMINATING THE WORST FORMS OF CHILD LABOR IN COCOA FARMING AND PRODUCTION IN WEST AFRICA

In September 2001, global chocolate and cocoa industry representatives signed the "Harkin-Engel Protocol" to eliminate the worst forms of child labor in growing cocoa beans and cocoa bean products in West Africa. The agreement marks an important first—as an entire industry has made a commitment to work with host governments and other partners in developing voluntary certification standards for cocoa farm workers, particularly children. The protocol was developed by Senator Tom Harkin (D-IA) and Representative Eliot Engel (D-NY), in response to evidence of harmful child labor practices in cocoa production. The agreement serves as a framework for progress that brings together the cocoa industry, West African governments, organized labor, nongovernmental organizations (NGOs), and farmer groups.

The overarching goal of the effort is to ensure that children are not harmed in cocoa farming. Achieving that requires improving the lives of children and the incomes and economic opportunities of cocoa farming communities. Social conditions are also very important—children must have access to schools and families to health services.

As a result of the protocol, the chocolate and cocoa industry are creating something virtually unprecedented—a voluntary certification system to monitor and curtail the worst forms of child labor. The system will analyze data from monitoring efforts, report on child labor practices, and implement measures to address the worst forms of child labor. Each country's cocoa farming sector will be certified on the basis of reports from independent local NGOs, community and youth leaders, and other groups not tied to the cocoa industry. Once certification has been verified, reports will become publicly available.

The industry is supporting other programs to improve conditions in West Africa's cocoa farming communities through the World Cocoa Foundation. Newly established "farmer field schools" educate communities on farming topics and issues—among them the role of children on the family farm—while providing secondary messaging to reduce the worst forms of child labor, encourage education, and prevent HIV/AIDS. The CLASSE program (Child Labor Alternatives through Sustainable Systems in Education) aims at improving access to education at the village level. STCP contributes by helping farm families earn more, thereby reducing the incentive to send children to work instead of to school.

In February 2004, representatives from public and private organizations came together at the National Academy of Sciences in Washington, DC, to review cocoa's role as a model crop that enhances the economy, environment, and health of countries that grow it. Carol Brookins, U.S. executive director to the World Bank, gave credit to STCP: "Through this unique public/private partnership, we have made incredible advances in cacao research and economic development for farmers in tropical regions that would not have been possible without the willingness of industry, academia, government and international organizations to come together for the greater good."

SOCIAL PROGRAMS AND CHILD LABOR

The networks formed under STCP have enabled the alliance to address social development issues with farmers and communities. Child labor has become a focus of social improvement efforts, particularly aimed at helping "at-risk" children while simultaneously addressing the underlying community issues that lead to abusive labor practices. The result is an industry commitment to develop voluntary certification standards to protect cocoa farm workers, particularly children. In addition, farmer education programs include sessions on issues such as HIV/AIDS, child labor, the importance of children's education, and the role of children on the family farm (see box on page 41).

With support from USAID, the U.S. Department of Labor, the WCF, the International Labour Organization (ILO), and West African governments, IITA surveyed child labor practices in the cocoa sector of West Africa, comparing those practices to ILO conventions.

The study found that although most of the children working on cocoa farms did so as part of a family unit (a traditional pattern in West Africa), some child laborers had no family ties to farmers. Those with no family ties and those recruited through intermediaries are more likely to be exploited, the study found. Children who work are less likely to attend school. In Côte d'Ivoire, for example, about one-third of school-age children living in cocoa-producing households have never attended school. The study also found that children were applying pesticides, using machetes to clear lands, and bearing heavy loads.

The alliance approach was critical to the establishment of the certification program, because no single chocolate company would have risked the competitive disadvantages of acting alone to certify good labor practices.

BEANS OF PLENTY

The combined impact of STCP, SUCCESS, and ACCESSO is paying off for all partners. As USAID's Jeff Hill puts it, "An important achievement of STCP is its success in building an industry coalition committed to improving the circumstances of cocoa producers. Clearly, a consensus exists that the future of the chocolate business depends on the future of rural families growing the cocoa."

More than 15,000 farmers have graduated from STCP's field schools in Cameroon, Côte d'Ivoire, Ghana, Guinea, and Nigeria, resulting in significant improvements in yield and income. In Indonesia, the Philippines, and Vietnam more than 50,000 farmers have graduated from farmer field schools run by the SUCCESS alliance, leading to quality improvements, lower pesticide use, and improved yields and incomes. In Latin America, the ACCESSO alliance is helping to coordinate and promote the adoption of best practices among the various cocoa initiatives in the Andean Region.

On this global scale, USAID and the chocolate industry have invested millions of dollars to improve the lives of rural producers, while also boosting trade and production. In so doing, the alliance rebuts the conventional wisdom of the 1980s and 1990s, that traditional export sectors offered little to stimulate sustained economic growth.

SUSTAINABLE FOREST PRODUCTS GLOBAL ALLIANCE
MAKING MARKETS WORK FOR FORESTS AND PEOPLE

PURPOSE
To advance a new model for forest conservation and community development in which sustainable forest management is rewarded in the global marketplace.

CONTEXT
More than 1.6 billion people around the world depend on forests for their livelihood, but many forested ecosystems are being destroyed at unprecedented rates by destructive and illegal logging, conversion to other land uses, and poor forest management.

ALLIANCE MEMBERS
U.S. Agency for International Development

World Wildlife Fund

Metafore

United States Department of Agriculture (USDA) Forest Service

The Home Depot

ACCOMPLISHMENTS AND OUTCOMES
More than 13 million hectares of forest are now committed to a credible system of certification, so that buyers can be sure that the wood products they buy come from well-managed forests. Trade in responsibly sourced forest products among participants in the Global Forest and Trade Network (GFTN) now exceeds $37 million. Metafore has trained thousands of producers in responsible forest management. In some high-profile cases, GFTN partners have exerted their purchasing power to find solutions to illegal logging.

FUNDING ARRANGEMENT
U.S. Agency for International Development: $9.5 million

United States Department of Agriculture Forest Service: in-kind technical assistance and expertise

The Home Depot: $1 million

Other corporate donors, including Andersen Corporation, Lowe's, IKEA: $27 million

A groundbreaking alliance of business, government, forest communities, and civil society establishes a framework for responsible forest management and global trade in forest products.

The loss of millions of acres of tropical forest to illegal logging, clearing by indigenous people for new farmland, or government development and resettlement programs results in short-term gains but long-term economic and environmental consequences. The Sustainable Forest Products Global Alliance facilitates partnerships and business practices that help reverse the clear-cutting and illegal logging that threaten the long-term productivity of the world's great forest areas. By reducing trade in illegally harvested and unsustainably managed forest products, the alliance is improving conditions for resource-dependent communities and low-income producers. Together, the alliance's partners are working to advance a new model for forest conservation and community development in countries assisted by the U.S. Agency for International Development (USAID).

The World Wildlife Fund (WWF), an alliance partner, has helped build national and regional forest and trade networks (FTNs) with companies committed to practicing or supporting responsible forestry. These FTNs have come together as the Global Forest and Trade Network (GFTN). By facilitating trade links between member companies committed to achieving and supporting responsible forestry, the GFTN creates market conditions that help conserve the world's forests while providing economic and social benefits for the businesses and people that depend on them.

For example, Samartex Timber and Plywood Company is the leading producer of forest products in West Africa, with $20 million in annual sales through the 159,000 hectares (392,889 acres) of forest the company manages. With the encouragement of two of its major buyers (members of the U.K. Forest and Trade Network), the company committed to certify all its products as not coming from endangered or illegally harvested forests when it joined the Ghana Forest and Trade Network in May 2005. Samartex declared a moratorium on logging in primary forests, developed benefit-sharing plans with communities of Samartex-managed lands, and laid out a work plan for credible certification by 2007.

In Indonesia, meanwhile, the giant Asia Pulp and Paper (APP) was doing business in a manner that threatened Sumatran forests. WWF first sought constructive engagement with APP directly. Negotiations proceeded, only to collapse when the company went ahead with further purchases of illegally harvested wood. WWF next turned to GFTN members and other stakeholders in the forest products trade. Japanese paper companies signaled that improved environmental performance would help APP maintain a business relationship with them. In Europe, WWF engaged APP customers and managed to insert environmental safeguards into APP debt restructuring agreements. In the United States, Staples, Inc., and Office Depot, Inc., both demanded reforms; Office Depot later suspended its dealings with APP pending resolution.

The job is far from done—with Samartex, APP, or any other of the many companies whose products originate from endangered forests. But through constructive engagement, the GFTN global network is changing the future, one forest products company at a time.

VOLUNTARY COMMITMENT

In 1991, a small group of companies in the United Kingdom committed to purchasing wood products from well-managed forests. These companies became the first forest and trade network. By the end of the decade, similar groups had sprung up in Europe, Brazil, Japan, and the United States. They included some of the most prestigious names in the global forest products industry. The GFTN member companies generated more than half of all demand for certified forest products in the 1990s, according to the United Nations.

In 2001, USAID began to engage the private sector in preserving biodiversity. Several of the agency's bureaus came together under the leadership of USAID's Forestry Team to find market-based solutions to critical forest-management issues. Through intensive consultations within USAID and with potential partners, the Forestry Team assembled strong support for engaging business as stakeholders in the development agenda.

The alliance concept was taken to an international Forest Leadership Forum organized in April 2002 by WWF and Metafore, an NGO based in Portland, Oregon, that works with business to identify market-based practices that support thriving forests. A landmark event that bridged the interests of environmental groups, retailers, forest communities, and the forest products industry, the forum made allies of parties previously thought to be adversaries. More than 1,300 participants from 45 countries developed a framework to address issues of common concern — chief among them illegal logging, preserving forest biodiversity, and the role of certification schemes in improving forest management. A key outcome of the conference was the understanding that business markets and purchasing behavior can be important drivers of social and environmental change.

In light of the feedback and interchange from the Forest Leadership Forum, USAID refined its alliance concept and issued a solicitation for groundbreaking approaches in natural resource management that would bring government, industry, and NGOs together as partners.

USAID awarded $3.5 million to an alliance proposed by WWF and Metafore, based in part on the two organizations' groundbreaking work with The Home Depot and other leading buyers, marketers, and producers of forest and paper products to track the origin of wood products and certify that those products come from well-managed forests.

USAID administrator Andrew S. Natsios, WWF president Kathryn Fuller, Metafore president and CEO David Ford, and a representative of The Home Depot formally announced the Sustainable Forest Products Global Alliance (SFPGA) on May 6, 2003.

ROLES OF THE MEMBERS OF THE SUSTAINABLE FOREST PRODUCTS GLOBAL ALLIANCE

- U.S. Agency for International Development (USAID) provides funds and manages the alliance.
- The World Wildlife Fund manages the Global Forest and Trade Network, an affiliation of national and regional buyer and producer groups in nearly 30 nations, with more than 400 member companies committed to responsible forestry.
- Metafore works with North American businesses to promote the responsible purchasing and use of wood and paper.
- The United States Department of Agriculture (USDA) Forest Service provides technical support and guidance.
- The Home Depot, a charter private sector partner, contributes funding, its global reputation, and its purchasing model in support of responsible forest management.

HOW THE GLOBAL FOREST AND TRADE NETWORK WORKS

Through the voluntary GFTN framework supported by the alliance, corporations, NGOs, forest communities, and governments cooperate to design and implement market-based schemes (such as certification) that promote responsible forest management.

"Forest" members of FTNs are forest owners and managers that have achieved or are committed to achieving credible certification using one of two certification systems. "Trade" members are primarily retailers, distributors, and manufacturers of forest products, including community and private enterprises of all sizes from cooperative sawmills to industrial-scale pulp mills that have committed to supporting credible certification.

Participating in FTNs brings many benefits to buyers and producers. Forest owners and managers receive information and technical assistance to improve forest management, achieve certification, and find customers for their products. They join a powerful advocacy group supporting changes in forest-sector policy and law. They may become eligible for financing to invest in their operations. Retailers and distributors in FTNs receive assistance with the development and implementation of procurement policies, are briefed on nontraditional or lesser-known wood species and sources, and get help in their efforts to encourage their suppliers to pursue certification.

Perhaps most important, both classes of members derive mutual benefit from each other — producers know they have a reliable market of buyers, and buyers know they have dependable long-term suppliers. As of September 2005, GFTN consisted of 35 forest members, 373 trade members, and 13 million hectares (32 million acres) of forests committed to credible certification throughout Europe, Asia, Africa, and the Americas. GFTN members' annual trade in forest products exceeds $15 billion.

The partners intend that GFTN will become a permanent commercial fixture — a self-supporting global clearinghouse of responsible trade in forest products largely independent of WWF management and oversight. The Jagwood+ FTN in Central America is a model example. The group has incorporated as its own professional membership organization. Corporations ask members of their senior staff to govern the group on a rotating basis, while SFPGA funds pay for a regional coordinator to facilitate market links. Other FTNs are seeking a similar level of sustainability.

THE POWER OF EFFECTIVE ADVOCACY

While WWF advances market incentives for responsible forest management on a global scale, Metafore pursues action in the boardrooms of North American businesses that have global reach and major purchasing and production power — such as Bank of America, Nike, McDonald's, and Staples. Metafore's goal is to provide the knowledge, tools, and connections to help companies align their business objectives with responsible wood and paper production, purchasing, and use.

Metafore applies a marketplace leadership concept through its Paper Working Group, a collaboration between Metafore and 11 large-volume paper users to increase the affordability and supply of environmentally responsible paper. In line with the SFPGA mission to foster collaboration in addressing broad environmental and social challenges through action in the global marketplace, the Paper Working Group promotes stakeholder involvement across the forest products supply chain, with Metafore as both a collaborator and project manager responsible for communicating group efforts.

"The power of the Paper Working Group is that it brings together influential North American–based companies that not only buy paper and paperboard products from developing countries, but, in many cases, actually have operations in these regions," said David Ford, Metafore president and CEO. He adds, "We're working with leaders in the industry to help them source and use products in ways that benefit the forests in these areas and the communities that depend on these natural resources."

The Paper Working Group began operations in 2003, when representatives from two large-volume corporate paper buyers consulted Metafore about implementing forest-product purchasing policies. Those businesses found it difficult to integrate global forest-management standards and manufacturing practices into their operations. As it turned out, several companies were experiencing similar challenges; from this discovery, Metafore's Paper Working Group was formed. Its principal source of value to participating businesses is a common definition of environmentally preferable paper and consistent measurements for global buyers and suppliers of paper on the components of environmentally sound paper.

Mark Buckley, vice president of environmental affairs for Staples, remarks that Metafore's convening authority proved to be of great value in bringing partners together that might not have collaborated otherwise. The working group provides an opportunity to "not just focus on sustainable forestry or recycled content, but to take a broader view of paper and its whole life cycle."

The Paper Working Group defines environmentally preferable paper based on seven related outcomes:

- Efficient use and conservation of raw materials
- Minimization of waste
- Conservation of natural systems
- Clean production
- Community and human well-being
- Economic viability
- Credible reporting and verification

Through the web-based Environmental Paper Assessment Tool, participating companies establish consistent language and metrics for environmentally preferable paper that enable efficient communication between the buyers and suppliers of these products.

CHALLENGES OVERCOME, OPPORTUNITIES EMERGING

Now in its fourth year of implementation, SFPGA has encountered obstacles and learned lessons. A retreat held to evaluate the first year of the alliance revealed that having two lead implementers with discrete organizational priorities and protocols had sometimes created a barrier to working together. Retreat participants decided that some unwieldy processes needed to be changed to better coordinate implementation and reporting efforts — and to better illustrate the achievements of the alliance. Joint work plans and quarterly reports have since been the norm.

But the alliance has scored clear victories as well. From at least as far back as the 2002 Forest Leadership Forum, corporations such as The Home Depot and Andersen Corporation, makers of windows and doors, have found value in partnering with USAID on global trade in responsible forest products.

The alliance is poised for continued success through its relationships with businesses, policymakers, and civil society organizations. For example, several high-profile cases of illegal logging have been resolved through a new class of partners in the finance sector, many of which have adopted the Equator Principles, under which participating companies agree not to lend money for a project until the borrower explains how it will meet criteria for sustainable development and other social goals. By tracking trends in the forest products sector, WWF and Metafore have influenced some of the world's largest banks to adopt responsible purchasing and corporate procurement policies that are fully aligned with alliance values and goals.

In four years of operation, SFPGA has shown that when alliance partners act on shared goals in a manner best suited to each and align operations to promote responsible harvesting, purchasing, and use of forest products, the end result is greater than what any one partner could achieve alone: trade in responsible forest products on a global scale.

CONSERVATION COFFEE ALLIANCE

FIELD-TO-CUP STEWARDSHIP OF THE WORLD'S LARGEST RESERVE OF BIOLOGICAL DIVERSITY UNDER INTENSIVE HUMAN MANAGEMENT

"Instead of destroying productive land, coffee cultivation is now an engine of conservation. Instead of slash-and-burn, we are conserving biodiversity"

—AMBASSADOR TONY GARZA

A major coffee company builds an alliance with an international conservation organization and USAID to promote sustainable coffee-farming practices that fairly compensate growers, restore and protect rain forests, and supply a growing market for quality coffee beans.

PURPOSE

To expand the cultivation and sale of high-quality, shade-grown coffee.

CONTEXT

The El Triunfo reserve in Chiapas, Mexico is among the world's largest reserves of biological diversity under intensive human management. The small-scale farmers from such regions typically grow their crop under a canopy of shade trees, often alongside other crops for domestic consumption or local markets. Because this system provides native flora and fauna critical to conserving the diverse ecosystems in which coffee is produced, coffee farmers are also stewards of biodiversity. The Conservation Coffee Alliance has taken up the challenge to make sustainable livelihoods and sustainable ecosystems possible through a "field to cup" intervention in which stewardship is practiced throughout the supply chain, from grower to consumer.

ALLIANCE MEMBERS

Conservation International

Starbucks Coffee Company

U.S. Agency for International Development

ACCOMPLISHMENTS AND OUTCOMES

The alliance has succeeded in improving the supply of premium coffees that meet the market demands for high-quality, shade-grown coffee. In Mexico, the initial group of 300 farmers has grown to 1,000 growers in six producer organizations.

FUNDING ARRANGEMENT

U.S. Agency for International Development: $1,200,000

Starbucks Coffee Company: $1,500,000

Conservation International: $500,000

CONSERVATION INTERNATIONAL

For Rogelio Vazquez and other growers in the Chiapas region of Mexico, supporting a family on income from coffee was never easy. Wild price fluctuation was a major reason. Vazquez earned $200 for a 132-pound bag of coffee in 1997; two years later he could barely get $40. He and other farmers were sometimes told that their coffee was substandard and that they had to adopt growing techniques nobody understood.

In 2001, the U.S. Agency for International Development (USAID) enlisted Conservation International, experts in protecting biodiversity, to help farmers in and around the El Triunfo nature reserve grow coffee of higher quality and to sell that coffee directly to Starbucks Coffee Company. Starbucks agreed to buy coffee the farmers produced—*if* it met certain criteria for quality and growing methods. With USAID and Starbucks's support, Conservation International showed farmers such as Rogelio Vazquez how to meet those standards. Thanks in large part to Starbucks's willingness to pay more for higher quality, Vazquez's income recovered to $100 a bag. USAID and its partners are now expanding this longstanding and successful alliance in Mexico, Costa Rica, and Panama.

Through a comprehensive "field to cup" intervention, the Conservation Coffee Alliance is building capacity among smallholder farmers through training and access to credit services promoting quality and transparency in the supply chain through sourcing guidelines that include social and environmental performance criteria, and stimulating demand at the end of the supply chain. Together, alliance partners are enhancing the livelihoods of smallholder farmers by adapting to and benefiting from market forces that favor specialty coffees.

BUILDING THE ALLIANCE: LIVE YOUR VALUES THROUGHOUT THE SUPPLY CHAIN

Sue Mecklenburg, vice president for Business Practices, ascribes Starbucks Coffee Company's astounding transformation of the U.S. coffee industry in the 1990s to a strong corporate culture that links business performance with employees' skills, morale, and good health. She summarizes that culture as "hitting our numbers and living our values."

Case in point: Howard Schultz, Starbucks's founder and chairman, after witnessing his father struggle with inadequate health care during periods of unemployment, resolved never to allow a similar hardship to befall his colleagues. Today, Starbucks provides health-care benefits to all employees working 20 or more hours per week.

But in the transformation from a string of Seattle coffeehouses to global purveyor of the $3 caffeine shot, Starbucks recognized in the plight of smallholder coffee producers a set of challenges that neither savvy marketing nor superior customer service could solve.

"While we take great pride in our business and our broader role as a good corporate citizen, we also recognize that we are not a social development business," says Mecklenburg. "We're good at opening four stores a day, but that is different from ensuring transparency in coffee farms in the Latin American highlands. We needed help to do that."

Conservation International first approached Starbucks in 1997, hoping to establish a relationship based on a shared commitment to require at-origin conservation measures on all coffee purchased. At the time, it was a bold

WEAVING CORPORATE SOCIAL RESPONSIBILITY INTO STARBUCKS'S BUSINESS MODEL

As Starbucks considered cooperation with nongovernmental organizations in safeguarding its supply chain, it faced the question of where to house the new functions within its organizational structure. Was the livelihood of farmers really a core business function? Or should it be dealt with through the company's philanthropic division, or perhaps even a dedicated corporate foundation? Was cultivating and harvesting coffee in a manner that restored biodiversity a matter of corporate compliance with environmental regulations, or was it a question of safeguarding the long-term supply of the commodity on which its business depended?

In his presentation of the Starbucks 2004 corporate social responsibility report, Orin Smith provided the answer, laying out a straightforward relation between the company's core business functions and the health of ecosystems and the livelihoods of farmers:

"Our CSR program is not a philanthropic effort. We do have philanthropic initiatives, but these may or may not be part of a social responsibility program. We recognized long ago that while philanthropy is important, these initiatives can never go far enough to fulfill the responsibilities that we have socially. We understood that in order to fulfill our obligations, we must build our social responsibility programs into the business model itself."

Accordingly, the Business Practices division of Starbucks exists within a CSR department headed by a senior vice president who reports directly to the chief executive. Starbucks's work with USAID is tied to its direct business interests.

At the same time, "Starbucks is making a real difference in the quality of the natural environment while helping farmers who live in sensitive ecosystems," says Peter Seligman, Conservation International chairman and CEO. "Our project in Chiapas has resulted in a 40 percent average increase in coffee farmers' earnings, a 100 percent growth in the cooperative's international coffee sales, and $200,000 in non-Starbucks harvest loans to farmers' cooperatives."

proposition for a company just beginning to consider the prospect of adapting its purchasing practices to meet concerns about environmental sustainability and the livelihoods of coffee farmers.

An initial meeting included Glenn Prickett of Conservation International and Dave Olsen, the Starbucks senior vice president who had put together the company's first nonprofit strategic alliance with CARE. After reviewing the results of the due diligence he requested on Conservation International and several other conservation organizations, Olsen invited Conservation International to Seattle to explore the two organizations' mutual interests in conservation and coffee. Sue Mecklenburg, then director for environment and community affairs, was among those involved in the relationship building.

In 1998, after mutual trust had been developed through frank dialogue, Starbucks committed $150,000 over three years to allow Conservation International to work to protect biodiversity and empower smallholder producers in the El Triunfo reserve. Starbucks promised to evaluate the coffee produced under the initiative according to its stringent standards for specialty coffee. The company was willing (but did not guarantee) to purchase some or all of that production. The parties codified this agreement in a memorandum of understanding (MOU).[1]

Working with 300 farmers, each tilling fields of two hectares or less, Conservation International's local cooperative partners produced, in their first year, two containers of organic specialty coffee suitable for purchase. Matthew Quinlan was a member of the Conservation International team working with the cooperatives. "From the 1998 MOU, we had three years to meet standards," he recalls. "But we met our first production goals on the very day a Starbucks newsletter announced the three-year target. It was a great success for us and a real shot in the arm for the partnership."

In 1999, the product was branded as Shade Grown Mexico and marketed as a special product resulting from the Conservation International–Starbucks alliance. It was one of a small selection of products marketed and sold under Starbucks's *Commitment to Origins* coffee category, which also included Fair Trade Certified and certified organic coffees.

GOING TO THE SOURCE: U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT SCALES UP TESTED RELATIONSHIPS

Fresh off the successful launch of its co-branded, shade-grown coffee label, Starbucks and Conservation International looked to expand the relationship. Conservation International identified the Matching Grant Program in the USAID Office of Private and Voluntary Cooperation (PVC) as a good opportunity to leverage additional funding support.

For two decades, USAID's Matching Grant Program had helped U.S. NGOs develop their community-based programs overseas. By matching dollar-for-dollar a NGO's own resources, the Matching Grant Program (a forerunner to GDA) supported NGO projects that were consistent with USAID's evolving sectoral and geographic priorities.

For Martin Hewitt, director of the Matching Grants program at the time of Conservation International's proposal, the intriguing prospect was directly involving communities within and surrounding the El Triunfo. "We used to wonder what stake local people have in buffer zones in a conservation strategy," Hewitt said. "The Conservation International proposal had the potential to realistically address the livelihoods of local people and provide a powerful market incentive for coffee producers to advance conservation and biodiversity."[2]

Through a matching grant, USAID provided Conservation International approximately $1 million over three years (2000–03) for its work with Starbucks in the El Triunfo reserve.

With the success of Shade Grown Mexico and additional support from USAID, Conservation International and Starbucks turned their atten-

ROLES OF THE MEMBERS OF THE CONSERVATION COFFEE ALLIANCE

- Conservation International provides technical assistance and agricultural knowledge to small farmers and cooperatives participating in the program.
- Starbucks Coffee Company, the world's leading roaster and retailer of specialty coffees, assesses and purchases coffee produced by Conservation International's local partners. Purchases over several years have provided a reliable and expanding market for shade-grown coffee and the CAFÉ initiative.
- The U.S. Agency for International Development provides funds and country mission support. It has helped the alliance scale up from the Chiapas region to elsewhere in Mexico, Costa Rica, and Panama.

tion to the section of their agreement that called for systemic changes in Starbucks's supply-chain management: sourcing guidelines.

FROM QUALITY TO SUSTAINABILITY

In November 2001 the parties announced that they would award premiums to growers who met certain environmental, social, and economic criteria. The goal was to ensure sustainability in growing practices, as well as high quality.

Starbucks's sustainable buying guidelines came to be called the CAFE (Coffee and Farmer Equity) Practices initiative. By 2004, under the initiative, Starbucks was paying participating producers more than twice the market rate for commodity grade coffee. CAFE Practices also demonstrated to millions of discerning consumers Starbucks's social and environmental responsibility. The message was not lost on other industry players.

By 2004, Conservation International and Starbucks had also expanded their alliance to Peru, Colombia, Panama, and Costa Rica. Through a proposal submitted to GDA, Conservation International again invited USAID to participate. USAID joined the alliance in Panama and Costa Rica.

USAID's $1.2 million contribution matched an earlier pledge by Starbucks of $1.5 million over three years. The funds would allow Conservation International to expand its work with farmers to promote water and soil conservation, crop diversification, and reductions in the use of chemical fertilizers and pesticides—all designed to protect the surrounding forest, streams, and wildlife. In addition to its expertise, Conservation International pledged $500,000 to the alliance.

The MOU cementing the alliance of USAID, Starbucks, and Conservation International—the first for USAID but the third for Starbucks and Conservation International—was signed in September 2004 in Mexico City at a ceremony hosted by Tony Garza, U.S. ambassador to Mexico.

"Instead of destroying productive land, coffee cultivation is now an engine of conservation. Instead of slash-and-burn, we are conserving biodiversity," said Ambassador Garza, addressing businessmen and coffee growers at a Starbucks store. "The partnership model we are honoring today is the business model of the future."

SOARING PAST ORIGINAL TARGETS: STABLE PRICES, SUSTAINABLE GROWING PRACTICES, BETTER COFFEE

Starbucks's CAFE Practices initiative has far outstripped its targets:

- In fiscal year 2004, Starbucks paid an average price of $1.20 per pound for green (unroasted) coffee. The average price on the New York "C" Market was $0.69 per pound.
- The company purchased 43.5 million pounds of coffee from preferred suppliers who had implemented sustainable measures through CAFE Practices, far exceeding the goal of 30 million pounds.
- Starbucks has set ambitious targets to purchase 75 million pounds of CAFE coffee in 2005, 150 million pounds in 2006, and 225 million pounds in 2007.

In the El Triunfo Biosphere Reserve in Chiapas, results have been lasting:

- The Chiapas program increased its client base from two to six cooperatives in two years, while the number of participating farmers rose from 300 to more than 1,000.

- Approximately 3,000 hectares of coffee fields are now managed using the best practices for conservation coffee.
- Starbucks Coffee Company has bought coffee directly from the project's cooperatives for four consecutive years, beginning with purchases of 75,000 pounds in 1999 and increasing to 1.7 million pounds (45 containers) in 2002 and 2003, and 42 containers in 2004.
- Since late 2000, Verde Ventures has advanced over $2.2 million to eight cooperatives in Chiapas, with a 99 percent repayment rate.

1. MOUs between USAID and its resource partners are not binding legal documents. Those executed by Starbucks and Conversation International were explicit in setting out funding arrangements, partner roles and responsibilities, lines of communication, and criteria for dissolution of partnership.
2. "The Matching Grants program was a fabulous program," said Quinlan. "We had a relationship with Starbucks, but it was USAID who gave us the resources needed to build it. Without USAID's support of NGO-business relationships back in 2000, the present relationship would not exist."

USAID, VERDE VENTURES, AND ECOLOGIC FINANCE HELP COFFEE FARMERS BRIDGE THE CREDIT GAP

Ask coffee farmers anywhere in the world what they need most to help their family, and the answer will be the same: credit to tide them over between the harvest and the time they are paid. Farm-gate prices often leave producers with barely enough to provide for their families, let alone to invest in the upcoming production cycle. But the small- and medium-sized rural credit market is too big for microfinance loans, and farmers are typically not eligible for loans from local financial institutions.

Since 2000, in an initiative that grew from the experience of the Conservation Coffee Alliance, Conservation International's Verde Ventures program and EcoLogic Finance, a nonprofit offering affordable financial services to community-based businesses operating in environmentally sensitive areas of Latin America and select countries of Africa and Asia, have filled the rural credit gap by providing loans to low-income communities whose business activities respect environmental conservation and promote grassroots economic development.

The approach is simple. Once cooperatives commit to purchasing agreements with final buyers such as Starbucks and Green Mountain Coffee Roasters, Inc., according to stringent standards of conservation and quality, Verde Ventures and EcoLogic Finance advance farmers the funds they need to operate in the coming production cycle or to make investments in capital equipment and sustainable farming techniques.

To date, Verde Ventures has advanced more than $2.2 million to eight cooperatives in Chiapas. Only one has defaulted—a repayment rate of 99 percent. After a modest start in 1999, with loans of around $25,000, EcoLogic Finance now disburses loans as large as $500,000.

Recognizing the value of the EcoLogic business model, the U.S. Agency for International Development (USAID) strengthened the nongovernmental organizations' operational capacity in Latin America (and its relationships with buyers such as Starbucks and Green Mountain) by providing a $4 million credit guarantee. USAID's technical assistance and credit guarantee—but also the mere participation of USAID in the alliance—has lowered perceived risks and transaction costs for other partners, making it easier for final buyers to provide loan capital.

"Working directly with partners such as USAID and Starbucks sends a clear message to potential investors," argues William Foote, founder and president of EcoLogic Finance. "The message is that there is strong support—both public and private—for socially responsible investing."

With the recent rebound in coffee prices, the need for purchasing agreements is no longer so acute. But credit based on the agreements is still needed to enable growers to make capital improvements and enhance farming techniques. Building a credit history also helps farmers access local sources of credit. Finally, as farmers know, the true value of such an arrangement is when prices are low, not at their peak.

USAID's relationship with EcoLogic has been successful:

- 4,000 small farmers in Latin America benefited from $3 million in loans in 2002.
- A $5.7 million trade credit in 2003 assisted 18 coffee farmer organizations in Latin America.
- 55 producer organizations in Latin America and East Africa benefited from $10 million in loans in 2004.
- Lending doubled in 2003–04, with a 99 percent loan repayment rate.
- 6,300 farmers will benefit from a $2 million loan guarantee for East Africa.

THE ALLIANCE FOR CONTINUOUS IMPROVEMENT IN LABOR STANDARDS IN CENTRAL AMERICA

GROWING GLOBAL COMPETITIVENESS THROUGH HIGHER LABOR STANDARDS

Clothing companies unite with representatives of labor and manufacturers to increase Central America's competitive edge through fairness *and* productivity.

PURPOSE

A strategic public–private alliance, the Continuous Improvement Alliance gives Central American apparel manufacturers tools to sharpen their competitive edge.

CONTEXT

Fair labor standards have become a critical element of competitive advantage for two big reasons. First, multinational brands increasingly demand compliance with such standards. Second, trade agreements such as the Central America Free Trade Agreement (CAFTA) make compliance a requirement for receiving trade benefits. Improving labor standards has become an important way for countries to improve competitiveness, gain market access, and attract foreign investment.

ALLIANCE MEMBERS

U.S. Agency for International Development

Development Alternatives, Inc.

Gap, Inc.

The Timberland Company

Social Accountability International

Commission for the Verification of Codes of Conduct

International Textile, Garment and Leather Workers' Federation

ACCOMPLISHMENTS AND OUTCOMES

An impressive effort to engage labor, management, corporate customers, and associated parties in activities leading to better working conditions, workplace cooperation, and long-term competitiveness in the world marketplace.

FUNDING ARRANGEMENT

U.S. Agency for International Development: $2,000,000

Gap, Inc. and The Timberland Company: $500,000 cash and $1,000,000 in in-kind contributions

USAID

The international context surrounding Central America's *maquila* sector is vastly different from what it was a year ago. The end of three decades of clothing and textile quotas under the Multi-Fibre Arrangement has made many producers more vulnerable to competition from low-cost producers. At the same time, debate over labor standards surrounding the Central American Free Trade Agreement (CAFTA) has put the apparel sector in the spotlight. In this new global context, improved labor standards have become a critical element of competitive advantage as multinational brands increasingly demand compliance standards, and as CAFTA and other trade agreements make compliance a requirement for receiving trade benefits. Improving labor standards has become an important way for countries to improve competitiveness, gain market access, and attract foreign investment.

The Continuous Improvement Alliance offers the *maquila* sector in Central America a way to overcome both challenges—to increase global competitiveness through continuous improvement in labor standards. The alliance leverages $2 million in funding from USAID's Global Development Alliance along with cash and in-kind contributions from brand partners, Gap, Inc., and The Timberland Company.

NO ONE CAN DO THIS ALONE

The Continuous Improvement Alliance is a multistakeholder initiative that brings together U.S. apparel retailers and a dynamic mix of leading international and local labor, training, and development organizations. This partnership was born of the partners' understanding that sustainable improvements in working conditions in the *maquilas* of Central America would require an intensive multistakeholder effort. According to Gap chief executive Paul Pressler, writing in the company's 2004 report on corporate social responsibility, "our goal is to help improve conditions across the apparel industry as a whole. And we know that's not something we can do alone." By using a multistakeholder approach, the alliance taps private sector mechanisms to improve working conditions, putting pressure on corporations to remain accountable for responsible sourcing. This approach allows for local input, thereby fostering the sense of ownership critical to sustainable outcomes.

Managed for USAID by Development Alternatives, Inc. (DAI), it draws on the technical expertise of Social Accountability International (SAI), global trainers in workplace labor standards. DAI asked SAI to reach out to global corporations, such as Gap and Timberland, both members of SAI's corporate board, and encourage them to forge an alliance with USAID to improve labor standards in Central America. The alliance also draws on the local union linkages of the International Textile, Garment, and Leather Workers' Federation, whose 217 affiliated trade unions represent 10 million workers. Additional on-the-ground knowledge comes from respected local groups that monitor labor standards, government ministries, civil industry associations, gender-focused NGOs, and other labor initiatives supported by the U.S. Department of Labor, the U.S. State Department, and the International Labour Organization. Given the highly sensitive nature of labor standards, DAI's perceived neutrality is viewed by all parties involved as key to gaining the trust of local groups and governments and expanding the alliance to include other major brands.

TWO PROJECTS, ONE GOAL

The alliance has funded two projects: Continuous Improvement in the Guatemalan Workplace (CIMGUAW), a pilot effort, and Continuous Improvement in the Central American Workplace (CIMCAW).

With a $530,000 seed grant from GDA, CIMGUAW serves global businesses and factories in Guatemala's textile and apparel sector by training some 20 managers in garment factories in and around Guatemala City on labor standards and workers' rights embedded in national labor legislation and ILO conventions ratified by Guatemala. The alliance is helping supplier factories develop systems to foster continuous improvement in labor standards and enhance their ability to achieve compliance with applicable standards. The alliance has found that better management and communication of labor standards can enhance productivity and economic opportunity.

With the success of the pilot program in Guatemala in September 2003, CIMGUAW expanded to five other Central American countries: Honduras, El Salvador, Nicaragua, the Dominican Republic, and Costa Rica. The expanded project is CIMCAW, a strategic public–private initiative involving USAID and Gap, Inc.

CIMCAW's primary objective is to help garment factories meet growing global demands for better working conditions and, in so doing, enhance their competitiveness by boosting quality and productivity. To this end, CIMCAW provides joint worker–manager training aimed at increasing the understanding by both groups of their rights and obligations while equipping managers with tools that can be integrated into management systems. CIMCAW also trains auditors and labor inspectors, notably in national ministries of labor, to increase institutional capacity to monitor labor conditions in manufacturing. Finally, CIMCAW supports social dialogue on the link between labor standards and national and regional competitiveness.

Since its launch in October 2004, CIMCAW has made remarkable progress. An initial country diagnostic, in which a local consultant provided information on the status of the garment sector in each target country, was completed in Phase I countries: Honduras, Nicaragua, and the Dominican Republic. A multistakeholder workshop will revisit the diagnostic with the aim of refining each country's work plan. Auditors and inspectors are now being trained in the Phase 1 countries. As with CIMGUAW, the next step will be to hold a curriculum development workshop, in which all key stakeholders will be invited to participate in the development of the training program.

OUTCOMES OF THE CIMCAW ALLIANCE IN SIX COUNTRIES, 2004–05

- Staged six multistakeholder workshops in Phase I countries: Honduras, Nicaragua, and the Dominican Republic
- Held three sectoral workshops with key unions involved in the *maquila* sector in Honduras, Nicaragua and the Dominican Republic and obtained their support for the project
- Completed diagnostic in Phase I countries
- Through a diagnostic validation workshop, engaged key stakeholders—private sector, unions, civil society and government—in dialogue on labor standards and helped the alliance build a relationship with key stakeholders
- Obtained support from the Corporación de Zonas Francas in Nicaragua, ADOZONA in the Dominican Republic, and the Association of Honduran Maquilas in Honduras
- Trained 30 private auditors and inspectors from Nicaraguan ministry of labor
- Selected local partners in Nicaragua and the Dominican Republic
- Cooperated with Central America Labor Assurance project, funded by the U.S. Department of State, and Greater Access to Trade Expansion/WID, funded by USAID
- Recruited Limited, Inc., as new corporate partner and hosted representatives of other multinational brands at exploratory sessions and as observers at factory training sessions

HIGHER LABOR STANDARDS, SUSTAINABLE SALES, AND A REPLICABLE MODEL

The experience of the alliance partners has shown that approaching the issue of labor standards from a multistakeholder perspective is critical to ensure sustainability and impact. The CIMGUAW partners have invested considerable resources in Guatemala to support an intensive multistakeholder dialogue that seeks common ground. Through that effort, CIMGUAW has put labor standards and corporate social responsibility on the agenda of key stakeholders and clearly defined compliance with labor standards as a determinant of competitiveness.

CIMCAW has taken this a step further and successfully incorporated labor standards into the regional agenda by highlighting the link between labor standards and national and regional competitiveness. The transition from CIMGUAW to CIMCAW shows that protecting workers' rights—helping to alleviate poverty, reduce income inequality, increase competitiveness, and enhance market access for developing countries, while ensuring that employment conditions are not undercut by a race to the bottom—is a win-win regional strategy.

Recognizing that labor standards are a critical development issue that affects trade, market access, gender concerns, social and economic development, and basic human rights, the alliance is forging links with other regional initiatives in areas not covered by alliance partners. The alliance has demonstrated the value of engaging the private sector as sources of contacts and expertise as well as funds. Global companies possess a vast network of important local contacts, command a huge pool of human resources, and offer a strong, on-the-ground presence in many developing countries.

DAI realizes that its traditional service offerings, such as stakeholder engagement and supply chain development, are very attractive to the private sector. Through the Continuous Improvement Alliance, DAI has learned some valuable general principles for alliance building:

- Pick a strategic NGO partner with a dynamic corporate board.
- In seeking a partner, target multinational corporations, that are willing to engage beyond philanthropy.
- Unite diverse organizations that share a common, overarching objective.
- Strike a balance between process and results.

Given the traditional tension between labor and management in the region, this change in relationships, driven by the marketplace and by the brand-name corporations that make up the *maquilas'* client base, shows how important cooperation is for all sides. To successfully compete, they need each other; CIMCAW's ability to reach all parties has been impressive.

CHAPTER FOUR

WORKING WITH EXTRACTIVE INDUSTRY

INVESTING IN COMMUNITIES

The role of extractive industries has changed over the last few decades. As governments in developing countries continue to improve their resource management goals, shareholders and business planners are critically examining the long-term effects and implications of their companies' operations. Leading companies are trying to balance their core business requirements with social investments in the countries and communities where they operate.

Companies with a long-term investment in extraction of natural resources have a clear interest in the quality of the host country's institutions and infrastructure; in the health, education, and training of the local workforce; and, often, in the development of local suppliers. In Angola, the U.S. Agency for International Development (USAID) is working with Chevron Corporation to support the growth of local business, rebuild infrastructure, and return ex-combatants to productive agricultural employment. Chevron understands that productivity rises when employees are educated, healthy, well housed, and hopeful about the future. They also appreciate the economic benefits of being able to turn to capable local suppliers of goods and services (including research and consulting).

While many companies traditionally have focused on building community schools or clinics, now they are also developing alliances with partner organizations, such as USAID, to ensure that their investments not only generate profitable returns, but also create conditions for sustainable long-term growth.

Extractive industry companies share common interests in making social investments that:

- Develop in-country capacity to supply operational needs
- Meet government requirements to build human capacity and employ host nationals
- Protect their "license to operate" in the eyes of the host government and local communities
- Cement production sharing or concession agreements with host governments in a transparent and constructive way.

CHEVRON CORPORATION

The alliances profiled in this chapter illustrate that extractive operations can offer significant opportunities for all participants. Chevron in Angola, the international diamond trade in Sierra Leone, and the Siberian-Urals Aluminum Company in Russia all have developed alliances with USAID and other organizations to enhance the economic health and social stability of the regions where they operate and to better ensure that investments will deliver profitable returns—for all stakeholders.

ANGOLA ENTERPRISE DEVELOPMENT ALLIANCE
A BETTER SOCIETY IS EVERYBODY'S BUSINESS

Chevron Corporation and USAID help rebuild Angola's shattered economy and agricultural sector after prolonged and devastating civil war.

PURPOSE

To advance local business development, initiate recovery of the agricultural sector, promote peace and security, and resettle ex-combatants and displaced Angolans.

CONTEXT

Angola's 27-year civil war left the country with an agricultural system in disarray and a shattered economy. Chevron Corporation, present in Angola since the 1930s, is the country's largest investor and top exporter of oil. In 2002, the company's chairman resolved to help Angola recover from war.

ALLIANCE MEMBERS

Chevron Corporation

U.S. Agency for International Development

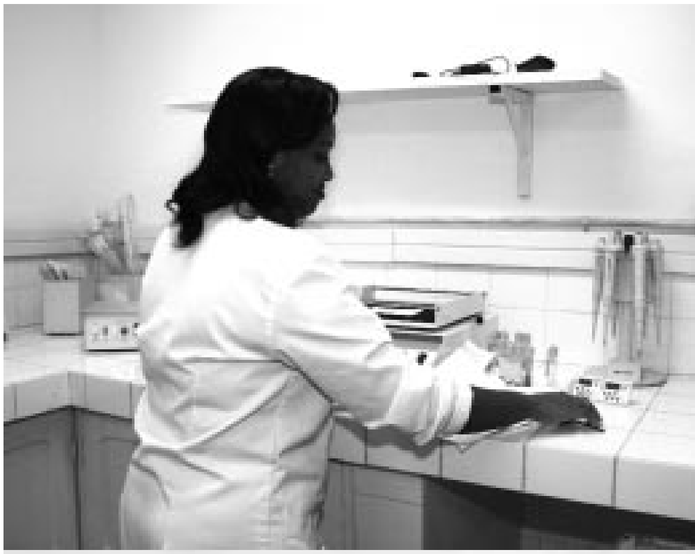
ACCOMPLISHMENTS AND OUTCOMES

A balanced development program helped return 300,000 people to productive lives and restore the country's agriculture and economy. The alliance contributed to a 45 percent improvement in food security among the vulnerable population. By September 2005, NovoBanco, a private microenterprise and financial services bank created by the alliance, had disbursed more than $3 million in loans averaging $5,000 to more than 800 borrowers (half of them women), with a 98 percent repayment rate.

FUNDING ARRANGEMENT

Chevron Corporation: $10 million

U.S. Agency for International Development: $10 million



CHEVRON CORPORATION

CHEVRON CORPORATION

Solomay Epouca is no stranger to poverty, having raised eight children in the former rebel stronghold of Huambo, Angola, while the 27-year civil war raged about her. Looking back, she counts herself blessed to be among the few who did not lose a family member to the devastation. But she and her children were among millions of Angolans at risk of starvation and malnutrition because of war.

After the 2002 peace accord, most of Angola lay in ruins. A net exporter of food before the conflict, the country could not provide food for its own people following years of violent fighting. A hundred thousand combatants (with a total of 350,000 dependents) lost their jobs and could not return to destroyed farms. Of more than four million internally displaced, many had collected in cities and were dependent on food aid, too fearful to return to their home villages.

Epouca's was one of more than 58,000 families in Huambo that benefited from a U.S. Agency for International Development (USAID) program to encourage the displaced to move back to their home villages, where additional assistance was available to reduce food insecurity and build self-reliance. She received more than 300 pounds of food, 30 pounds of seeds, and basic tools such as watering buckets.

Sitting on a pile of bean husks, her three-year-old daughter on her lap, Epouca says, "Things are better now. If we can have two successful harvests, I will be able to sell some food and buy some clothes. All we need is a little extra food and seeds so we can become strong and self-sufficient." When asked about the difference humanitarian assistance makes in her life, and how it has provided hope for the future, she says, "I don't have to think about what I will feed my children. Instead, I can think about my children going to school and learning things I don't know."

USAID's efforts to speed Angola's return to normalcy are significantly aided by Chevron Corporation—for decades Angola's biggest oil producer and investor. For its contribution, Chevron Corporation won USAID's Global Development Alliance Excellence Award for 2004.

BUILDING THE ALLIANCE—IDENTIFYING COMPLEMENTARY GOALS

In 2002, the war at an end, the government of Angola turned its attention to rebuilding the country. A generation of Angolans would be able to restart their lives.

Chevron also found itself in a position of self-reflection. Its local and wholly owned subsidiary, Cabinda Gulf Oil Company (CABGOC), had been active in social and economic investments for decades, but had not broadened its impact beyond the regions where it operated.[1] The end of the civil war offered new opportunities to pursue long-term development in its offshore oil concessions and consider how its presence in the country might contribute to reconstruction and development.

It was in this context that Angolan president José Eduardo dos Santos, in a public forum, asked Chevron chairman and CEO Dave O'Reilly to help the country rebuild. O'Reilly responded by creating the Angola Partnership Initiative, a five-year commitment to work in alliance with major donors and nongovernmental organizations (NGOs).

In June 2002, Chevron officials, including Vice Chairman Peter Robertson, met with representatives from several USAID operating units, including the Global Development Alliance (GDA), Africa Bureau/Southern Africa, USAID/Angola, Office of Foreign Disaster Assistance, and Food for Peace. Chevron explained that its chairman was ready to commit $25 million over five years to build a legacy of lasting development in Angola. The company was interested in building on USAID's projects in the country to extend its own social investments to additional regions. Chevron officials also expressed an interest in building human capacity and developing small, micro, and medium enterprises in support of the company's internal mandate to hire more Angolans and increase local procurement of supplies.

USAID welcomed the opportunity to engage Chevron Corporation as a joint participant in the agency's development agenda for the country. USAID staff briefed Chevron on the agency's country programs and development capabilities and offered preliminary ideas for engagement by the company, such as resettlement activities and support for rebuilding rural infrastructure.

The next meeting, in September 2002, included other donors—among them the United Nations Development Programme and the United Nations Foundation. Chevron's representatives summarized the company's corporate presence in Angola and offered initial thoughts on a potential alliance. To institute a framework from which a full alliance could develop, Chevron proposed a working group of representatives from all parties to forge an arrangement "where individual strengths can be leveraged to make a sustainable contribution to social and economic growth."

At this meeting, Chevron raised the possibility of establishing a joint foundation to endow mutually designed and implemented programs. The firm had done something similar in Papua New Guinea. But the agency's experience with pooled funding mechanisms had shown them to be time-consuming and labor-intensive. If the process of establishing the requisite governance structures were not sufficiently daunting, congressional restrictions on USAID's ability to create endowed funding mechanisms added an unacceptable level of risk to the enterprise. Furthermore, such an arrangement might prove in some ways duplicative of the Southern Africa Enterprise Development Fund, a $100 million capitalization fund for small and medium-sized businesses in the region.

Instead, the mission presented its framework for humanitarian relief and agribusiness development as a ready-made menu of options that could be activated quickly. According to Stuart Brooks, a retired official of Britain's Department for International Development who joined Chevron to help the company assess geopolitical risk associated with its global presence, it was also the most compelling course of action: "When you see thousands of people around you at risk of starvation, it establishes priorities very quickly, and those priorities were also USAID's priorities."

ROLES OF THE MEMBERS OF THE ANGOLA ENTERPRISE DEVELOPMENT ALLIANCE

- Chevron Corporation initiated the alliance, provided half the funding, and participates in oversight and program design.
- The U.S. Agency for International Development provides in-country expertise, development planning, implementation, and management; USAID matched the funding offered by Chevron Corporation.

The resulting memorandum of understanding (MOU) was negotiated between USAID-Washington and Chevron corporate headquarters. It outlined several activities:

- Expansion of finance and business development services to small and medium enterprises in the target provinces
- Support to NGOs providing savings and credit products
- Technical assistance to commercial banks providing wholesale lending to rural financial institutions
- Support for private sector–based agricultural initiatives
- Support for professional training and education in finance, business planning, product development, and marketing to improve commercial viability of small and medium enterprises in the agricultural sector

- Support for short-term educational programs for small and medium enterprises in the design and development of agriculture infrastructure projects.

Because the alliance did not use an endowment and Chevron Corporation did not have the capacity at the time to program and manage development activities, the company decided to invest $10 million directly with USAID, using the agency's gift authority.[2] This move allowed Chevron to jointly plan activities through the advisory committee established under the MOU, while freeing itself of programming and management functions.

It was not the first time USAID had received money from a corporate partner, but the $10 million commitment was unprecedented in scope and dollar value relative to the Angola mission's usual programming budget.[3] Robert Hellyer, mission director at the time, reported the experience at the next mission directors' conference, informing a roomful of surprised and suddenly curious colleagues that the mission had just engaged a major corporate partner and significantly expanded its budget.

At USAID headquarters, the GDA program, which was just getting started, faced the challenge of shepherding a significant new alliance. GDA staff wondered whether the federal Office of Management and Budget would score the Chevron contribution to the alliance as on offset against the overall USAID budget. The answer was negative: the U.S. government could accept the help of its constituent citizens, organizations, and businesses in executing its mission.

As USAID and Chevron evaluated and agreed upon projects, the agency accepted gifts of $4 million, $1.8 million, and $1.4 million in fiscal years 2003 to 2005.

FIRST-GENERATION PARTNERSHIP

The collaboration points outlined in the MOU became these discrete mission activities:

Development relief (Chevron $4.8 million; USAID $4 million). The development relief program helps returned combatants develop small and medium-sized agricultural businesses through the formation of more than 150 farming cooperatives. It includes land preparation, rural infrastructure development, seed production and multiplication, harvest protection, crop diversification, technology transfer, establishment of farmer associations, creation of credit programs for seeds and tools, and development of market linkages. Implementing partners are Africare, Catholic Relief Services, CARE, Save the Children, and World Vision. They have committed significant resources to the initiative.

Microfinance (Chevron $1 million; USAID $1 million). This component of the alliance has established a private bank, NovoBanco, to support the creation and expansion of micro, small, and medium-sized enterprises. In its first year, NovoBanco disbursed $2.5 million in micro- and small-business loans and opened 5,000 savings accounts worth $1 million.

Enterprise Development Center (Chevron $100,000; USAID $100,000). The new Enterprise Development Center is an independent economic policy and business development hub at an Angolan university. It will provide access to continuing education and professional training. The implementing partner is the Angola Educational Assistance Fund.

Seed multiplication (Chevron $2 million; USAID $2 million). The seed-multiplication component of the alliance supplies agricultural extension services and technical assistance in modern agricultural practices. The implementing agency is World Vision.

Agricultural extension and research (Chevron $1.2 million; USAID $1.2 million). This component is designed to strengthen an agricultural research center and conduct field trials with farmers. The implementing agency is World Vision.

A CONFLICT OF INTEREST?

The U.S. Agency for International Development (USAID) was working with several nongovernmental organizations to rebuild Angola when it engaged Chevron Corporation as a new resource partner and formed an alliance with the company. While most of the agency's partners were not affected by the move, it did present a problem for Catholic Relief Services, which chose to substitute Chevron's intended contribution with its own fundraising (totaling $700,000).

The example demonstrates that alliance builders must not overlook issues such as due diligence and conflict of interest.

Dennis Flemming, director of the Angola Partnership Initiative for Chevron, sees the positives. "Some of the best discussions I've had about the transparency issue have been with the country director of CRS," he said. "They have their position and we have ours, and we get lots of chances to talk about it. If we weren't involved in the resettlement program, we probably wouldn't have had as many opportunities to do so in a neutral forum."

CREATING A PARTNERSHIP THAT WORKS

If Chevron, through association with USAID, saw the need to move resources into immediate humanitarian relief and resettlement, Chevron's focus on enterprise development also influenced the USAID mission. The sudden presence of a for-profit partner brought challenges, however, as Chevron's interests and the mission's priorities were not in perfect synchronization.

USAID/Angola's strategic plan for 2001 to 2005 established four objectives to distribute about $11 million per year in development assistance: food security, democracy and governance, health, and a special objective covering economic policy analysis.[4] (The last objective pertained mostly to negotiations over a pending International Monetary Fund macroeconomic stabilization agreement.)

Collaboration with Chevron changed the situation. In an action memorandum to USAID's Africa Bureau in Washington, mission director Robert Hellyer reported that "through the Enterprise Development Alliance, Chevron Corporation, the largest private sector presence in Angola, has effectively challenged USAID to accelerate its assistance and to address issues such as developing local private sector capacity sooner than might otherwise have been the case given severely limited USAID funding for economic growth programs."

The action memorandum laid out the terms for extending the mission's effort to promote micro, small, and medium-sized business in Angola for two years to coincide with Chevron's planned investments through 2007. Success would be measured in terms of registrations of new enterprises, increases in local business subcontracts, and loans to firms in different business sectors. It was under this special objective that the mission moved forward with a planned enterprise bank, NovoBanco, in 2004.

USAID had presented its plans to Chevron and started the alliance with a speed that Chevron chairman Dave O'Reilly later noted was faster than the performance of some of his own business units. Chevron, in turn, compelled USAID to accelerate its plans for economic development. Although the partners' alacrity in developing the alliance caused some bumps, the alliance has brought clear benefits for both partners and improved assistance for Angola.

MANAGING THE ALLIANCE

The USAID–Chevron MOU called for an advisory committee to jointly plan activities and serve as a governance structure to assist in shared functions such as knowledge dissemination, alliance monitoring, communications outreach, and conflict resolution. In fact, project planning was more informal, usually occurring in meetings convened by the mission to respond to sudden opportunities in the development landscape.

USAID had developed a strategic framework establishing a formal framework and plan for collaboration, but that framework was never taken up, for several reasons. One was

Chevron's decision, in mid-2003, to transfer ownership of the alliance from the company's headquarters to its southern Africa and country business units. The transfer entailed a waiting period, while Chevron reviewed its strategic direction and revised its plans before advancing the alliance beyond the original funding commitments. On the USAID side, the mission's preparations for a new strategic framework after 2005, along with other institutional demands, caused USAID to step back from the alliance at times to concentrate on other activities.

It was not until June 2004 that Chevron and USAID began collaborating more substantively. Chevron took the lead, convening a stakeholder workshop. Presentations from both sides laid out the partners' respective operational culture and organizational values in order to identify commonalities and mitigate any possible misunderstandings; at the same time, there was great interest in identifying the comparative advantages of each partner.

Flemming, who took ownership of the relationship at Chevron as it shifted to the field, explains that much of the value of partnership is relational. "For a company, a big part of the business value in supporting development initiatives is in the engagement itself. Getting to know donors and NGOs and understanding what challenges and issues they're facing… serves everyone's interests." He adds:

We're engaging [through the alliance] with government ministries that we don't normally have anything to do with. We've got a very strong relationship now with the ministers of agriculture and health. This may not have anything to do with our operations in the field, but it has a big impact on our workforce, which is increasingly Angolan. It has a big impact on the commercial environment we're operating in. There is a lot of value in these partnerships, and it's important to capture those benefits. That's why these workshops and meetings [which allow us] to take a step back and look at the partnership are so valuable.

USAID and Chevron have since had several stakeholder consultations to continue building the relationship as it enters its second generation. The clear lesson for alliance partners is to remain patient and flexible in relationship management, and take time to take stock.

SECOND-GENERATION PARTNERSHIP

Dennis Flemming arrived in Angola in 2004, after overseeing Chevron's social investments in Papua New Guinea for several years. He left behind in Papua New Guinea a record of trust and a corporate foundation that exists today, with several funders. What he inherited when he moved to Angola to work on the alliance was a massive partnership nearing the end of its first stage that needed to be retooled if it was to enjoy a healthy second stage. Most of Chevron's $10 million had been spent, but the question of how to continue with collaboration remained. The initial alliance experience had generated a number of lessons that could inform the development of its second stage.

Chevron raised several issues with USAID that reflected an understanding of the development challenges in Angola. For one, the programs funded by the alliance were not needed. The USAID mission's geographic focus on war-torn regions constrained Chevron's intention to achieve social investments with national impact. The overhead charged by USAID's traditional implementing partners was high, and many local NGOs and non-U.S. consultants that had not previously worked for USAID had difficulty qualifying for funding. This last constraint was especially relevant to Chevron, which had hoped the alliance might build local capacity in the NGO and small business sector. But Chevron also recognized that there was nothing structurally wrong with the collaboration. The alliance simply needed to be more fully aligned with the stated intentions and values of each partner. Reports Flemming:

We knew we wanted to go to a second phase, but recognized that we wanted to do it a bit differently. Partly because of my own background in development and experience in Papua New Guinea, I wanted us to be a more active partner.

I didn't want to just sit back and respond to project proposals. I wanted us to work jointly on going out for RFAs [requests for applications] and jointly selecting the implementing organizations, and being partners all the way.

USAID and Chevron are currently developing a joint vision for shared programs that will become a second-generation partnership. One possibility may be an approach to development through a different strategic lens: a community development and capacity-building initiative focusing on development at all levels of government—local, regional, and federal. Such a framework still concentrates on enterprise and agricultural development, but it also embraces municipal and regional governments as potentially more active partners. Such an approach meshes well with USAID's increased emphasis on good governance and the rule of law as prerequisites for sustainable development.

The mechanics of a new partnership may also shift: whereas in the first-generation partnership Chevron left programming and management duties to USAID, the company now has the organizational capacity to manage and implement initiatives on its own, thus increasing options available to the next partnership.

CONCLUSION

Whatever the future holds for one of USAID's most visible partnerships, it remains in several ways the standard for business, government, and NGO engagement. By enlisting USAID's development expertise, Chevron added new capabilities to its social investment efforts. Chevron also strengthened its brand reputation and stakeholder relations. Speaking from his experience with the Enterprise Development Alliance, Chevron chairman O'Reilly reflects that "partnerships can also break down barriers that are caused when government, businesses, and communities simply do not speak each other's language or, at worst, distrust one another."

Chevron's increased focus on good governance and proper stewardship of oil revenues is already evident. In 2004, Angola awarded Chevron a 20-year extension of its Block 0 concession—2,000 square miles of ocean that anchor Angola's oil production. At Chevron's urging, Sonangol, Angola's national oil company, published the amount of its signing bonus: $210 million. A social bonus of $80 million was earmarked for development projects, and a portion of that reserved for the Cabinda region. In announcing the extension, a Sonangol official stated: "The government of Angola understands that good governance is a cornerstone of good business, and that it is in our own interest to make progress in this important area."

The alliance also demonstrates that corporate partners can make long-term commitments with timelines that often exceed those of donors.

1. Investments totaling more than $22 million in the last five years alone include annual support for the Cabinda General Hospital Blood Bank, funding local health programs for HIV/AIDS and malaria prevention, constructing primary and secondary schools and health centers, and sponsoring Angolan students and employees to universities on scholarship.
2. ADS 628(d). See *Tools for Alliance Builders*, appendix 13, available in PDF format at http://www.usaid.gov/our_work/global_partnerships/gda/tab.html.
3. In addition to the usual programming budget, USAID was authorizing large grants for food security and famine prevention through the Food For Peace account: more than $100 million in 2003 and $70 million in 2004.
4. As noted, this does not include the Food For Peace account.

SIERRA LEONE PEACE DIAMONDS ALLIANCE
REBUILDING AFTER WAR

PURPOSE
To create a transparent, fair, and safe alluvial diamond market that delivers equitable and sustainable benefits to local miners, diggers, and the extended local community in Sierra Leone.

CONTEXT
The illicit diamond trade in Sierra Leone has fueled civil war, money laundering, and possibly terrorist activities. It also limits legitimate foreign investment in the diamond sector that might raise the living standards of the hundreds of thousands of Sierra Leone's small-scale diamond miners.

ALLIANCE MEMBERS
Government of Sierra Leone

U.S. Agency for International Development

U.K. Department for International Development

World Bank Communities and Small Scale Mining Project

Global Witness

Koidu Holdings

The Rapaport Group

The DeBeers Group

Kono's Hope

Management Systems International

ACCOMPLISHMENTS AND OUTCOMES
Since its founding, the alliance has expanded from the Kono to Tongo diamond fields and trained more than 200 diggers and miners in small-stone identification and valuation. Stakeholder workshops address issues of local concern; persistent issues are resolved through arbitration. Government funds have been successfully leveraged to rehabilitate mined-out land in Koidu, Kono District.

FUNDING ARRANGEMENT
U.S. Agency for International Development: $4.2 million

Department for International Development: $40,000 for partnership housing facility

Rapaport and Kono's Hope: $75,000 to support five pilot cooperatives for one mining season

World Bank Communities and Small-Scale Mining Project: $47,500 to sponsor field visits and stakeholder consultations in Canada, Sri Lanka, Ghana, and Brazil

Government of Sierra Leone: $50,000 for Kaisambo Rehabilitation Project

A long-term USAID partner engages a major diamond buyer to support the Kimberley Process through fair-trade diamond certification.

The Peace Diamonds Alliance is a collection of stakeholders abiding by a code of conduct for sustainable community and economic development, environmental stewardship of existing mines, and reclamation of mined-out landscapes. A catalyst for change, the alliance began as a foray into uncertain terrain in the immediate aftermath of war. In 1999, near the end of the country's brutal civil war, Sierra Leone's diamond resources were worth an estimated $300 million a year—of that, legal diamond exports made up only $1.5 million. The rest was smuggled out of the country through illegal channels. None of the benefits of the illegal trade reached the government of Sierra Leone or its people.

Revenues from diamond sales now flow through more formal channels within Sierra Leone, helping one of the world's poorest countries rebuild from war. Legal exports of diamonds climbed to $42 million in 2002, $70 million in 2003, and $127 million in 2004. They are projected to reach $150 million for 2005. Even better, local mining communities benefit by receiving a portion of the tax revenues from the increase in diamond exports, with funds specifically allocated through the Diamond Areas Community Development Fund (DACDF) to build public structures, markets, and schools. Proceeds to mining communities exceeded $300,000 in 2002, $500,000 in 2003, and $900,000 in 2004.

WINNING THE PEACE

In January 2000, following the Lomé Peace Accord signed the previous year, a technical advisor for Management Systems International (MSI), a longtime implementing partner of the U.S. Agency for International Development (USAID), entered Sierra Leone on behalf of the USAID Office of Transition Initiatives. MSI had received an order to identify immediate opportunities to set the country's mineral wealth to productive use through the national-level Strategic Minerals Commission. The purpose of the task was to support a fragile peace in a highly uncertain environment that could return to volatility and war at any moment. USAID and its partners worked from the ground up with participants at every level of the diamond supply chain: from the laborers who spent their days digging in pits, through the miners who typically managed a group of laborers through a usufruct over a given site, to holders of land titles and licenses to mine diamonds, who sold to licensed exporters—the final tier of the in-country supply chain.

USAID soon identified an ideal focus for stabilization efforts: the diamond-rich Kono District, where, during the civil war, the Revolutionary United Front had used illegally mined diamonds to fund its rebellion through the global sale of what came to be known as "conflict" or "blood" diamonds. Kono could become a source of legitimate jobs and income for citizens and tax receipts for the government, rather than a haven for illegal mining.

Partners also met with representatives of international diamond buyers, such as DeBeers and Rapaport. The challenges of developing a partnership immediately became evident. In a first meeting in June 2002, a DeBeers representative made it clear that the company would not commit to buying diamonds from specific suppliers; they would market only their own production. This was a completely rational business decision for DeBeers, but it highlighted the difficulties inherent in the formation of an alliance. DeBeers exercised control over a significant portion of global diamond supply and had little incentive to support what it could only see as a competing producer. Martin Rapaport of the Rapaport Group showed guarded interest in the prospect of working more closely with USAID.

At the same time, DeBeers affirmed its support of efforts to legalize Sierra Leone's diamond sourcing and to see that the supply chain delivered more value to laborers and miners. One sign of that support was an offer to provide technical assistance on diamond valuation to the Sierra Leone Department of Mineral Resources. At the same time DeBeers's support of USAID's efforts to legalize the diamond trade added credibility to MSI's work in the eyes of industry players, and gave USAID access to DeBeers's industry expertise in developing the skills of diggers and miners.

Efforts in Sierra Leone were supported by a series of international consultations addressing the issue of the illicit diamond trade, organized by members of the diamond industry, governments, and civil society organizations. The first gathering was held in Kimberley, South Africa—where diamonds were discovered 140 years ago. This "Kimberley Process," formally launched in January 2003, articulated a system for managing and certifying international trade in rough diamonds. The Kimberley Process Certification Scheme was a voluntary initiative that brought together more than 40 governments and the European Commission to reform diamond laws and regulations in order to track diamonds sold internationally.

By this time, the funding from the USAID Office of Transition Initiatives for diamond-sector management under the peace accords had expired, but new diamond-sector management funds supporting the Kimberley Process were committed in 2002. With fresh resources, USAID took its first major step toward realizing a vision of the Kimberley Process principles to support sustainable living conditions for the first links in the supply chain: the diggers and miners who labored, often under poor conditions, in hopes of making a big find.

USAID's efforts came to fruition in December 2002, when producers, buyers, advocates, officials of the Sierra Leone government, and heavyweight industry players, such as DeBeers and Rapaport, gathered to form the Peace Diamonds Alliance. Sierra Leone President Ahmad Tejan Kabbah formally launched the alliance in 2003.

FROM KIMBERLEY PROCESS TO PEACE DIAMONDS

The Kimberley Process is recognized for greatly increasing legal exports of diamonds, although issues of implementation remain to be addressed. But the process does not reach below the level of international tender. In Sierra Leone, as in Angola and the Democratic Republic of Congo, a million or more artisanal miners exist outside the formal sector and still see little of the income generated by the diamonds they find.

The Peace Diamonds Alliance seeks to change that through an integrated approach to diamond management: developing competitive buying schemes, training miners to recognize the value of their products, tracking diamonds from earth to export, providing credit to miners, and ensuring that communities benefit from the mining that takes place in their localities.

The alliance's voluntary code of conduct for Sierra Leone connects the principles of the Kimberly safeguards at international tender with the more involved process of getting diamonds to market. This "Earth to Export" chain of the artisanal diamond market delivers higher income for producers and introduces environmental, health, and safety protections for laborers. It is hoped that the code of conduct will one day evolve into a formal certification scheme for the country.

At the national level, the alliance tackles policy and regulatory bottlenecks to encourage the government to continue reforms in the diamond sector. In partnership with government, other donors, and the international community, a high-level steering committee chaired by the Ministry of Finance studies policy initiatives that affect the diamond sector. USAID provides secretarial services for the steering committee.

OUTCOMES

The alliance has leveraged funds on favorable credit terms from Kono's Hope, a small investment firm based in South Carolina, and from the Rapaport Group. These investors sponsor five mining cooperatives—for one mining season—in the hope of developing a brand of fair-trade diamonds that will carve out a market niche beneficial both to the investors and to the mining cooperatives of Kono. In accordance with the alliance's code of conduct, the cooperatives apply environmentally friendly mining methods and reclaim the land at the end of each mining season.

The alliance has trained 209 individuals on basic small-stone identification and valuation and has made valuation equipment and the services of the government valuation officer available to small-scale miners without charge. Joseph Sembo Kabia, a mines monitoring officer from the Ministry of Mines for Kono District, remarked at his first small-diamond training session, "The valuation of diamonds was always viewed as a secret skill owned by non-Sierra Leoneans. The veil of mystery is only now being lifted." Efforts are underway to build a cadre of trainers and an association of master trainers.

The alliance periodically holds stakeholder workshops on issues of local concern. Typical agenda items include the cost of obtaining mining licenses and problems with local mining firms. These meetings are also used to publish licensing fees, diamond revenues, and returns to various communities, as well as to convey community concerns to the government. The alliance, in collaboration with the local office of the Ministry of Mineral Resources, has mediated some potentially violent conflicts between affected property owners and a mining company that is also an alliance member. The alliance is also party to the management and use of the DACDF to maximize community benefit. Advocacy and awareness efforts, for example, succeeded in leveraging funds to rehabilitate a perennially mined-out land in the Kono District.

THE URBAN DEVELOPMENT ALLIANCE

IMPROVING SERVICE DELIVERY THROUGH PARTNERSHIP

PURPOSE

To adapt the Soviet-era practice of corporate investment in communities to post-Soviet realities. The Siberian-Urals Aluminum Company (SUAL), one of Russia's largest companies, has traditionally supported civic needs in the communities where it has factories, from towns of ten thousand people to cities of a quarter million. Its alliance with USAID extends that tradition.

The goal of the Urban Development Alliance is the sustainability of numerous civic projects. A pilot program in three locations focuses on improving municipal planning and governance, supporting enterprise development, modernizing healthcare, and strengthening civil society.

CONTEXT

Since the demise of the Soviet Union in 1989, the quality of life in most of Russia's industrial towns has suffered. Under the Soviet system, large state-owned companies were the key providers of many social services. Privatized and downsized, companies are seeking new ways to support their communities. With little support from the central government, local governments have few resources and capabilities to provide citizens with adequate social infrastructure.

ALLIANCE MEMBERS

U.S. Agency for International Development

Siberian-Urals Aluminum Company

The Barents Secretariat

Local implementing partners

FUNDING ARRANGEMENT

U.S. Agency for International Development: $1,000,000

Siberian-Urals Aluminum Company: $1,250,000

The Siberian-Urals Aluminum Company builds an alliance with the U.S. Agency for International Development, foundations, and local organizations to expand and sustain community-based programs to improve health, education, enterprise development, and government services.

After the Soviet Union dissolved in 1989, the Soviet system of subsidized state-owned enterprises began to fall apart. Those enterprises had been a key source of housing, education, healthcare, and other social services for employees and their families. As they were closed or privatized, the quality of life in industrial towns throughout Russia declined. With little support from the central government, local governments have struggled to provide citizens with social services.

After years of adjustment, however, the Russian economy is growing, creating new sources of support for municipal services. Companies still provide some of that support; additional support comes from a variety of new sources. Still, local capacity for using the money and running social programs is lacking.

The Siberian-Urals Aluminum Company (SUAL) and the U.S. Agency for International Development (USAID) are taking a creative approach to building local capacity. Their Urban Development Alliance is a public–private alliance aimed at encouraging civic activism in small towns where SUAL is the main industry. An example: In April 2005 the alliance sponsored a "Week of Good Deeds" in the town of Shelekhov in the territory of Irkutsk. The events, organized by local activists, included a town clean-up project, an anti-drug campaign, free legal and psychological consultations, and fundraising activities for local charities. Initially, the local administration did not support the week's events, but officials were so impressed with the results that they have now contributed funds for future community development project grants. The organizers of the "Week of Good Deeds" have raised money from local businesses and other donors to continue civic activities in Shelekhov.

GENESIS OF THE ALLIANCE

With 62,000 employees and operations in nine regions of Russia, SUAL is one of Russia's largest companies; many cities and towns depend on the company for jobs. In 2003, SUAL approached USAID with an idea to help rebuild the local economy in those communities in a sustainable way. A precedent had already been established: SUAL and the Eurasia Foundation, a frequent partner of USAID, had worked together on a project to develop small and medium enterprise. What started with a $13,000 contract eventually brought in $1,000,000 for three locales in the Ural region of Siberia. SUAL's vice-president for regional government affairs wanted to build on that experience in a comprehensive way.

For USAID's mission in Russia, SUAL's idea was an opportunity to leverage the corporate expertise and extensive geographic reach of SUAL's holdings. By programming its resources in coordination with SUAL's social investments, USAID could accelerate the accomplishment of the mission's country objectives.

Ensuing discussions established that both parties were interested in improving the quality of life in cities. The partners studied opportunities to promote growth, expand credit, improve government services, and develop local capacity. They also reviewed the basic impediments to business and came up with some straightforward solutions. The most promising sites would participate in an economic development program that included:

- Improving the environment for enterprise development
- Working with local banks and investors to fund a microcredit facility
- Providing technical assistance and training for local government to bring transparency and integrity to business licensing, permitting, and tax collection
- Streamlining the permit process
- Establishing local capacity to sustain improvements.

The ultimate goal of the program was to increase local revenues and resources for education, health, and other social sector programs.

After three months of talks, the idea evolved, in 2004, into the Urban Development Alliance. It began with $300,000 from USAID-Russia, $700,000 from the Global Development Alliance (GDA), and $1.25 million from SUAL. SUAL's contribution was linked with USAID work in areas where SUAL had a workforce. The soundness of the idea attracted interest and additional participation.

AN AMBITIOUS PILOT CHARTS A COURSE

The partners decided to pilot a joint approach to local development in three cities — one large, one small, one in between — where SUAL had a presence and would continue to invest in the community. The alliance also looked for sites that would generate results adaptable to other locations. Because SUAL had purchased many preexisting industrial facilities and inherited some unfortunate environmental and public health problems, these factors were considered in the selection of the pilot sites.[1] The pilot sites are:

Kamensk-Uralsky. Lying in the Ural mountain range southeast of Yekaterinburg, this city of 180,000 is the largest in central Russia. The Kamensk-Uralsky Metallurgical Plant is SUAL's largest (and Russia's second-largest) producer of products for the automobile, aviation, and aerospace industries. The plant was built in 1943, with American assistance, to produce high-strength aluminum alloys for naval and aviation purposes. Through 1990, it depended on military contracts. The subsequent reduction in military spending resulted in lower production. The plant has now adapted to meet new demand by producing state-of-the-art automotive, aviation, and prefabricated building products.

Shelekhov is a relatively new city in southern Irkutsk, about five time zones from Moscow. Originally settled in 1956 by 13,000 people who came to work in aluminum production, the city currently has a population of about 53,000. It now has some additional industries as well, such as building materials, clothing, woodworking, and mechanical repair.

SIBERIAN-URALS ALUMINUM COMPANY

SIBERIAN-URALS ALUMINUM COMPANY

Nadvoitsy is a factory town of 11,000 in the Republic of Karelia, between St. Petersburg and Murmansk near the border with Finland. The Nadvoitsy Aluminum Smelter began producing aluminum and aluminum powder in 1954. Today the plant is refitting with cleaner production technologies, such as a gas scrubbing system that will cut emissions by as much as 50 percent and begin repairing the significant environmental damage typical of Soviet-era industry.

In all three sites, the pilot project is:

- Strengthening municipal governance, fiscal systems, and budget planning with provincial and national counterparts
- Improving the business climate for small and medium sized enterprises by simplifying the issuance of business licenses, adding courses in economics and business to school curricula, and other measures
- Establishing community foundations
- Supporting civic initiatives that promote citizen participation in local decision-making, environmental stewardship, healthier lifestyles, and community and individual ownership of their own development
- Improving maternal and child health by creating systems that protect child welfare and prevent undue institutionalization.

This far-flung alliance is managed in a couple of ways. Within SUAL, a dedicated task force is headed by the company's vice-president for government affairs. At the implementation level, SUAL's aluminum production units in the pilot cities work directly with USAID and partners. USAID's task force is coordinated from the program office, while members of the teams responsible for each of the alliance's strategic objectives — health, democracy and governance, environment, and economic growth — gather regularly to discuss progress. In each pilot city, mayors lead "working groups for change" to coordinate alliance-funded efforts and contribute to their sustainability. Through mayoral leadership, local officials monitor and support implementation of all activities, ensure buy-in from local institutions, remove potential obstacles to proper management, and provide logistical support when feasible.

IMPACT

In the area of local governance, a needs assessment has been completed for each of the city implementation plans that the alliance developed in consultation with stakeholders. The alliance is also evaluating the pilot projects and their programs in health, economic growth, enterprise development, governance, civil society, and environmental protection. The results of the evaluation will shape the expansion of the alliance to other locations in Russia. SUAL has indicated that it will invest about $2 million next year to implement alliance activities in the other cities where the company operates.

USAID planned for sustainability from the very beginning of the relationship, including SUAL's expected adaptation, at its own expense, of program successes to 20 other cities where it had a major presence. USAID, for its part, intends to apply the lessons of the collaboration to future partnerships with other Russian corporations.

Additional corporations and organizations have already expressed interest in either joining or replicating the USAID–SUAL model:

- Russia's biggest producer of mineral fertilizers intends to replicate the Urban Development Alliance in their cities. It has suggested a first pilot in the North Caucasus region.
- A major auditing company is negotiating with USAID to use the alliance model to develop client reporting standards and systems related to environmental and social investments. Through better reporting, companies can improve their chances of attracting foreign investment.
- Russia's biggest milk and juice producer will provide resources to support environ-

mental and health components of the Urban Development Alliance, while other businesses in the pilot cities are negotiating with SUAL about coinvesting in their efforts.

- The Center for Fiscal Policy, a Russian nongovernmental organization that focuses on budget reform, has begun working with the alliance to strengthen the capacity of local governments to address social issues and to increase the quality of budget services by facilitating the establishment of public–private partnerships, assisting municipalities to implement the recently adopted law on local self-governance, and enhancing the professional qualifications of financial department staffers working in regional and municipal administrations.

The Urban Development Alliance, originally planned as a $300,000 investment from each partner, has quickly grown with resources from the GDA incentive fund, a planned $4 million commitment by USAID's Russia mission, $2 million from SUAL, and investments expected from other companies in 2006.

For SUAL, the alliance leverages additional expertise and cash resources for its own social investments in the communities where its workforce resides. For USAID, the alliance leverages the unique Russian brand of corporate social responsibility and provides a mechanism by which the mission can transfer some of its functions to in-country partners—both public and private.

Overall, the Urban Development Alliance represents best practice in establishing strategic relationships with in-country resource partners that help advance USAID strategic objectives. The alliance is also a model of public–private cooperation that develops the capacity of USAID's partners to carry on the USAID legacy once Russia no longer requires development assistance.

1. The Siberian-Urals Aluminum company (SUAL) was established in 1996 as a result of a merger of the Urals and Irkutsk Aluminum Plants. SUAL controls the South Urals Bauxite Mine, the Bauxite Timana company, and the SUAL-Silicon-Urals and Kremny facilities in Irkutsk.

CHAPTER FIVE

WORKING WITH FOUNDATIONS

MARRYING RESOURCES, SCALING INNOVATION

Foundations and other institutions, such as think tanks and international organizations, offer the U.S. Agency for International Development (USAID) a powerful mechanism for leveraging private sector funds in support of the agency's development strategies and objectives. Strong coordination between USAID and these partners enables alliances to advance a shared agenda with resources greater than any single member could provide.

Foundations have a long history of involvement in development — and as traditional partners of USAID. In the 1960s, the Rockefeller Foundation was USAID's partner in the Green Revolution. The Ford Foundation teamed with USAID to form the International Rice Research Institute. The Aga Khan Foundation has been USAID's partner in a broad range of activities in education, health, and other social sectors. In recent years the role of foundations in development has expanded with the influx of many new family, corporate, and community foundations; think tanks; and other socially committed institutions in the United States and abroad.

In addition to providing funds, knowledge, experience, field presence, and ideas, foundations have proved durable partners in project implementation. By investing resources in tandem with a shared mission and long-term outlook, USAID alliances with foundations are better able to sustain the development impact of projects beyond the lifetime of any single grant. Locally run foundations place responsibility in the hands of local partners and increase the capacity of local organizations to plan and achieve results. By encouraging local involvement and encouraging local project implementers, foundations strengthen civil society and can set the stage for major international initiatives.

URBAN INSTITUTE

This chapter illustrates several of USAID's current alliances with foundations. The emphasis is on innovation, creative thinking, and grassroots solutions to development challenges.

- The Balkan Trust for Democracy realizes the German Marshall Fund's vision for an international trust to address regional development, cooperation, and governance goals in the Balkans.
- In the Armenia Earthquake Zone Recovery Alliance, the Urban Institute, the U.S.-based Lincy Foundation, and USAID anchored a coalition to help Armenians recover from a devastating earthquake.
- The Global Alliance for Vaccines and Immunization shows how a gift of $750 million from the Bill and Melinda Gates Foundation inaugurated a second era of big philanthropy. That gift has leveraged billions of dollars from governments and other organizations to combat preventable diseases in the developing world.

BALKAN TRUST FOR DEMOCRACY
HOMEGROWN EFFORTS BUILD PEACE

"The activists danced, drank, and then got up in the morning for earnest arguments about knowledge proliferation, flash mobs, Foucault, the value of logos and corporate branding, political marketing, the meaning of politics…"

—THE GUARDIAN (JUNE 6, 2005)

Observing the "Civic Activism and Beyond" festival hosted by the Albanian youth movement MJAFT! (ENOUGH!), a Balkan Trust grantee.

Governments and foundations come together to fund local and regional initiatives to build peace, democracy, and regional cooperation in the Balkans.

PURPOSE

To support local and regional organizations committed to peace, citizen empowerment, better government, democratic reform, and cross-border cooperation in Southeastern Europe.

CONTEXT

Following the collapse of communism, Yugoslavia, Bulgaria, Romania, and Albania had to create self-governing societies after nearly 50 years of stagnation. Their aspirations were disrupted as Yugoslavia exploded into ethnic violence that shocked the world. Peace was restored in 1995, but the region is still recovering—economically, politically, and culturally.

ALLIANCE MEMBERS

U.S. Agency for International Development

German Marshall Fund of the United States

Charles Stewart Mott Foundation

ACCOMPLISHMENTS AND OUTCOMES

Since its inception, the Balkan Trust has awarded more than 240 grants totaling some $6.2 million to civic groups, indigenous non-governmental organizations, governments, think tanks, and educational institutions throughout the Balkans to promote democratic consolidation and cross-border cooperation and reconciliation. Projects address issues such as citizen advocacy and political participation, youth development, policy analysis, participatory decision-making, and media development.

FUNDING ARRANGEMENT (AMOUNTS ARE APPROXIMATE)

German Marshall Fund of the United States: $10 million (plus $2 million in administrative support)

U.S. Agency for International Development: $11,230,000 (EUR 10 million)

Charles Stewart Mott Foundation: $5 million

Other resource partners:

Government of Greece: $970,000

Kingdom of the Netherlands: $650,000

Swedish Agency for International Development Cooperation (Sida): $900,000

Rockefeller Brothers Fund: $150,000

With the collapse of communism, the Balkan region descended into ethnic and sectarian conflict. It soon was in acute need of assistance. In 1996, the Bosnia-Hercegovina country mission of the U.S. Agency for International Development (USAID) established an emergency lending program to promote economic growth by helping enterprises expand production and create employment opportunities for the general population—including 1.2 million refugees and 200,000 demobilized soldiers—while generating income for families and communities. The program targeted large and medium-sized private enterprises; loans covering forestry, manufacturing, agribusiness, and construction.

A mini–Marshall Plan, the assistance restarted production and fueled economic growth in the country at rates higher than Germany experienced during its postwar years. USAID loan recipients accounted for 50 percent of Bosnia's postwar exports during this time. By the end of the initiative in 2003, USAID-supported banks had disbursed $162 million in 600 loans to Bosnian enterprises eager to expand business activity but lacking working capital and medium-term financing. Nearly 15,000 jobs were created and 30,000 sustained.

The program was so successful in jumpstarting the Bosnian economy that it generated substantial profits, or "reflows," of which $40 million was set aside for legacies such as the American University of Bulgaria and the Southeastern Europe University in Macedonia. Another set-aside was to establish a legacy in democratic reform, community and cross-border reconciliation, and civil society development not just in Bosnia, but throughout the Balkan region. The Balkan Trust for Democracy, a 10-year, $30 million grant-making initiative, is one of the most successful of USAID's public–private alliances.

USAID's investment of $11,230,000 (EUR 10 million) in the Balkan Trust was matched by an additional $17 million from partners. But the trust does more than leverage public resources; its innovation lies in establishing a platform for collaboration that other public and private donors can join.

Due to its programmatic success and inventive approach, the Balkan Trust for Democracy, from a pool of nearly 300 public–private alliances, received the 2005 Global Development Alliance (GDA) Excellence Award in recognition of its innovative partnership model and exemplary dedication to cross-border cooperationand broad-based democratic engagement in Southeastern Europe.

HARNESSING INTERNATIONAL INTEREST

In April 2001, USAID, in consultation with the U.S. State Department and based on the 2001 Foreign Operations Appropriations Act, authorized the use of the Bosnia reflows throughout the surrounding region. By August, USAID's Europe and Eurasia Bureau issued a solicitation for the establishment of a 10-year sinking endowment to benefit Southeastern Europe, supplemented by no less than a one-to-one funding match from the winning bidder.

Concurrently, the German Marshall Fund of the United States was putting together its own resources to establish a foundation to execute the fund's mission in the Balkans: to bolster democracy wherever it is found and facilitate transatlantic cooperation and expansion of multilateral structures such as the European Union and NATO. The German Marshall Fund had set aside $10 million for the purpose, and soon after obtained a commitment of $5 million from the Charles Stewart Mott Foundation, with which it had a long and productive history of collaboration.

In the USAID solicitation, the German Marshall Fund recognized an opportunity to further its own objectives and leverage its resources. With $15 million between them, the German Marshall Fund and the Charles Stewart Mott Foundation had assembled sufficient resources to act without USAID, but they chose to be patient and submit a proposal in answer to the solicitation. Both saw the value of a long-term alliance with USAID, which was worth the time and effort to comply with agency protocols.[1]

The Balkan Trust for Democracy succeeded because all parties were committed to staying the course from idea to implementation. The planning processes occurred in parallel (within USAID to program the reflows; between the German Marshall Fund and the Charles Stewart Mott Foundation to establish a foundation for the Balkans), but both sides concurred on the goal and knew that they could achieve greater impact by combining forces than by going it alone.

In their proposal to the USAID Europe and Eurasia Bureau, the German Marshall Fund and Mott offered $17 million to complement USAID's $11.23 million.[2] When the solicitation was subsequently revised, they adjusted their proposal accordingly. Their patience with USAID as a funding partner paid off: their successful response to the solicitation resulted in an exceptional partnership that now includes the Swedish International Development Agency, the Dutch and Greek governments, and the Rockefeller Brothers Fund.

LEAN, RESPONSIVE OPERATIONS

The Balkan Trust for Democracy creates sustained, simultaneous change along the parallel tracks of indigenous development, security and stability among political and ethnic factions, and broader geopolitical concerns. The Balkan Trust shares responsibility with its collection of donor partners and the individual and institutional grantees that do the difficult on-the-ground work of facilitating democratic outcomes, influencing policies and practices, engaging and empowering local stakeholders, and leveraging additional public and private resources.

Funds are managed by a small staff at the German Marshall Fund's headquarters in Washington, D.C. Thanks to the strong relationship between the German Marshall Fund and the Mott Foundation, the two parties' contributions are pooled. USAID's investments, though also pooled with those of other contributors, are tracked separately across grant activities.

An informal advisory board of experts from Southeastern Europe and key international organizations oversees the Balkan Trust's strategic development. The partners commit themselves to letting the Balkan Trust work, but they all play a role in planning and setting strategy, defining problems and possible solutions, and leveraging their strengths to reach optimal solutions. This close relationship demonstrates the principles and goals of GDA: to maximize the potential of established relationships among donors, to deepen those rela-

INVENTING A NEW ALLIANCE MODEL

The Balkan Trust for Democracy took some time to get started. A conventional "request for applications" (RFA) was issued, and proposals were received. A final decision was delayed by a month or two as the RFA was revised to take into account the previously unanticipated decision to close several Balkan country programs. Once a final decision was made to proceed, however, the Balkan Trust was established quite rapidly as a fund within the German Marshall Fund of the United States, an experienced implementing organization with low overhead costs. The German Marshall Fund also contributed $2 million in administrative services.

Since the founding of the Balkan Trust, USAID has developed new procurement instruments and policies, such as the collaboration agreement, that enable the agency to respond even faster to partnering opportunities. The Balkan Trust, from decision to obligation, required about two years to create. A similar transaction today might take as little as six months.

tionships, and to facilitate new ones through association and shared action.

USAID's alliance coordinator joins semi-annually in policy discussions regarding the endowment and monitors activities to ensure that the goals of the endowment are met.Grant proposals are reviewed by a committee composed of German Marshall Fund staff and officials from partner institutions. Representatives from USAID and the Mott Foundation sit as nonvoting participants,[3] together with a panel of reviewers from the region. Proposals are accepted on a rolling basis, and decisions are made monthly. Both the advisory and grant-making committees must ensure that programs funded by the endowment are effective, responsive to local needs, and complementary to other initiatives supported by the international community. The German Marshall Fund submits an annual report listing all grants as well as the specific USAID contributions.

SINKING FUNDS VS. PERPETUAL ENDOWMENT

The Balkan Trust is a so-called diminishing endowment, or sinking fund. Like perpetual endowments, diminishing endowments enable donors to sequester funds over a relatively long period in support of specified objectives, freeing them of the need to recommit funds or to hedge against later shifts in attention or priority. For grant-makers, an endowment provides a secure, long-term funding source that lessens the burden of annual fund seeking from donors.

USAID's Europe and Eurasia Bureau has extensive experience with endowments due to the series of enterprise funds established by Congress in 1989, many of which were transformed into legacy mechanisms as a part of their liquidation. Based in part on the lessons gained in this process, USAID's 10-year funding horizon in the Balkan Trust is recognized by some as the proper balance of longer-term development planning while still allowing for shifts in donor need, priority, or approach.[4]

ROLES OF MEMBERS OF THE BALKAN TRUST FOR DEMOCRACY

- The U.S. Agency for International Development developed the conceptual framework for programming EUR 10 million in "reflow" funding for the Balkans
- The German Marshall Fund developed Balkan foundation concept; executes and manages grants
- The Charles Stewart Mott Foundation joined GMF's efforts as resource and cooperating partner

REGIONAL REFORM AND RECONCILIATION

The Balkan Trust awards more than $3 million annually in pursuit of its mission to link citizens with government and promote cross-border cooperation and collaboration, as the countries and territories of the Balkans move toward integration into Euro-Atlantic structures such as NATO and the European Union. In its first two years of operation, it disbursed more than $6.2 million to some 240 grantees in the region. Grants are made to civic groups, indigenous NGOs, local and regional governments, think tanks, educational institutions, and the media.

The overall goal for the trust is to increase democratic practices and reforms in nine Balkan countries and territories as they move toward eventual integration the European Union. That goal is achieved through two objectives:

- To link citizens with government by deepening dialogue between citizens and local elected leaders, improve public access to information about the performance and actions of government, and strengthen citizen participation in the democratic process.
- To promote regional cooperation and collaboration by creating linkages among grantees through which best practices can be communicated, by funding groups in neighboring countries to work together on shared concerns, and by facilitating a network of civic activists, government officials, public policy analysts, journalists,

business leaders and others to advance political, economic, and social development in the region.

Dialogue is the first step toward reconciliation. To promote it, the Balkan Trust made a grant to the Center for Regionalism, one of 140 local NGOs belonging to the Igman Initiative, a consortium of groups dedicated to peace and reconciliation. The Center's project, "Truth about the Past—The Foundation for the Future," builds on multistate structures to strengthen reconciliation through documentation and dialogue among high-level officials of Dayton Triangle countries—Bosnia and Herzegovina, Croatia, and Serbia and Montenegro. Through the efforts of Center for Regionalism and the Igman Initiative, the presidents of the three countries agreed to meet—for the first time in the region—to sign a trilateral agreement on relations among their countries, a widely publicized initiative that is building public confidence in reconciliation efforts.

Information and participation are the subjects of nearly 40 percent of Balkan Trust grants. Voter apathy is rife in Southeastern Europe, reflecting poor understanding of the democratic process, disaffection with politics in general, and lack of confidence that voters can make a difference. To counter these self-defeating beliefs, grants are made to NGOs and other entities that promote citizen participation in the political process and improve citizens' understanding of democracy.

One grantee is GONG, an organization based in Croatia. GONG initiated a campaign known as "I'm voting for the first time" to educate young people on the rights and responsibilities of a democratic electorate and to encourage them to play a more active role in the political processes of their country. By enlisting the support of Croatia's high schools, GONG also helped first-time voters make informed decisions. In December 2005, the Council of Europe recognized GONG, now in its sixth year, as one of five winners of the Council's "Young Active Citizens" competition, aimed at highlighting programs that engage young people in civic affairs. The Council recognized that GONG had organized some 3,700 workshops for 100,000 high school seniors in Croatia.

Transparency receives 14 percent of the Balkan Trust's grant funds. Transparency issues include citizens' access to information, corruption and conflict of interest, and the rule of law. Despite efforts by civic groups to improve citizens' access to information about decision-making, governments have had difficulty implementing institutional reforms. Creative civic groups are working with local communities and individual citizens to press the government to practice and enforce its own legislation and provide access to critical information that should be, but too often is not, available to the public. The Balkan Trust also funds projects to monitor the progress of legislation affecting the treatment of women and minorities. Finally, grants to the media play an important role in uncovering government corruption and holding public servants accountable for their actions.

The MJAFT! (Enough!) Movement is a youth campaign to build civic pressure for government accountability in Albania. MJAFT! has successfully pressed for more public funding for education. When a public official assaulted a journalist, MJAFT!'s efforts to raise public awareness of the incident led to the official's resignation. Grants from the Balkan Trust have helped MJAFT! expand its well-organized, homegrown, political youth movement to at least 10 cities in the country. One grant supports a regional exchange program that has spawned a wide network of youth activists in the Balkans, Ukraine, Belarus, Uzbekistan, Georgia, and Lebanon.

FROM DARK MOMENTS TO A BRIGHT FUTURE

The Balkan Trust's efforts to nurture a vibrant and spirited political culture among tomorrow's generation complement the yearnings of Balkan citizens for a better life, peace through reconciliation and democratic institutions, and integration with the rest of Europe.

The Balkan Trust exemplifies the essential qualities of the GDA business model, which calls for public and private stakeholders to jointly define a development problem, jointly plan measures to address the problem, and to share resource, risks, and rewards in implementing those measures and assessing outcomes. The next steps for the Balkan Trust for Democracy include expanding the circle of bilateral and foundation donors to include prominent for-profit partners active in the region.

This successful partnership has proven robust enough to address tough regional issues and attract a variety of respected donors. A similar model has been applied in the West Africa Water Initiative (chapter 9) and may be appropriate for other sectors, such as health. By building regional platforms for donor collaboration at the front end, with beneficiary-led initiatives as outputs, united donors can have greater development impact than the same donors acting in isolation.

Even as USAID phases out its assistance in East Europe in concert with the integration and enlargement processes of the European Union, significant work remains to consolidate democracy in the Balkans. The Balkan Trust for Democracy provides USAID a long-term mechanism to unite dwindling resources with like-minded partners that are equally committed to good governance and cross-border reconciliation and cooperation in the region.

The experience has borne many lessons. USAID assistance to democratic reform is not an obvious candidate for a public–private alliance.[5] But through the valued intercession of the German Marshall Fund, a strong partnership developed in furtherance of the Euro-Atlantic partnership.

1. Previous collaborations had not ended as successfully. In the case of the Trust for Civil Society in Central and Eastern Europe, USAID was heavily involved in project design with other potential funding partners and expected to contribute to the endowment. Unfortunately, USAID found itself slowed by its own bureaucratic safeguards and congressional scrutiny of the transaction, and could not participate.
2. Resource leverage is both a cost and technical criterion in awarding a solicitation, but secondary to the technical review.
3. To prevent conflicts of interest, U.S. government employees may not exercise fiduciary responsibility in outside organizations.
4. In a diminishing endowment, a 10-year planning horizon can be achieved by investing $7–8 for every $1 disbursed in grants. For a perpetual endowment, the necessary investment is $20. And it is more difficult to change tack with perpetual endowments: parties must seek a change in charter or bylaws, or withdraw funds. In the Balkan Trust for Democracy, the contributions of the German Marshall Fund and the Mott Foundation are expected to be drawn down at a slower rate than those of USAID, allowing the organizations to retain an equity position at the end of 10 years and to shift directions if indicated.
5. In its four years, the GDA model has proved a good fit with enterprise and agribusiness development and health activities, while democracy building alliances remain largely uncharted terrain. Should the Balkan Trust enlist long-term support from for-profit entities, the alliance will be truly groundbreaking.

EARTHQUAKE ZONE RECOVERY PROGRAM
EXPATRIATE ARMENIANS RETURN TO REBUILD

Diaspora foundations join USAID efforts to help Armenia recover from a devastating earthquake.

PURPOSE
To accelerate the construction of permanent housing for Armenians in temporary shelters since the 1988 earthquake, and to promote sustained recovery by encouraging private investment, democratic reform, and good governance.

CONTEXT
The December 1988 earthquake in Armenia claimed more than 25,000 lives and left 500,000 homeless. Reconstruction efforts were largely abandoned upon dissolution of the Soviet Union three years later, and an ensuing war with Azerbaijan over the Nagorno-Karabakh region further delayed action. In 2000, 12,000 families still lived in temporary shelter.

ALLIANCE MEMBERS
World Bank

U.S. Agency for International Development

Urban Institute

Norwegian Refugee Council

All Armenia Fund

Lincy Foundation

United Nations High Commissioner for Refugees

ACCOMPLISHMENTS AND OUTCOMES
Approximately 6,500 families have found permanent housing, either through certificates to purchase new housing or grants to complete or repair unfinished or damaged homes. In alignment with alliance strategy, the government of Armenia has now taken over the U.S. Agency for International Development's housing program, investing $6.2 million for housing certificates and $2.6 million for rural housing.

FUNDING ARRANGEMENT
U.S. Agency for International Development: $35 million

World Bank: $140,000

United Nations High Commissioner for Refugees: $80,000

Norwegian Refugee Council: $500,000

Lincy Foundation: $45 million

All Armenia Fund: $750,000

For most of the nations that suddenly became independent when the Soviet Union dissolved in 1991, conditions got much worse before they got better. Armenia was hit particularly hard. Efforts to repair the damage from the devastating 1988 earthquake were suspended, leaving a collection of "carcasses"—row upon row of empty shells of housing blocks that were never completed.[1] An ensuing conflict with Azerbaijan over Nagorno-Karabakh, a disputed region with deep historical resonance, compounded the problems.

It was in the course of the conflict with Azerbaijan that groups of Armenian emigrants began to mobilize resources to rebuild their country. Seven Armenian diaspora groups—the Armenian Assembly of America, the Armenian General Benevolent Union, the Armenian Missionary Association of America, the Armenian Relief Society, the Diocese of the Armenian Church of America, the Prelacy of the Armenian Apostolic Church of America, and the Lincy Foundation—came together as the United Armenian Fund to raise $20 million to transport some $400 million in donated goods and supplies to their country of origin.

Beginning in 1998, the Lincy Foundation, created by the billionaire Kirk Kerkorian, invested $170 million of its own funds to help Armenia recover from the earthquake. The Lincy funds were directed to critical infrastructure: roads, schools, and new housing to move families out of *domiks*, temporary metal shelters that lacked running water and sewage lines. The foundation's $45 million investment in housing stock, centered on the hard-hit district of Giumri, attracted the attention of USAID, which had been present in Armenia since 1992, and had participated with Armenia on restoration through public works programs and other government initiatives.

MAXIMIZING DONOR COLLABORATION

In 1998, the Urban Institute, a nonprofit, nonpartisan research institute, developed a housing strategy for Armenia at the request of the World Bank. The strategy focused not on the supply side (building more housing stock), but on issuing "housing purchase certificates" to potential buyers stuck in temporary housing, enabling those buyers to begin sending market signals to builders.

USAID quickly embraced the strategy through a proof-of-concept voucher program in Giumri. Using housing certificates worth $3,000 to $7,000 issued through the banking system, the pilot program realized a 97 percent redemption rate. Sellers wishing to leave Giumri suddenly found buyers where, before, there had only been poor families with no cash. Eighty-nine percent of those who redeemed certificates chose to remain in Giumri. In the spaces previously occupied by the metal containers that so many Armenians had called home for the past 10 years, an Armenian public works program created a playground, park, and recreation fields, with support from USAID.

As the architect of the World Bank housing strategy and USAID's partner in implementing the pilot project, the Urban Institute was expected to maximize collaboration with other organizations. Steve Anlian, the institute's country director for Armenia, had already embraced that mandate when he met Harut Sassunian, Lincy Foundation vice chairman and United Armenian Fund president, during one of Sassunian's trips to Armenia to manage the Lincy Foundation's grants. Anlian suggested that the Lincy Foundation might coordinate its building program with other donors such as USAID. Sassunian readily agreed, and joined the collaboration of public donors to maximize resources for earthquake recovery.

One clear result of the new alliance was a refocusing of Lincy-funded renovations on town and city centers, as opposed to scattered sites, based on the theory that concentrated investments would heighten the psychological impact on citizens who, upon seeing the most visible and important sections of their cities or towns rebuilt, would take new pride and responsibility in spurring reconstruction and revival throughout the community. In Giumri, for example, the Lincy Foundation renovated the entire city center and connecting avenues in cooperation with the Armenian government.

NEW PARTNERS COME ON BOARD

The Urban Institute and USAID sought additional partners in the earthquake zone and among diaspora groups, bilateral donors, and international organizations working in housing and urban development. The resulting broad alliance of donors, governments, and foundations came to be known as the Earthquake Zone Recovery Program. The alliance took on the coordination of the partners' varied roles: The Urban Institute convenes periodic stakeholder meetings to welcome new partners, update partners on progress, and resolve issues in collaboration or implementation. The Norwegian Refugee Council and United Nations High Commission for Refugees concentrate on the provision of refugee housing, often in areas recently cleared of domiks. The Armenian government, which contributed $210,000 to the alliance, assumed ownership in 2005 of the successful program of issuing housing certificates to provide demand-pull to housing suppliers and stimulate a self-governing housing market that would not need donor support or intervention. The government plans to expand the program to include homeless populations in addition to the families remaining in temporary shelter.

ROLES OF MEMBERS OF THE EARTHQUAKE ZONE RECOVERY PROGRAM

- The World Bank commissioned a "New Strategy for Armenia's Earthquake Zone" to complete earthquake recovery efforts.
- The U.S. Agency for International Development developed a housing certificate scheme in execution of World Bank strategy.
- The Norwegian Refugee Council supported the housing certificate scheme.
- The Urban Institute has been the alliance's implementing partner.
- The All Armenia Fund invested in housing stock in tandem with USAID.
- The Lincy Foundation supported Armenia's building renovation and reinforcement efforts, and coordinated new housing and building construction with USAID.
- The United Nations High Commissioner for Refugees supported housing vouchers.

USAID monitors formal and informal agreements between alliance partners. For instance, both the United Nations High Commissioner for Refugees (UNHCR) and Norwegian Refugee Council worked with the Armenia government and USAID to manage the process of moving families out of the domiks, clearing the domiks, and then reclaiming the land. UNHCR and USAID signed a formal agreement on coordinating their investments. In the case of the Norwegian Refugee Council, a verbal understanding sufficed. Such interactions reaffirm that alliances are predicated on trust and regular communication among the donors and private sector partners—exactly what the GDA business model seeks to engender.

For this alliance, a parallel funding approach, in which partner resources are held and tracked separately, serves as the most appropriate way to fund activities. Each member maintains and manages its own funds, allowing each partner, large or small, to focus on what it does best.

LESSONS LEARNED

- An effective implementer already operating in the field—in this case, the Urban Institute—can be a key partner and convener when opportunities for alliances arise.
- Be realistic in expectations, frank and clear with partners and stay focused—building alliances takes time.
- Be prepared for an alliance to hit stumbling blocks. Alliances are often slowed and sometimes fail to materialize.
- Focus on the unique attributes of partners—it is often the differences, rather than commonalities, that make for effective collaboration.
- Capitalize on diaspora resources wherever possible.
- Be flexible. Do not overly structure an alliance, or try to prevent it from evolving in what may be unexpected directions.

1. Jonathan Steele, "What Happened Next?" *The Guardian*, October 19, 2005.

GLOBAL ALLIANCE FOR VACCINES AND IMMUNIZATION
PREVENTING PREVENTABLE DISEASE

PURPOSE
To ensure that every child in the world is vaccinated against preventable diseases, with a focus on improving access to vaccines in the world's poorest countries.

CONTEXT
In the last century, medical research yielded vaccines to prevent several crippling, and often fatal, childhood diseases. However, as a new century begins, the world is falling short of realizing the full benefit of childhood immunization. At present, worldwide immunization programs save up to three million lives annually, but three million more still die from diseases that could be prevented. The partners in the Global Alliance for Vaccines and Immunization know that preventing infectious diseases is not only the most efficient and cost-effective form of health intervention; it also reduces poverty, lowers birth rates, and promotes economic growth.

ALLIANCE MEMBERS
Vaccine Fund:

Bill and Melinda Gates Foundation

Canada

France

Norway

The Netherlands

U.S. Agency for International Development

World Bank

World Health Organization

United Nations Children's Fund

United Kingdom

And other countries

New Funding Initiative through International Finance Facility for Immunization:

United Kingdom

France

Italy

Spain

Sweden

ACCOMPLISHMENTS AND OUTCOMES
As of December 2004:

- 8.7 million children immunized with three doses of diphtheria-tetanus-pertussis vaccine
- 71.9 million children immunized with Hepatitis B; 9.3 million with Hib; and 10.5 million with yellow fever vaccines
- 1 million deaths prevented in children born between 2001 and 2004
- 5 million further child deaths will be prevented in 70 countries over the next 10 years.

FUNDING ARRANGEMENT
Financing for the Vaccine Fund, the initial financing arm of the Global Alliance for Vaccines and Immunization:

Gates Foundation: $750 million

U.S. Agency for International Development: $283 million through FY05

Other governments: $1.7 billion from 2000 to 2003

International Finance Facility for Immunization:

United Kingdom: $130 million per year

France: $100 million per year

Italy and Spain: $15 million per year

Sweden: $27 million one-time gift

A concerted effort to save the world's poor children from preventable disease has galvanized partners in many countries. USAID acts both as a donor and program coordinator. The agency also has facilitated the participation of other organizations in this significant world health alliance.

The Global Alliance for Vaccines and Immunization (GAVI) was formed in 1999 to ensure that every child in the world—particularly those in the poorest countries of the world—would be protected against vaccine-preventable diseases. GAVI's global partners include the Bill and Melinda Gates Foundation (which provided seed funding of $750 million over five years), the World Health Organization (WHO), the United Nations Children's Fund (UNICEF), the World Bank, the U.S. Agency for International Development (USAID), and a broad spectrum of participants from developed and developing countries, including governments, development agencies, technical institutions, NGOs, vaccine manufacturers, and health organizations.

BUILDING THE ALLIANCE: A NEW ROLE FOR USAID OPENS AVENUES FOR PARTICIPATION

The Gates Foundation's $750 million grant formed the core of what was then known as the Vaccine Fund. Four governments—those of the Netherlands, Norway, the United States, and the United Kingdom—contributed an additional $250 million, pushing the Fund's resources over $1 billion. Additional governments have joined since 1999.

By making its grant to the Vaccine Fund, rather than directly to the UNICEF Trust Account from which much of GAVI's money flows, USAID helped the Vaccine Fund achieve permanent status as "a publicly supported organization" under U.S. Internal Revenue Service regulations. That status allows U.S. citizens and corporations to support GAVI through tax-deductible contributions to the Vaccine Fund and greatly facilitates the making of contributions by private foundations.

But in joining GAVI the agency demonstrated flexibility in another way. Accustomed to being "majority shareholder" in projects, and often manager as well, USAID chose in the case of GAVI to enter into a cooperative public–private alliance with a wide array of partners. Before executing the initial contract, the agency had to obtain waivers of standard USAID procedures and budgetary requirements, because USAID was not managing GAVI. That step was difficult for the agency, but it proved dramatically important in shaping USAID's approach to future alliances.

USAID has contributed increasingly larger annual amounts to GAVI through the Vaccine Fund. Through fiscal year 2005, USAID has contributed $283 million and has been active in the governance and technical oversight of the alliance. Since 1999, the agency has either held a seat on the rotating board of directors or has served as a member of the GAVI Working Group, the alliance's primary technical arm. Phase 1 of GAVI—the first five years of country-level investments—is coming to a close, and Phase 2 is about to begin.

AN INNOVATIVE FINANCING MECHANISM

In August 2005, the International Finance Facility for Immunization (IFFIm), the brainchild of Gordon Brown, Britain's chancellor of the exchequer, was formally constituted. Four countries have made 10-year commitments. Annual spending of approximately $272 million dollars will be maintained over the commitment period through the issuance of bonds. The IFFIm approach, at current funding levels, should bring to GAVI-eligible countries an additional $3.2 billion dollars of funding through 2015. The countries that have committed to the IFFIm are the United Kingdom ($130 million per year), France ($100 million per year), and Italy and Spain (with a combined total of approximately $15 million per year). Sweden will make a one-time gift of $27 million. The United States, via USAID, continues to contribute to GAVI through the traditional Vaccine Fund.

From its inception, GAVI has made support available to the 75 poorest countries of the world. Governments may apply at three "windows":

New and underutilized vaccines. Most GAVI-eligible countries now use only traditional vaccines, which are relatively inexpensive. When a country reaches 50 percent coverage with diphtheria-tetanus-pertussis (DTP_3), GAVI offers access to three vaccines that are not used in the developing world because of their high cost. These vaccines, which GAVI offers free for five years, come bundled with auto-disposable syringes for safe administration.

Safe injection equipment. Most immunization programs in poor countries use syringes that are not protected against reuse. GAVI provides auto-disposable syringes free of charge for three years. Auto-disposable syringes are outfitted with a safety feature so they cannot be reused and come with safety boxes to capture used syringes. All GAVI-eligible countries are eligible for this window of support for all vaccines administered through their public immunization program.

Immunization services support. Governments in poor countries often have difficulty supporting the immunization services that deliver life-saving, cost-effective vaccines, in part because immunization programs are usually underfunded. GAVI's funding for immunization services is innovative in that it is performance-based. Countries may apply for a grant of $20 per unimmunized child. The country receives a percentage of the grant annually for two consecutive years. But the balance of the grant is paid only if the country can demonstrate increased numbers of children immunized. Some countries have risen to the challenge and delivered tremendous results, others have not. To date, this window of funding has been available only to countries with DTP_3 coverage rates under 80 percent.

Applications for support are reviewed by an independent review committee that makes recommendations to GAVI's board of directors, which then forwards applications to a technical oversight panel (the GAVI Working Group) made up of experts from alliance member organizations, which may request further detail. Once GAVI's board approves an application, the Vaccine Fund authorizes a disbursement from a UNICEF trust account.

GAVI has begun two programs to accelerate development of new vaccines for global use—a rotavirus vaccine and a pneumococcal conjugate vaccine.

WHY GAVI WORKS

GAVI is a monumental undertaking that brings together many players. All share a belief in the viability of the enterprise and its critical mission. They know that immunization is the most cost-effective health intervention, that effective use of existing vaccines would significantly improve the health status of the world's children, and that delivery systems exist to some extent in even the very poorest countries. They also know that although immunization programs have been scaled up in many parts of the world, the gap in coverage rates between the richest and poorest countries is still substantial.

GAVI functions because of that clear consensus, and because the partners understand that no one institution can direct or finance the effort required. The alliance's partners have created a clear governance structure and a reasonably effective division of labor and responsibilities. With commitment at the highest level of partner institutions and a high level of political interest in its success, GAVI also has a well-established arrangement for the administration of funds that is acceptable to all partner institutions.

CHAPTER SIX

BUILDING HUMAN CAPITAL

DEVELOPING STRATEGIC SKILLS AND CAPACITY

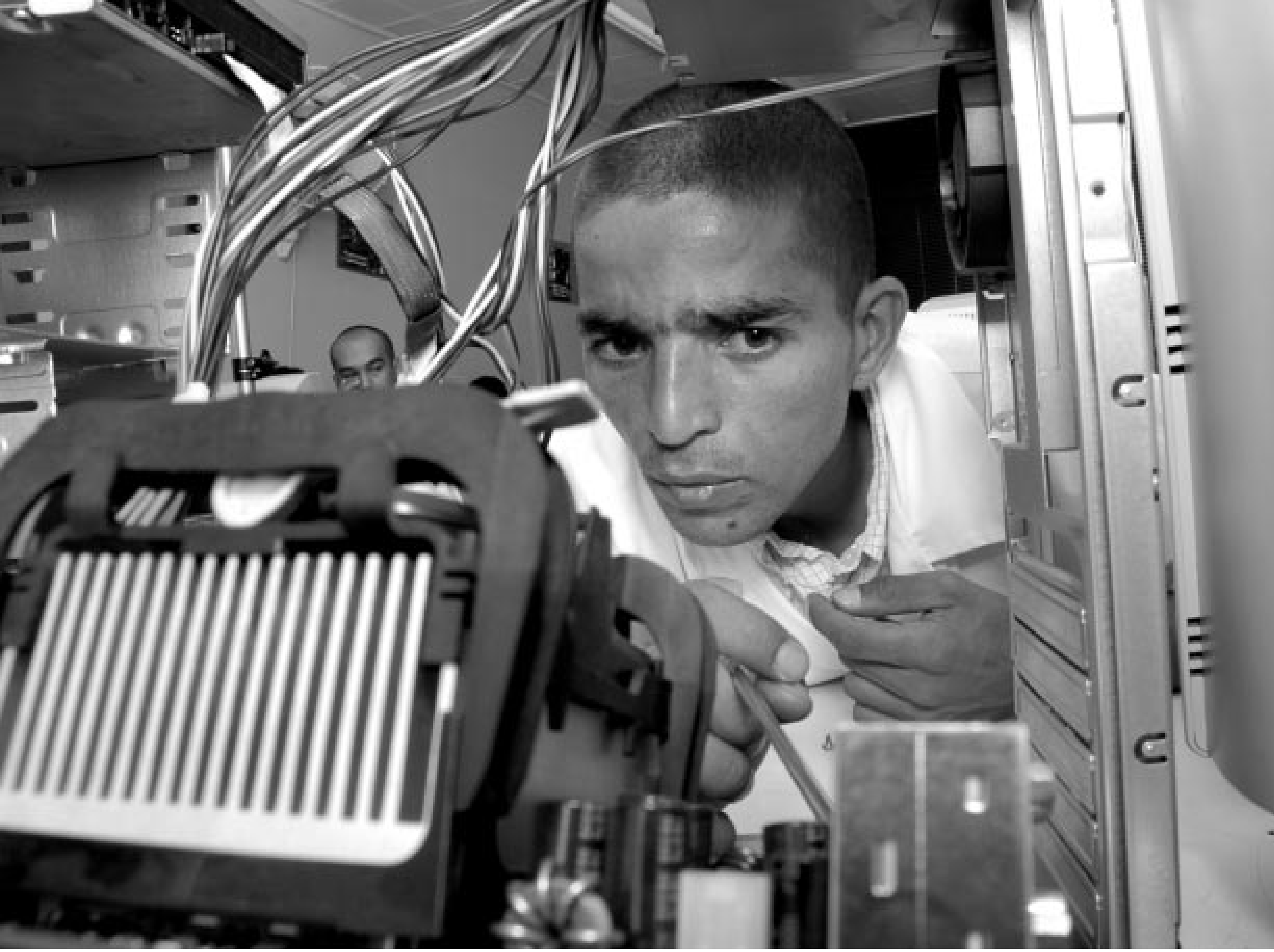
Skills in information and communications technology and internationally accepted accounting practices are vital components of the enabling environment for business activity. Without them (and other core skills), economies cannot grow. The alliances that have formed to provide such skills are characterized by cooperation among business, government, and education.

Businesses see the obvious advantages of programs that provide them with the workers they need. As the numbers of such workers grow, they enhance the economy's capacity to thrive in global competition. The same skills allow governments to expand their use of technology to improve administration and governance. Alliance partners play diverse roles in imparting those skills: providing trainers and teachers, supplying equipment and facilities, lining up internships and business opportunities, mentoring young entrepreneurs, and certifying the integrity of the program.

With USAID's help, computer and software firms, such as Cisco Systems, Inc., Sun Microsystems, Microsoft, and Hewlett-Packard, donate products and provide training to enhance information technology capacity and improve workforce skills in developing countries, thereby improving the investment climate and introducing advanced technologies in the delivery of health, education, and government services. The International Accounting Standards Board is working with USAID and professional associations in 22 countries to improve accounting practices — and thus the investment climate — across the former Soviet Union.

The alliances profiled here show a range of possibilities:

- The Cisco Networking Academy Alliance adapted a proven U.S.-based community program to venues in Africa and Asia, bringing sophisticated IT and network management skills to 200 locations in 41 countries. Each academy builds an alliance with local partners, expanding its potential to create jobs and promote business development.



CISCO SYSTEMS

- *entra 21* established an IT training program for disadvantaged youth in Latin America and the Caribbean that also established a local network of partners for job creation and mentoring.
- The Certified International Professional Accountant (CIPA) Alliance in Russia, Ukraine, Kyrgyzstan, and Kazakhstan is helping those countries ensure the business integrity needed for international investment, economic growth, and government budget management. CIPA brings together respected accounting institutions and homegrown national organizations to build capacity for modern business practices.

CISCO NETWORKING ACADEMY ALLIANCE
BUILDING INFORMATION TECHNOLOGY CAPACITY WORLDWIDE

Two major public–private efforts—the U.S. Agency for International Development's Leland Initiative in Africa and Cisco's Networking Academy Program in the United States—unite to build an IT workforce and advance women's technical education in the world's least developed countries.

PURPOSE
To develop skills in information and communication technologies (ICT) in countries and regions trying to take advantage of the opportunities presented by electronic business and management tools.

CONTEXT
An estimated two million skilled computer network operations and management professionals are needed to meet worldwide demand for the growing use of information technology in the global marketplace, as well as by governments and the public. Cisco's Networking Academy Alliance originated as a U.S.-based training initiative that has become a global alliance and a central U.S. Agency for International Development partner in ICT development.

ALLIANCE MEMBERS AND ROLE
Cisco Systems, Inc.

U.S. Agency for International Development

United Nations Development Programme

International Telecommunications Union

Japanese International Cooperation Agency

Institute of International Education

ACCOMPLISHMENTS AND OUTCOMES
The alliance is developing an IT workforce at more than 200 Cisco Academies in 41 countries that enroll 10,000 students, 30 percent of them women.

FUNDING ARRANGEMENT
Cisco: more than $150 million invested in academies around the world and at least $15 million in academies in least developed countries. For donor partners, this represents a level of service delivery that might cost 12 times more if pursued through a formal vendor relationship.

U.S. Agency for International Development: approximately $5 million since 1999.

For Ekwoge Hudson Mbong, the Cisco Networking Academy was the path to his aspirations. In August 2004, he obtained an associate's certificate (the first of four levels in the Cisco professional hierarchy) in computer networking from the local Cisco academy at the University of Buea in Cameroon. Degree in hand, he began searching for a way to earn the more demanding professional certificate.

But there were no such programs in his native Cameroon. Only two existed in all of Sub-Saharan Africa, in fact; the closest was 1,500 miles away at the Cisco Regional Academy at the Makerere University in Kampala, Uganda. Three months later, after being admitted, Hudson set out for Uganda to become a Cisco Certified Network Professional.

"It's quite a tough program, but the tough take it by force," he reported. "I believe I have a bright future here." Hudson graduated with 41 other classmates in July 2005; he now intends to earn a degree in network engineering and begin his career.

Cisco Systems, Inc., aims to produce thousands like Ekwoge Hudson Mbong. A lack of skilled IT professionals is a key factor limiting future growth in emerging and underdeveloped economies for Cisco and other companies that use information technology. The U.S. Agency for International Development (USAID), United Nations Development Programme (UNDP), and other donor partners see their support of Cisco Academies, in the least developed countries and elsewhere, as an excellent way to produce IT professionals and help make African countries more hospitable to foreign investment. Also, academies have proved surprisingly effective in training women.

It is in the melding of complementary interests to achieve shared goals that the value of partnership is most evident. Dating from 2000, the Cisco-USAID relationship is among the most durable of public and private alliances—a success by any measure.

BRIDGING THE DIGITAL DIVIDE

In 1993, Cisco Systems began developing a community-based ICT training platform to address several concerns. Cisco leaders had identified that a shortage of qualified administrators to operate the company's products was a key restraint to growth. The company also wished to practice good corporate citizenship.[1]

At that time, Cisco was designing practical, cost-effective networks for schools as a part of its regular business. While developing materials to enable teachers and staff to maintain their school's network, Cisco engineers discovered that many of the students they met were eager to learn about networking. The company wondered if it could capitalize on that interest to encourage technology programs in secondary schools, especially in underserved districts. Such an initiative could narrow the gap between education and employment by linking the program with local employers who would provide on-the-job training, such as internships and apprenticeships. Students with an interest in information technology would have access to a ready-made curriculum, while local businesses would have a pool of candidates from which to recruit.

The business logic was simple. Education based on skill in using Cisco products tied directly into Cisco's strategic needs. A Cisco-initiated and-implemented initiative would serve the dual roles of promoting education and the social good while improving the labor pool and market for Cisco's core business functions.[2]

The Cisco Networking Academy Program was launched in October 1997 at 64 schools in seven states in the United States. The web-based curriculum was developed to prepare students for industry certifications such as Cisco Certified Network Associate (CCNA[a]) and Cisco Certified Network Professional (CCNP[a]), as well as Network+ certifications. The CCNA curriculum, offered mainly at the secondary and university levels, requires 280 hours of instruction; CCNA graduates can advance to CCNP with another 280 hours instruction. At that level they are certified to administer complex network configurations and

ALLIANCE HIGHLIGHTS: 2003 TO 2005

Gender. The PLAN-IT Model—a series of toolkits in sustainability, workforce development, and gender mainstreaming—is deployed in every academy.

Uganda. The launch of the Workforce Development Program at Makerere University's Institute of Computer Science in Uganda, a department dedicated to linking students with the private sector.

Asia. The U.S. Agency for International Development's (USAID) Asia and Near East Bureau creates the Cisco Networking Academy Scholarship Program, providing $350,000 in scholarships for women in Algeria, Bangladesh, Mongolia, Morocco, Nepal, Sri Lanka, and Tunisia.

New programs. The success of the multilateral LDC Initiative launched in 2000 leads several USAID country missions to fund further programs specific to country needs and priorities, such as:

- Afghanistan joined the LDC Initiative in September 2003. Within two years, it had expanded to three academy sites graduating more than 100 students, including 30 percent women. Now in its second generation, the program operates in six secondary cities and provinces. Cisco-Afghanistan will be the focus of the second phase of the PLAN-IT sustainability model. Private sector interest in academy graduates has opened the possibility of replicating the Uganda Workforce Development Program in Afghanistan.
- In Bangladesh, a four-year academy-expansion plan administered by the USAID-funded JOBS program is under discussion. On the agenda are a gender initiative, job placement activities, and the deployment of project coordinators in different districts to support expansion of the program. To date, eight academies have been established in Bangladesh.
- Jordan's academy program is "Achieving E-Quality in the IT Sector" by combining gender training and job placement. In 2005, 476 students (42 percent women) enrolled in the academies supported by the United Nations Development Fund for Women (UNIFEM). More than 600 students have become Cisco-certified network associates.
- In Morocco, USAID has partnered with Cisco Systems and UNIFEM to establish 11 new academies. Nine have met the alliance's requirement for female enrollment.

diagnose and troubleshoot network problems. The CCNP curriculum is offered primarily at the university level.

USAID'S PARALLEL TRACK: THE LELAND INITIATIVE

After decades of promoting ICT development in telecommunications and other fields, USAID first took action to bridge the global "digital divide" in 1996. The late Mickey Leland was a Texas Congressman and an advocate for the world's poor, particularly in Africa. Leland died in a plane crash while on a relief mission to Ethiopia during its 1984 famine. USAID's efforts to bring the benefits of the information revolution to the people of Africa were later dubbed the Leland Initiative in his memory.

In 1995, as the Leland Initiative began to bring the Internet to Africa, almost no one had access. But by November 2000, when Leland Initiative engineers activated the Eritrea national Internet backbone, they connected the last country in Africa without Internet access. The connectivity program continued to evolve, engaging USAID around the world. USAID considered ICT as a cross-sectoral issue fundamental to all USAID interventions.

Today, ICT is integrated into 351 development activities, or 95 percent of all mission efforts. USAID's strategic approach to ICT involves reforming ICT policies that hamper or overregulate the sector; facilitating greater access for those not connected because of economic and geographic factors; enabling individuals and institutions to practice broader, more targeted use of ICT applications; fostering innovation and new applications; and engaging in alliances to implement development initiatives.

By 1999, when the first phase of the Leland Initiative was winding down, USAID looked ahead to a new phase that would intensify its efforts through partnership. Cisco, whose Networking Academy Program was already a prominent example of web-based IT education, was ready to take the curriculum global once it found the right mix of partners.

However obvious the potential for partnership between Cisco and USAID, the partners had yet to meet in person. At the G-8 summit in 2000, the digital divide was high on the agenda. Cisco was there to meet with development partners: USAID, UNDP, United Nations Volunteers (UNV), the World Bank, and other bi- and multilateral donors. The event was the launch of the Least Developed Countries (LDC) Initiative, a multistakeholder effort to train students of the developing world for jobs in the Internet economy.

At the summit, Cisco pledged to invest a minimum of $3.5 million to take its learning platform to 24 of the world's least developed countries. UNDP and USAID also pledged support, while the United Nations Volunteers and Peace Corps pledged skilled volunteers to help support new academies.

"The Cisco Networking Academy Program enables the Internet to bring digital opportunity to every corner of the earth," said John Chambers, Cisco president and chief executive officer. "By including these countries in our program, we will show that the Internet and education are truly the two great equalizers in life for countries, companies, and individuals."

With a global consensus on the importance of information technology matched by the participation of donors, Cisco's Networking Academy concept expanded quickly. By the end of 2001 Cisco was present in 20 countries, having established 58 academies enrolling 1,000 students. Cisco Systems trained trainers at Cisco Academy training centers, which in turn trained staff at regional academies. Regional academies then trained local academy

LANE SMITH, USAID/AFGHANISTAN

ROLES OF MEMBERS OF THE CISCO NETWORKING ACADEMY ALLIANCE

- Cisco Systems, Inc., provides funding, curriculum, and technical assistance from Cisco engineers, equipment, and brand recognition.
- U.S. Agency for International Development offers funding, scholarships for women, and guidance from USAID country missions and the agency's IT team.
- United Nations Development Programme provides funding and guidance from country offices and the UNDP technical team.
- The International Telecommunications Union supports the alliance with funds, in-kind and technical assistance, policy advocacy.
- The Japanese International Cooperation Agency provides technical assistance through the Japanese professional volunteer program.

instructors to educate eager students, such as Ekwoge Hudson Mbong. The same system is in place today.

By the end of 2002, Cisco had established 83 academies in 39 countries with a total enrollment of 3,400 students. After two years of operation, Cisco convened its first Africa Forum, where partners and the best academies came together to share experiences, successes, and lessons learned with colleagues Cisco engineers.

THRIVING ACADEMIES HELP THE ALLIANCE GROW

In 2003, alliance partners committed to a second phase—known as Africa 100—under which USAID sponsored 75 new academies and UNDP 25. Sponsorship includes equipment, training, and sponsored courses.

Africa 100 also represented a shift in focus—from universities in larger cities to secondary schools in smaller cities. Standards were also revitalized through the 50/30 campaign: in order to participate in the initiative, an academy had to enroll at least 50 students, 30 percent of whom are women. The minimum enrollment requirement was designed to permit academies to wield a professional presence capable of advancing national policy change and building the country's technological capacity. Because of the 30 percent gender target, Cisco academies in Africa now boast a higher female participation rate than those in the United States and other advanced economies of the world.

In 2004 the Japanese International Cooperation Agency joined the initiative, and the Institute for International Education was enlisted to strengthen the gender-education component. The year 2004 also saw an upgrade in the Cisco curriculum, as well as new operational challenges: Cisco managers had to cope with staggering numbers of new academies and the associated operational issues, such as staff turnover and facility management.

Today, 200 academies in 41 of the world's least developed countries and 11 middle-income countries enroll almost 10,000 students. Thirty percent of enrolled students are women, and more than 5,800 students have earned an associate's certificate.

ADJUSTMENTS

The alliance has faced difficulties stemming from its own success—among them sustaining high placement rates for graduates, reducing the brain drain of academy staff into the private sector, and helping academy operators achieve financial stability.

One obstacle has been the sustainability of academies. Financial sustainability toolkits are standard issue at all academies, as are manuals for gender and workforce development. However, not all of the academies are viable in a strictly business sense. User fees charged at some academies help recover costs and reduce the donor burden, but only a few academies have a shot at full cost recovery.

One long-term strategy for sustainability is to make sure that academies are agile in perceiving and responding to customer and workforce needs. Though Cisco is a longstanding and valued partner with USAID, both sides recognized early on that the academies should offer more than the Cisco curriculum. For one thing, the Cisco training suite did not bridge

CISCO WINS DEPARTMENT OF STATE'S 2005 AWARD FOR CORPORATE EXCELLENCE FOR JORDANIAN EDUCATIONAL INITIATIVE

The futures of countries are determined by their education system, their infrastructure, and the environment they create for innovation and supportive government," said Cisco CEO John Chambers upon receiving the 2005 Award for Corporate Excellence. "Cisco's commitment to the future of Jordan is an inspiration for businesses everywhere," observed Secretary of State Condoleezza Rice in presenting the award.

The Jordanian Educational Initiative is building the backbone for an Internet network linked to 100 schools, partnering to create a multimedia e-mathematics curriculum and 12 Cisco Academies that train young men and women in information technology to prepare them for high-tech careers. The academies have produced 600 graduates so far.

"If you've seen how the jobs are being created in Jordan," Chambers continued, "… at the number of companies that are now moving into Jordan and locating their businesses there, and the number of Jordanian companies that have flourished, you now understand what the power of working together can do."

Cisco and its partners are extending the model developed in Jordan to Palestine, Egypt, Israel, India, and the United States, in the form of the "21S" initiative, a long-term effort to rebuild schools in the hurricane-ravaged Gulf Coast region of United States and to develop student-centric, world-class education that will bridge the digital divide.

The Secretary of State's Award for Corporate Excellence, established by the State Department in 1999, recognizes the important role U.S. businesses play abroad as good corporate citizens.

the gap between the advanced networking skills taught in the academies and basic computer literacy.

Recognizing this, Cisco Systems created the "sponsored curriculum" and enlisted other technology partners to participate. Hewlett-Packard, Sun, and Panduit were among the companies that developed specific training modules to add to the Cisco curriculum. In coordination with Africa 100, these modules have been added to curricula throughout Africa. USAID has begun to reach out to other vendors, as well, including Unigraphics, whose software for managing the product life cycle is used by major corporations, and ESRI, a leading provider of software for geographic information systems.

Finally, the IT and telecommunications regulatory environment in most countries in which academies operate has proved in dire need of modernization. USAID and Cisco teamed up in 2001 to introduce regulatory training through the Cisco platform. While regulators were generally pleased with the Cisco e-learning platform, they were unanimous in saying that content imported directly from the United States needed to be adapted to the African context. From that feedback, USAID developed a second IT alliance, NetTel@Africa. The web-based curriculum was designed by and for African regulators, drawing expertise from leading African and American telecommunications experts, universities, and regulatory associations. Successful completion of the 10 courses leads to a postgraduate diploma and master's levels degrees in telecommunications policy and regulation at 20 African universities. NetTel@Africa ultimately improves the operating environment for academies and the USAID-Cisco alliance.

1. The Cisco Networking Academy Program is discussed in Michael Porter and Mark Kramer, *The Competitive Advantage of Corporate Philanthropy*, Harvard Business Review, December 2002.
2. A history of the academies is available at www.cisco.com/edu/emea/academy/academy_history_home.shtml.

ENTRA 21
JOB, LIFE, AND SKILLS TRAINING FOR YOUTH

"The 'hope gap' separates the world's people, from the earliest age, into those who have a future and those who cannot even imagine one. It is our collective responsibility to bridge that gap."

—HER MAJESTY QUEEN RANIA AL-ABDULLAH OF JORDAN, INTERNATIONAL YOUTH FOUNDATION BOARD MEMBER

With that as a guiding principle, the *entra 21* alliance is helping disadvantaged youth in Latin America and the Caribbean enter the workforce through training in information and communications technologies and job networking.

PURPOSE

entra 21 is a $27 million initiative that provides youth in Latin America and the Caribbean access to training, internships, mentoring, and placement services. The program teaches life skills as well as skills in information and communications technology (ICT), both keys to the job market.

CONTEXT

More than half the population of Latin America and the Caribbean is under age 25. As many as two-thirds of those young people are not enrolled in school and unable to find jobs. Even those who are able to afford an education are unprepared to compete for skilled jobs. In contrast, the demand for a workforce skilled in ICT is strong in the region.

ALLIANCE MEMBERS

International Youth Foundation

Multilateral Investment Fund of the Inter-American Development Bank (IDB)

U.S. Agency for International Development

Corporate donors include:

Microsoft Corporation

Lucent Technologies Foundation

Merrill Lynch

Gap

Nike

Nokia

Shell

Unocal Foundation

ACCOMPLISHMENTS AND OUTCOMES

By assembling a consortium of bilateral and multilateral institutions and corporate donors, the *entra 21* alliance has implemented 35 local partnerships involving nonprofits, private sector stakeholders, and government ministries in 18 countries. Between 2002 and 2005 more than 12,000 young men and women were selected for training. By the end of 2007 the program will have trained more than 17,000 youth, and will have placed more than half of them in jobs and paid internships.

FUNDING ARRANGEMENT

International Youth Foundation (IYF): $15 million ($10 million to match the MIF investment and an additional $5 million at the project level)

Multilateral Investment Fund: $10 million

U.S. Agency for International Development: $3 million as a part of IYF's match. Country missions have contributed an additional $1.1 million toward IYF's $5 million commitment at the project level.

Corporate donors: various amounts

Medellin, Colombia's second-largest city, is the center of a region known for its flower production. Yet it also suffers from drug trafficking, gang violence, and soaring unemployment. One intersection on a hillside above the city is referred to as "the Wolves' Mouth" for its particularly violent drug trade—and perhaps for the dreams devoured over the years by bloodshed and unemployment. When *entra 21* came to Medellin, 1,900 young people applied for the 500 spots offered. *entra 21* provides access to low- or no-cost employment training for poor youth. For many of these young people, access to computers and other information technology is limited or unavailable, putting them at a disadvantage in finding a first job.

Not every applicant could join, but those given the opportunity made the most of it.

Jenny Acosta, 18, worked at a candle-making factory and could not afford to enroll at the local university. Now she has a full-time internship at a more prestigious institution and even turned down a full-time job offer so she could continue to develop, through an *entra 21* entrepreneurship circle, her plans to start an office-supplies distribution network.

Catherine Garcia Montoya, 21, works at the reception desk at Teledatos, a call center for businesses, where she's a paid intern through *entra 21*. She had wanted to attend the university after high school but was too busy caring for her child. Now, with the money she's earned, she can pay to continue her education. Even better, her business plan to open an ice cream shop with a friend has become eligible for seed funding. She and others in the entrepreneurship group meet in the center of Medellin every Saturday for additional training in planning and marketing strategies.

Paula Ramirez, 20, felt she had few options after graduating from high school. She earned some money from odd jobs—including baking cakes in a family business—but was often without work or income. Today she's an IT systems assistant at a leading nongovernmental organization (NGO) and a budding entrepreneur: her business plan to open up a craft store showcasing local arts and culture was chosen for further development and is eligible for seed funding.

Medellin is one of five sites in Colombia where *entra 21* is in action. Projects harness the dreams and energy of youth and turn them to productive uses—building national economies and giving young people a stake in the future. It began with the International Youth Foundation.

LEVERAGING FUNDS AND KNOW-HOW

The International Youth Foundation (IYF) is a global nonprofit organization committed to providing young people with opportunities to use their talents productively. IYF engages youth—especially disadvantaged youth—through job and life-skills training, and active participation in society, education, and empowerment. Through its work with donors and at the grassroots level, IYF has developed an approach based on two main tenets:

- Youth issues are universal but tend to have regional particularities; a multicountry approach is therefore a good way to capture both the general and the specific aspects of the issues.
- Innovative pilot approaches to youth skills training should be identified and scaled up to multicountry initiatives.

"In pursuing its mission to bring worldwide resources to young people in need, IYF identifies programs that work," says William Reese, IYF's president and CEO. "Rather than building new programs from scratch, we take successful approaches and scale up their impact and reach so that many more young people can benefit."

entra 21 evolved out of lessons learned from prior youth employment training programs in the region, especially national initiatives in Argentina, Brazil, Chile, Peru, and Uruguay. Evaluations of those programs showed a need to assess the existing and projected labor markets in each project location, and to adapt local partnerships to ensure the greatest potential for job placement.

To take this lesson to an appropriate scale, IYF engaged the Inter-American Development Bank through its Multilateral Investment Fund (MIF), a $1.2 billion source of seed capital that extends IDB's activity beyond existing bilateral and international assistance instruments.

"What IYF could offer was greater leveraging success than they were accustomed to," Reese says. "MIF normally leverages locally 30 to 50 cents on the dollar, and some of that is in-kind contribution. IYF offered full one-to-one leveraging, plus an additional $5 million at the country or project level, with an agreement to bundle grants and shift implementing oversight to a partner organization."

ENTER THE GLOBAL DEVELOPMENT ALLIANCE

As IYF was courting public and private donors, GDA was just emerging. Holly Wise, GDA's director at the time, was interested in what IYF was doing. "Both USAID and IYF stood to benefit from working together in this alliance," she says. "IYF had done prior work in cultivating an alliance with significant leveraging from the private sector. USAID, in addition to contributing project funds, offered a well-established field presence, an extensive network of local partners, and the technical expertise of its staff."

This was new territory for IDB. MIF was intended for single-country, single-program grants; Reese was pitching a multicountry umbrella with IYF as manager of up to 35 projects throughout the region. But because the program promised to generate new lessons and best practices to train youth, place them in productive jobs and engage the business sector, IYF's efforts were successful. IDB pledged $10 million through the MIF, while IYF promised to match that pledge and add $5 million more at the project level. USAID's $3 million contribution was announced in May 2002 at a three-sector conference at the U.S. Chamber of Commerce. The deal offered the newly created GDA an opportunity to hit the ground running with a proven partner and an array of cofunders, both public and private.

ATTRACTING DONORS

IYF's fund-raising strategy counted heavily on tech-sector funding that was severely curtailed after the stock market crash of 2001. That some corporate donors stuck to their commitments despite the downturn suggested that they viewed their alliance with IYF as both important and a good long-term investment. IYF had successfully presented itself as an effective partner to which corporations could turn to implement all or part of their social responsibility initiatives. Thus IYF was winning and building relationships and alliances rather than catching a series of one-time philanthropic gifts, which allowed the alliance to attract resources despite the contraction in philanthropy following the crash.

In addition to lending corporate partners the positive reputation of IYF's mission and organizational performance, IYF gives partners global reach, a core set of defining issues (youth, job and life skills training, ICT skills development), reduced transaction costs (compared to a corporation executing its own program), and the capacity to directly manage and implement programs.

Also important to firms is that through an alliance with NGOs, other corporate partners, and donors such as IDB and USAID, a corporation can leverage its investment and achieve a much greater impact than it would on its own. It is the mark of a durable alliance, in fact, that all partners can claim to have leveraged each other's resources!

In the case of *entra 21*, the resources leveraged and the outcomes achieved have matched or exceeded original projections. IYF's obligation was $10 million; it has raised more than $11 million. For its local cost-share match, IYF has secured more resources for 24 projects than it thought were needed for 35. (In addition to the $3 million from GDA to help meet the


INTERNATIONAL YOUTH FOUNDATION

SUSTAINED, STRATEGIC COLLABORATION

One of the International Youth Foundation's most durable relationships is with Nokia. Since April 2000, the "Make a Connection" initiative has benefited more than 180,000 young people worldwide. The initiative emphasizes development of life skills such as self-confidence, responsibility, and teamwork to induce young people to contribute to their communities and help them become competent and caring adults. Nokia's investment exceeds $20 million.

Make a Connection is active in 21 countries, including:

- The Netherlands, where it established a network of press agencies to train disadvantaged youth as journalists
- Poland, where it trained and engaged more than 3,500 youth in volunteer service
- Canada, where it strengthened the personal and social skills of more than 15,000 aboriginal youth
- Brazil, where it organized 1,000 dedicated young people as reading mentors to at-risk children

IYF chief William Reese views the program as a classic division of labor that exploits the comparative advantage of each partner: IYF focuses on program design, implementation, monitoring, and assessment, while Nokia adds funding, staff volunteers, and community relations support.

Martin Sandelin, Nokia's vice president for corporate social responsibility and community involvement, explains some of the "must haves" exhibited by the alliance: "In order for a global collaboration of this magnitude to work effectively, there has to be open, frank dialogue, clear strategic intent, strong political will, and a willingness to take risks."

In 2005, Nokia and IYF extended the Make a Connection program to support an *entra 21* project operating in Chile, Colombia, and Venezuela.

MIF match, individual country missions have provided funds to meet the local-cost-sharing component.)

MANAGING FOR RESULTS

IYF's grant review committee has funded 25 of a planned 35 projects to train 12,000 young people and place at least 4,800 in jobs. IDB's two-year program extension to January 2008 will permit 10 to 12 additional projects (using an additional $8 million in project funds) and greater opportunity to measure programmatic impact and disseminate successes and lessons. More than 5,000 youth will benefit from the latest series of grants, enabling *entra 21* to extend its impact to a total of 17,000 disadvantaged youth in 18 countries.

Don Terry, the managing director of MIF, is proud of his decision to explore new waters with the IYF grant. "This is the most important grant program that we have ever done," he said at IYF's 2002 annual partners' meeting. "We wanted to do something different, and we needed new partners. In other grant projects, MIF was the donor which gave a grant to an executing agency. This program with IYF is a true partnership."

Each local project supported by *entra 21* develops and executes its own strategy and holds itself accountable for the results achieved. But though IYF takes care to see that local projects exercise broad autonomy rather than dependence, all share key traits: a clear labor-market need, an explicit job placement strategy, participation by youth ages 16 to 29 (with special consideration for disadvantaged youth), activities combining technical training with business life-skills, and local-partner engagement to strengthen service delivery and project sustainability.

Discovering, strengthening, and uniformly evaluating 30 to 35 locally conceived projects gives IYF and its co-investors the opportunity to identify best practices in connecting with youth, training them, and engaging businesses that can employ them. The alliance's monitoring and evaluation data reveal that 87 percent of youth are completing the training programs (young women have an even higher success rate). Having planned for a 40 percent placement rate at the outset, IYF now believes it will place 50 to 55 percent of graduates.

Complications have occurred. Programs in Argentina, Bolivia, and Panama saw some attrition among participants, due variously to students being ready for more advanced training, difficulties in balancing formal schooling with *entra 21* training programs, or finding employment. In Ecuador, a simultaneous roll-out in four cities, with training segmented by age groups, proved difficult to manage.

Program successes include a training course in the Dominican Republic that placed 89 of 91 graduates in internships. A program in Bolivia is training 600 young people to help non-profits expand their IT capabilities through a nationwide telecommunications system. A major local partner in Brazil, the Instituto de Hospitalidade, helped secure a major commitment from the ministry of tourism to take a local project to scale at the national level—going from benefiting 480 youth in one city to more than 4,000 in 11 cities.

IYF is documenting and disseminating the lessons from these experiences in order to strengthen existing youth-employment training projects. Results will be made available to local, national, and international policymakers—and used to engage business associations, donor agencies, and foundations. So far, the results point to several key lessons and best practices:

- Life and employability skills must be combined with technical IT skills to succeed.
- Market studies must precede local initiatives to determine private sector employment needs. Local implementers must be adequately prepared.
- Internships are often a key step toward job placement. The role of local private sector stakeholders in training and job placement cannot be understated.

Not to be overlooked are the immense institutional gains for local implementing partners. Through their interaction with IYF, local partners learn how to build multisector alliances that in some cases include relationship management with local and multinational corporations. *entra 21* has become more than job training for youth—it is a massive undertaking in capacity building for local NGOs.

BRIDGING THE "HOPE GAP"

For the partners that make up *entra 21*—IDB, IYF, USAID, and corporate partners such as Nokia—documenting and sharing lessons has brought a deeper understanding of youth employment issues. They know that although there are many challenges surrounding youth employment, the right programs can have real impact.

Today's young people—and their children—will define the quality of life in the 21st century. Their success is tied to the state of the world's economy, stability, and progress toward a more democratic society. To achieve positive outcomes on these fronts requires instilling in youth the skills to maneuver through everyday life, raise a family, contribute to their communities, and find a productive job. Without those skills, a young person's first job—if he or she finds one—can too often be a dead end, with little or no hope of earning a decent living or finding a better future.

Bill Reese likes to cite Queen Rania Al-Abdullah of Jordan, an IYF board member, who often speaks of the need to narrow the "hope gap" between those who have confidence in their future and those who do not. Queen Rania and Reese agree that that gap is one of the greatest challenges facing the global community; *entra 21* is helping to close it.

THE CERTIFIED INTERNATIONAL PROFESSIONAL ACCOUNTANT ALLIANCE

ACCOUNTING FOR CHANGE IN THE FORMER SOVIET REPUBLICS

The global marketplace for business and investment—like good governance and budget management—requires transparent, standardized accounting practices. The CIPA Alliance is laying a solid foundation for investment and business development in Central Asia through a comprehensive program of professional training, capacity building, and networking through local and regional associations.

PURPOSE

To establish international accounting standards in the former Soviet republics to improve governance, conduct business, and attract investment.

CONTEXT

The Soviet Union had a *command economy*, a centrally controlled system based on government orders to produce and distribute goods and resources. Bookkeepers and formal accountants tracked quantities of goods and materials, not costs or income. Selling goods for more than the cost of production was a crime.

When the region began its transition to a market system, basic concepts such as tracking finances and budgets, depreciation, and other international accounting practices were virtually unknown. Continued use of Soviet-era accounting principles and a lack of accountants skilled in international accounting principles has crippled the growth of successful enterprises and regional employment, discouraged foreign investment, and slowed the region's integration into the global economic community.

ALLIANCE MEMBERS

U.S. Agency for International Development, Accounting Reform Project

CIPA Examination Network, Inc.

International Accounting Standards Committee Foundation

International Accounting Standards Board

International Federation of Accountants

Eurasia Council of Certified Auditors and Accountants

Certified General Accountants' Association of Canada

Thunderbird, The Garvin School of International Management

United Nations Conference on Trade and Development–Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting

ACCOMPLISHMENTS AND OUTCOMES

The Certified International Professional Alliance alliance began by implementing internationally certified accounting programs in Kazakhstan, Kyrgyzstan, and Ukraine, creating curricula in the languages of the countries. The program has scaled up and expanded to Russia and Eastern and Central Europe.

Sustainability is assured by the formation of a regional accounting association and national associations, conceived and built by the participating republics and supported by alliance partners.

FUNDING ARRANGEMENT

U.S. Agency for International Development: $3,500,000 from GDA and missions

International Accounting Standards Committee Foundation: $9,200,000 (in-kind equivalent)

Certified General Accountants' Association of Canada: $805,000 (in-kind equivalent)

When the Soviet Union disintegrated in 1991, its newly independent republics needed to make the switch from controlled economies dominated by government-run industries to market economies based on privately owned enterprises. Governments had to begin grappling with real budgets. The technical expertise of an army of command-economy bookkeepers and accounting clerks was rendered obsolete; new skills were needed.

Mass privatizations and economic reforms in the former Soviet republics spawned thousands of private enterprises in 16 newly independent countries with a total population of more than 280 million. If these enterprises were to become the engines of resurgent national growth, professionals versed in market economy accounting and financial management would be needed.

AN OPPORTUNITY TO MAKE A FUNDAMENTAL DIFFERENCE

Gary Linden, director of the Office of Market Transition in the Central Asia mission of the U.S. Agency for International Development (USAID), recognized the fundamental nature of the problem and its breathtaking scale. But he was optimistic. Research revealed that Soviet-era bookkeepers, most of whom were women, were generally willing and able to learn a new set of concepts, skills, standards, and rules. Many were eager to become professionals.

Linden envisioned a solution with three parts:

- Train the new class of accountants using appropriate materials and curricula
- Certify the completion of training to signal competence to potential employers.
- Institutionalize international standards of quality and competence.

Many forms of certification are available to signify training in internationally recognized accounting standards. Among the most widespread are the certified public accountant (CPA) designation established by the American Institute of Certified Public Accountants (AICPA), the Association of Chartered Certified Accountants of Great Britain (ACCA), and the Certified General Accountants of Canada (CGA). But CPA programs are not available in the Russian language. Accountants of the former Soviet Union could not be expected to learn a new language along with a new set of accounting standards.

For Linden, the opportunity for USAID was clear—adapt international accounting standards into other languages to retrain an entire generation of accountants.

PARTNERS IN COURSE DEVELOPMENT

Initial contacts with AICPA, ACCA, and CGA were not promising. AICPA's charter did not allow services to be extended outside the United States, while ACCA and CGA were reluctant to provide industry expertise and tools outside the universe of their dues-paying members—especially when retrained accountants might then compete with those members for jobs. If the leading accounting associations would not swoop in with a top-down approach, USAID resolved to build professional accounting standards from the ground up for the former Soviet bloc.

The agency's accounting reform team started from scratch by developing a basic financial accounting course in Russian. A former CGA member working for the USAID accounting reform project in Kyrgyzstan began offering a course and exam on financial accounting in that country that proved to be a competent introduction to internationally recognized accounting standards. It was also rigorous and comprehensive enough that only 50 percent of test takers passed. Those who did received a certificate of merit with the seals of USAID and the Kyrgyz ministry of finance, which quickly gained currency among accountants.

"We knew we were on to something when we found forged certificates circulating," recalls Rick Gurley, USAID's accounting reform project officer. "The new certificates were widely respected by accountants and prospective employers, and even had real value on the street."

Recognition of the new credential among accountants and employers was a significant measure of success, though only a first step. USAID's accounting reform team immediately set about developing a managerial accounting course to complement the financial accounting offering. A third course in tax and law was added to train accountants in Kyrgyz regulations. This three-course module was soon expanded to Kazakhstan.

To gain the confidence of investors, the courses needed to be developed into a full suite of courses to enable candidates to meet the basic requirements for accounting certification recognized by bodies such as AICPA, ACCA, CGA, and the International Federation of Accountants (IFAC), the global governing body for accountancy.

The United Nations Council on Trade and Development (UNCTAD) and CGA had developed accounting education guidelines and a global model curriculum based on the equivalent of an undergraduate accounting degree. In the spring of 2001, members of the USAID accounting reform team met with CGA representatives in Vancouver to extract from the course the most relevant proficiencies for use by USAID in Central Asia. The result was a blueprint for a two-tiered certification system involving three courses leading to the credential of Certified Accounting Practitioner (CAP) and seven courses (the three CAP courses plus four more) for full recognition as an international accounting professional—a Certified International Professional Accountant (CIPA).

TATIANA SERDUK, CIPA EXAMINATION NETWORK, INC.

At this time, Gurley tried to persuade CGA to establish a program in the Commonwealth of Independent States (Belarus, Kazakhstan, Kyrgyzstan, Russia, and Tajikistan) to write and score exams for the CAP and CIPA program. The association agreed, on the condition that CGA's training materials would be used, at a price of $125,000 per course and $25 per copy for royalties. CGA has excellent training materials, but with seven courses planned and as many as 5,000 copies of each course needed each year, the price of the CGA materials was too high. It far exceeded the resources of the accounting reform team.

USAID looked elsewhere for a partner willing to invest its own sense of mission in the effort, not a vendor offering a set of services at full price. Eventually, the accounting reform team engaged several U.S. publishing houses to derive basic accounting courses from university textbooks. It called on Pragma, a long-time USAID partner, to further refine and administer the three-course module.

But to consolidate the success achieved so far—and to expand the three-course module to Russia, Ukraine, and elsewhere—the agency needed a strategic alliance with a major accounting certification body.

PARTNER BUY-IN

The accounting reform team soon realized that they were not working alone. The London-based International Accounting Standards Committee Foundation (IASCF) promotes international financial reporting standards (IFRS) issued by the International Accounting

THE VARIED MEMBERS OF THE CERTIFIED INTERNATIONAL PROFESSIONAL ACCOUNTANT ALLIANCE

- The staff of the U.S. Agency for International Development's Accounting Reform Project, based in USAID's Central Asia mission, conceived the alliance.
- CIPA Examination Network, Inc. (CIPAEN) is a nongovernmental organization (NGO) created to produce accounting exams for use in the former Soviet Union and other regions of the world.
- International Accounting Standards Committee Foundation (IASCF) promotes international financial reporting standards issued by the International Accounting Standards Board (IASB).
- International Accounting Standards Board (IASB), an independent NGO, serves the public interest by developing enforceable global accounting standards in the public interest.
- International Federation of Accountants (IFAC), the global governing body for accountancy, comprises 168 member organizations in 119 countries.
- Eurasia Council of Certified Auditors and Accountants (ECCAA) is the IFAC-recognized regional association of accounting associations in the former Soviet Union.
- Certified General Accountants' Association of Canada (CGA) is a professional membership association.
- Thunderbird, The Garvin School of International Management, is a U.S. business school specializing in international business.
- United Nations Conference on Trade and Development–Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (UNCTAD/ISAR) has developed model global accounting curricula to assist transition economies.

Standards Board (IASB), which IASCF created and supports. In 2002, the accounting reform team learned that IASB had been working on a certification scheme based on the IFRS and was planning to launch it on a pilot basis within one or two years.

Gurley presented the concept of a partnership with USAID to Kurt Ramin, commercial director at IASB. USAID's team suggested that IASB join its ongoing work with USAID's efforts in Central Asia on a trial basis, with potential expansion to Russia and Ukraine. IASB was potentially the mission-based partner with the international credibility that USAID sought. For IASB, USAID's proposal was an opportunity to pilot its certification concept through established channels. Ramin accepted. USAID had successfully brokered a public–private alliance based on shared goals, resources, risks, and rewards.

PROACTIVE INSTITUTION BUILDING

An outgrowth of the accounting reform program was acceptance within the CIS countries of the importance of the training and certification. To introduce an internationally recognized, regional certification in the Russian language, USAID supported the creation of regional and national accounting associations, followed by a certification network.

In the summer of 2001, Sapar Koshkimbaev, president of the chamber of auditors of Kazakhstan, invited his counterparts from throughout Central Asia to Almaty to propose the formation of a Central Asia Council of Certified Auditors and Accountants. The purpose of the regional federation would be to establish and promote a regional, Russia-language education, examination, and certification program based on international standards, practices, and ethics. In October 2001, a group of 13 representatives of the four Central Asian republics and one representative from Russia met again in Almaty to sign a formal protocol outlining the new body's education, examination, and certification criteria, thus formally establishing the CIPA certification program. The leaders of the accounting profession determined that the proposed federation, together with the local member association in each country, would issue the certificates. They also decided that an independent, regional examination center should be established that would write and score exams and maintain a database of candidates and results. The exam center, the second institute that USAID helped to create, became the CIPA Examination Network (CIPAEN).

On December 5, 2001, the 13 members of the federation were joined by colleagues from two Russian accounting associations and a Ukrainian association to establish the International Council of Certified Auditors and Accountants, now known as the Eurasia Council of Certified Auditors and Accountants (ECCAA). They elected Sapar Koshkimbaev as their president. Kurt Ramin, IASB's marketing director, joined the meeting in Tashkent to pledge his support for the new organization and for the CIPA certification.

BUILDING A CERTIfiCATION NETWORK

USAID then turned its attention to the examination challenge. Pragma, the contractor tasked with supporting the development of the CIPA program, hired the former director of ACCA in Ireland, Liam Coughlin, to come to Central Asia to establish CIPAEN. Coughlin quickly assembled a fine local team, and the first CIPAEN exams were given in 2002. In the same year, CIPA was introduced into Moldova and Ukraine.

The program had compiled a record of success in Central Asia and was off to a good start in Ukraine and Moldova. But USAID and ECCAA realized that for CIPA to become commercially viable, it would have to be introduced into Russia. USAID did not have an accounting reform project in Russia, but it would devise one. Funds committed by USAID's Ukraine mission and the agency's Europe and Eurasia bureau now support a cooperative agreement with ECCAA to open a branch office in Moscow, publish training materials, and market the CIPA program throughout Russia.

AN ALLIANCE EMERGES AND GROWS

Over a period of several months in the summer of 2004, USAID, ECCAA, and IASCF negotiated a memorandum of understanding to formalize the CIPA Alliance, which was signed in August by IASCF chairman Paul Volker, USAID administrator Andrew S. Natsios, and ECCAA president Sapar Koshkimbaev. The agreement allows ECCAA to use the logo of IASCF's International Financial Reporting Standards on the CAP and CIPA certificates, marketing, and educational materials. CAP and CIPA are currently the only professional accounting certificates in the world that bear the prestigious IFRS logo. An independent appraiser of intangible assets valued the IASCF contribution to the alliance at $9.2 million.

Separately, AICPA had become very interested in the CIPA program. The association sent out assessment teams to determine if CIPA had the credibility, quality, and viability to offer

THE ALLIANCE HELPS SPREAD THE USE OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

By 2003, the International Accounting Standards Board (IASB) had decided that its business should focus on the development and promulgation of accounting standards and that it would cease its work with CIPA. Because the international credibility of the Certified International Professional Accountants program depended on affiliation with an international standards body, Rick Gurley of the U.S. Agency for International Development, arranged a meeting with Paul Volcker, chairman of board of trustees of the International Accounting Standards Committee Foundation, the legal entity under which the IASB operates. He had an hour to persuade Volcker that CIPA was not only beneficial to the accounting profession of the former Soviet Union, but also was an excellent mechanism for spreading the use of the IASB's international financial reporting standards (IFRS). Since the introduction of CIPA into the Central Asian republics, three had adopted IFRS as their national accounting standards. Volcker was convinced. He obtained his board's approval to continue supporting the CIPA program.

AICPA's global accounting certification. Knowing that AICPA lacked experience in Russia and the CIS, USAID approached the Center for Business Skills Development (CBSD) at the Moscow branch campus of Thunderbird's Garvin School of International Management as a potential partner for AICPA in CIPAEN. Together, AICPA and CBSD could provide long-term financial sustainability and expert management for CIPAEN. CBSD agreed, and with CBSD as a local partner, AICPA felt the confidence to join the CIPA program in July 2004.

In March 2003, UNCTAD invited Gurley to make a presentation on the CIPA program at a special meeting in Geneva of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR). The topic of the conference was the need for a global accounting certification. Among many academic and theoretical presentations, Gurley's talk on CIPA stood out as the only example of an internationally recognized, professional certification based on the IFRS and offered in the local language. UNCTAD/ISAR was impressed with CIPA's potential as a global certification program and pleased to see its global curriculum being put into action as the basis for the CIPA certification.

Before the conference ended, UNCTAD/ISAR's chairperson, Lorraine Ruffing, made a commitment to partner with USAID and ECCAA to upgrade the education content in the CIPA program to full compliance with the UNCTAD/ISAR global curriculum and to improve the training material used in the CIPA education program. Ruffing assigned her deputy, Tatiana Krylova, a Russian citizen seconded to UNCTAD/ISAR from KPMG, to work with USAID, ECCAA, and CIPAEN. Krylova now chairs an international committee established to review CIPA training materials and to make recommendations for upgrading the materials to meet international standards.

CGA's chairman and the head of its international division were in the audience when Gurley gave his presentation in Geneva. Pleasantly surprised that the program CGA had helped create had become so successful, they expressed their renewed interest in joining the alliance. Gurley asked them to consider waiving its licensing and royalty fees for the seven courses as a contribution to the CIPA program. After months of discussion, CGA agreed to waive its licensing fee (a total of $875,000) and to charge a nominal royalty of $2 per copy, for an in-kind contribution equivalent to $805,000.

INTERNATIONAL ACCEPTANCE

ECCAA has achieved its goal of becoming an official IFAC regional grouping. In September 2005, IFAC accepted ICCAA with one stipulation—that it adopt its present name to reflect its geographic region. IFAC has selected ECCAA for its first ever outreach program, through which IFAC will build ECCAA's capacity as a regional group.

Since its inception in 2001, the CIPA program has attracted the support of the global leaders of the accounting profession. ECCAA has grown from 11 founding members to 25 associations in nine countries. The CIPAEN/ECCAA partnership has administered, or recognized from earlier USAID accounting reform projects, 64,821 exams—including 14,618 during the latest USAID project year in Central Asia (September 2004–August 2005)—throughout Belarus, Moldova, Russia, Ukraine, and the five Central Asian republics. To date, more than 4,000 accountants have earned the CAP credential. This program:

- Improves the abilities of small and medium enterprises to manage their businesses more profitably
- Reduces corruption and money laundering opportunities, and increases foreign direct investment
- Provides an excellent vehicle for raising the level of professionalism and increasing the education, qualification, and earning power of accountants in the former Soviet republics.

USAID has had numerous inquiries about offering the CIPA program in Arabic, Chinese, Dari, and Spanish. In November 2005, USAID officials traveled to the Middle East to meet with accounting professionals in that region to discuss the potential for an Arabic language program similar to CIPA. Soon, the CIPA program may become a truly global development alliance.

ACCOUNTING FOR SUCCESS IN KAZAKHSTAN

Kazakhstan has led the former Soviet countries in participating in the CIPA program, although Ukraine is quickly gaining ground. With only about 7 percent of the total population of the former Soviet Union (FSU), Kazakhstan has accounted for 23,361 exams (37 percent of the total). The country's government has established a relatively supportive legal and regulatory environment for the creation of a market economy and the international accounting and audit standards on which the CIPA program is based. Kazakhstan is also the leader in raising exam fees to cover the cost of examinations. In two USAID project years it has gone from collecting no fees to collecting more than $140,000.

So far 1,975 candidates in Kazakhstan have passed the three CAP exams and eight candidates have passed the eight CIPA exams. The CIPA program is delivered by 34 independent training providers, by far the largest number in any country, only five of whom, located in remote territories, receive any subsides from the USAID Enterprise Development Project in Kazakhstan.

Finally, Kazakhstan's Qualifying Commission, which has statutory authority for certifying auditors, has adopted the CIPA-level exams for this purpose, meaning that Kazakhstan's auditors have the most rigorous technical requirements in the FSU. The auditor-qualifying bodies in Kyrgyzstan and Uzbekistan have expressed interest in following the Kazakh example.

CHAPTER SEVEN

PARTNERSHIPS FROM THE BOTTOM UP

ENGAGING GRASSROOTS NETWORKS FOR SUSTAINABILITY

All development is local. The alliance model of the U.S. Agency for International Development (USAID) was devised to recognize and take advantage of opportunities that arise locally through formal and informal networks. Locally, USAID mission staff are always on the lookout for new initiatives to mobilize the energy and talents of poor people who lack only opportunity to improve their lives.

With a variety of partners, USAID is encouraging grassroots initiatives to bring peace to Colombia, plant millions of trees on deforested land, and make it easier for concerned citizens in the developed world to support disaster relief and other worthy causes in developing countries.

- The Alliance for Restorative Justice, Coexistence, and Peace in Colombia brings a visionary foundation together with USAID and a philanthropic think tank to promote a vision of peace amid the civil chaos that bedevils Colombia.
- Thanks to the International Small Group and Tree Planting Program, thousands of small groups of poor villagers in poverty-stricken and marginalized areas of Tanzania, Kenya, Uganda, and India are breaking the cycle of unsustainable subsistence farming and deforestation by planting millions of trees. Trees prevent erosion and improve the soil, while providing fruit, nuts, shade, and wood. As the trees grow, so do the incomes of the small groups.
- The GlobalGiving Alliance expands an innovative use of the Internet to fund and support local community development projects around the world.

ALLIANCE FOR RESTORATIVE JUSTICE, COEXISTENCE, AND PEACE
RECONCILING THE PAST, PREPARING FOR THE FUTURE

" If peace is possible in South Africa, it can happen in Colombia."

—ARCHBISHOP DESMOND TUTU

A scion of a well-known Colombian family partners with USAID to help the country move toward peace and reconciliation after decades of violence.

PURPOSE
To help Colombia achieve civil peace and provide alternative means of healing conflicts involving juvenile offenders. By applying the restorative justice model pioneered in South Africa, Northern Ireland, other postconflict situations, and traditional societies, the alliance provides a way for Colombia to heal the wounds of its past and embrace the future.

CONTEXT
Colombia must absorb large numbers of former combatants back into society, but there is little public awareness about restorative justice. Meanwhile, high levels of crime and domestic violence in some urban areas, particularly involving youth, tax the ability of the traditional justice system to restore relations between offenders and victims.

ALLIANCE MEMBERS
U.S. Agency for International Development

AlvarAlice Foundation

Synergos

Local resource and implementing partners:

Corporación Valle en Paz, a membership organization of some 600 businesses, farmers organizations, churches, universities, and other partners

Fundación Corona

Fundación Paz y Bien

Javeriana University Cali

ACCOMPLISHMENTS AND OUTCOMES
Five restorative justice centers established in three slums in the city of Cali serve hundreds of marginalized urban households by allowing juvenile offenders and at-risk youth to take responsibility for their actions as a basis for reconciliation. Similar rural centers help former combatants to reenter society. Some 650 rural households have received conflict management training and agricultural extension and marketing services to improve livelihoods and lessen recruitment of rural youth by illegal armed groups. More than 3,000 individuals will be reached over the life of the project.

FUNDING ARRANGEMENT
U.S. Agency for International Development: $1.7 million

AlvarAlice Foundation: $500,000 in fundraising from public and private donors

Sugar industry: $1,000,000

With one of South America's richest endowments of natural resources (including petroleum, coal, coffee, flowers, fruits, gold, and emeralds) and Latin America's oldest democracy, Colombia has suffered decades of political-criminal insurrection that have thwarted development. For almost half a century, armed groups have taken advantage of a lack of state presence in outlying rural areas to wage violent campaigns for control of parts of the country. An estimated 3,000 to 4,000 civilians are killed each year as a result of the conflict, and hundreds more are kidnapped. Coca and poppy cultivation is spreading to new regions; democratic institutions (especially in rural areas) remain fragile; and thousands of rural Colombians have been forced to abandon their homes to escape the violence. Criminality from the drug trade and the common crime found in many of the urban centers of Latin America add to the country's difficulties, overwhelming the judicial and penal systems.

With the potential demobilization and reintegration of tens of thousands of guerrilla and paramilitary fighters, Colombia faces a tough road. But it is also a time of fragile hope and opportunity. An alliance among the U.S. Agency for International Development (USAID), a Colombian family foundation, and grassroots organizations is doing its part to realize the country's promise by applying the concepts of restorative justice, an idea whose roots can be traced to antiquity, but that is relatively new in modern judicial systems.

Restorative justice, pioneered in South Africa after the downfall of the apartheid system, emphasizes healing the wounds of victims and perpetrators of criminal behavior, as well as those of communities affected by that behavior. Its principles have been applied in many countries beset by conflict. A common element of restorative justice programs is that victims, perpetrators, and community members are brought together to forge solutions based not on retribution but on forgiveness, repair of harm, and reintegration of victims and offenders into society.

The alliance has three parts. In the *urban component,* in the city of Cali, young people in poor, violent neighborhoods are learning to apologize for their crimes and become productive members of their communities. In the *rural component,* farmers in the nearby Cauca Valley are learning how to solve conflicts using restorative justice. Simultaneously, agronomists specializing in ecoagriculture are teaching farmers new techniques to grow and market organic vegetables and coffee as premium-priced substitutes for coca. In the alliance's *curricular component,* Colombian universities are creating courses focused on international humanitarian law and restorative justice.

All three components are an extension of private philanthropic work dating back several decades, recently invigorated by new partners to face new challenges. Serendipity played a role in the formation of the alliance.

BUILDING THE ALLIANCE: PHILANTHROPISTS AND VISIONARIES

Maria Eugenia Garcés, a founding member of the AlvarAlice Foundation, comes from a family with a long tradition of private philanthropy. Her parents, Álvaro Garcés and Alice Echavarría, engaged in philanthropic work in the city of Cali, capital of the rich state of the Cauca Valley. With others, they established the Corona Foundation to provide social services for the 6,000 employees of the family business. In 1988, the foundation, one of Colombia's most respected for 40 years, began to make grants in the areas of education, health, and community and enterprise development. Maria Eugenia Garcés became a member of the Corona Foundation's board in 2000 and later joined the board of the Brain Trauma Foundation in the United States. She would build on that experience to found FUNDCOMA, the Colombian Foundation for the Treatment of Brain Injuries.

Upon the death of her parents, Garcés and her siblings set out to create a new private foundation, the AlvarAlice Foundation, to commemorate and continue the Garcés Echavarría

ALVARALICE FOUNDATION

legacy of social philanthropy in Colombia. In recognition of the broad-based and participatory style of Álvaro Garcés and Alice Echavarría's social activism, the foundation's charter and mission called for strategic relationships with other local, national, and international partners to further Colombia's development from the grass roots up.

THE GLOBAL PHILANTHROPISTS CIRCLE

In the process of setting up AlvarAlice, Garcés and her family were introduced to the Synergos Institute's Global Philanthropists Circle, a network of individuals and families active in private and community philanthropy. Composed of 50 member families in 15 countries, the Global Philanthropists Circle is one of several essential services provided by the Synergos Institute, an international organization formed in 1986 to expand private philanthropy in developed countries and build the capacity of local foundations in countries where a strong tradition of philanthropy did not yet exist.

The Garcés Echavarría family recognized the value of the services that Synergos and the Global Philanthropists Circle could provide—strategic planning and operational blueprints, stakeholder maps, and action plans to start a private foundation from scratch. But Maria Eugenia Garcés also valued the intangible benefits of accessing the ideas and experience of people who were in a similar position as her family and could offer guidance and personal support.

Andrew Sillen, a relationship manager at Synergos, helped formulate a strategy to support the AlvarAlice vision. Sillen suggested an international symposium in Colombia as a way of introducing the new foundation and launching its first initiative in restorative justice.

At the 2003 annual meeting of the Global Philanthropists Circle, Garcés found herself seated at a table with fellow member Tokyo Sexwale, a charismatic figure who was at one time imprisoned alongside Nelson Mandela for activities "subversive" to South Africa's apartheid regime. After serving a reduced sentence at the Robben Island maximum-security prison (and earning an undergraduate degree in the process) Sexwale went on to be elected a regional governor in post-apartheid South Africa. He then retired from politics to found a holding company and subsidiaries with major stakes in oil and diamonds.

When Garcés related her plans to focus on restorative justice in Colombia, Sexwale responded unequivocally. "You don't know what it takes to do restorative justice," Sillen recalls Sexwale saying, "but we do, and we will help you." A second serendipitous connection would be made soon after—this time with the Global Development Alliance (GDA).

IT HAPPENED ONE NIGHT

GDA had only recently cultivated the Synergos Institute as a strategic partner, after a stocktaking exercise identified a gap among GDA's resource partners—individuals of high net worth who gave significantly, either directly or through foundations. GDA realized that by reaching this population it could build robust links between public and private foreign aid and add new points of leverage for USAID programs.

To reach the newly identified population, GDA staff member Dan Runde (now GDA director) identified the Synergos Institute as a potential new partner that not only had institutional expertise in poverty reduction efforts, but also was a point of entry to many private philanthropists. A series of consultations led Andrew Sillen and Synergos president Bruce Schearer to invite Runde to participate in one of the activities surrounding the 2003 University for a Night event hosted by the Global Philanthropists Circle.

University for a Night is an annual keynote event designed to bring together the members of the Global Philanthropists Circle and a broader array of stakeholders from foundations, bilateral and multilateral donors, and other international organizations. It is designed to facilitate informal connections and support of the sort that have made the Global Philanthropists Circle so effective in advancing private philanthropy.

That evening, Runde was seated with Maria Eugenia Garcés and Oscar Rojas, executive director of the AlvarAlice Foundation. He listened as they detailed the foundation's plans to focus on restorative justice. For Runde, the connection between the GDA mission and the combination of grassroots effort and private philanthropic activism by a prominent Colombian business family was immediate. He invited Garcés to submit a proposal for collaboration through the 2004 GDA solicitation.

With assistance from Synergos, Garcés proposed to GDA a major restorative justice initiative in Cali and its surrounding regions. After classifying the proposal as technically sound and the partners competent to carry out the work, GDA put in $300,000 from its incentive fund and enlisted support from USAID's Colombia mission, which provided $1.4 million in cash resources.

THE INTERNATIONAL SYMPOSIUM ON RESTORATIVE JUSTICE AND PEACE

After months of event preparations and outreach to sponsors, the International Symposium on Restorative Justice and Peace was held in Cali, Colombia, in February 2005. With more than 1,000 participants, the conference brought to Colombia veterans of conflict from Guatemala, Northern Ireland, Peru, the Philippines, Sierra Leone, South Africa, Spain, and Timor Leste. The keynote speaker, Archbishop Desmond Tutu, had led South Africa's Truth and Reconciliation Commission and won the Nobel Peace Prize for his role in the struggle against apartheid. "If peace was possible in South Africa," Tutu told his listeners, "it can happen in Colombia. It can happen everywhere."

The culminating event of the conference was a nationally televised roundtable between Colombian president Álvaro Uribe and a panel of six symposium participants. In a dramatic, unscripted moment, panelist Archbishop Tutu brought audience members—and the Colombian president—to their feet with an offer to approach South African president Thabo Mbeki about inviting representatives of Colombia's rebel forces to South Africa to learn about that country's path to peace and reconciliation. Discussions are being held in both countries to follow up on Tutu's offer.[1]

As a result of the symposium, the restorative justice component of Colombia's Peace and Justice Law—enacted in 2005—gained broader national recognition and support, thanks to extensive media coverage.

THE ALLIANCE'S URBAN COMPONENT: RESTORATIVE JUSTICE CENTERS AND *CONSEJERAS DE FAMILIA*

Restorative justice has the potential to help Colombia recover from decades of civil war and insurrection. It is also important as a means of addressing juvenile crime, including gang violence.

Cali's Aguablanca district is a largely informal assembly of people displaced by Colombia's conflicts. It is notorious for its troubles. Leftist insurgent groups trawl the neighborhoods for new recruits, while right-wing paramilitary troops make periodic sweeps, killing youths suspected of guerrilla involvement. Gang violence, petty and violent juvenile crime, and spousal and familial abuse are all common.

With help from the alliance, including $600,000 in funding from the AlvarAlice Foundation, the Fundación Paz y Bien (Peace and Well-Being Foundation) is helping Cali's marginalized urban households through five restorative justice centers that teach juvenile offenders and at-risk youth to take responsibility for their actions as a basis for reconciliation. Paz y Bien, which operates a range of programs in urban community development, was started by Sister Alba Stella, a Catholic nun who studied restorative justice as practiced in Northern Ireland.

A notable feature of Sister Stella's work is a women's network of *consejeras,* or advisors. A dozen or so women lead and mentor a network of about 125 consejeras who act as neighborhood mediators and peace-builders who can safely cross the jurisdictions of Aguablanca's many gangs. Though Sister Stella's work is faith-based, the women's network does not proselytize—in part to protect its neutral status in the community. Rather, the consejeras apply generic but universal principles such as restorative justice to mitigate harm when it is done and help prevent the use of violence as the first recourse.[2]

In applying restorative justice and other community mediation services, the women's network has evolved into an informal neighborhood governance structure in a country where municipalities govern weakly, if at all, and are partly to blame for the persistence of violence at the local level.[3]

THE RURAL AND CURRICULAR COMPONENTS: CORPORACIÓN VALLENPAZ AND JAVERIANA UNIVERSITY

In the countryside, meanwhile, farmers are caught in a crossfire as illegal armed groups battle with each other and government forces. The two sides often vie with one another for influence in rural communities, and this usually results in violence. Young people growing up in such communities often see membership in one of the rival groups as a ticket to a better life.

The alliance's main partner in mitigating harm in rural communities is Corporación VallenPaz, a membership organization of some 600 businesses, farmers organizations, churches, universities, and other partners committed to peace through the social and economic development of rural communities. As in the urban component of AlvarAlice's work, centers have been established to teach program beneficiaries about

ALVARALICE FOUNDATION

restorative justice, thereby mitigating conflict and promoting community coexistence. Corporación VallenPaz also provides income and employment opportunities, for youth especially, to counter the recruitment appeals of illegal armed groups. Through Corporación VallenPaz, agronomists and agricultural extension specialists are teaching local farmers to grow and market organic lettce, tomatoes, maize, cassava, and coffee beans as substitutes for coca cultivation.

The sugar industry is especially committed to this component of the alliance's work, as it has an interest in improving the livelihoods of its workforce. The industry association and other stakeholders have invested about $1 million in the rural livelihoods and justice components of Corporación VallenPaz's work.

Javeriana University is a Jesuit institution working with Fundación Corona to introduce restorative justice concepts into the political science and law curricula and to develop an online course on restorative justice and conflict resolution for 3,000 undergraduate and graduate students.

HIGH STAKES FOR A BOLD NEW MODEL

As Colombia struggles to reintegrate thousands of former guerrilla and paramilitary fighters into a civic culture damaged by decades of conflict, the Alliance for Restorative Justice, Coexistence, and Peace, offers reason for hope in its melding of community-based reconciliation and new income opportunities. The alliance is attracting attention not only for its ambitious scope, but also for its composition. The world is watching to see if USAID's experiment with a local family foundation and a network of local NGOs will prove successful. If it does, and the signs are good, the model offers immense promise.

1. Synergos Global Philanthropists Circle,, www.synergos.org/05/colombiajustice.htm.
2. *Declan Roche, "Governing Ungoverned Spaces: The Role of One Women's Group in Cali, Colombia," unpublished paper, London School of Economics. Available at http://www.justicia-restaurativa-colombia.org.*
3. Some might say the consejeras are reviving past practices. Until the Spanish conquest, a few of Colombia's indigenous groups practiced both matrilineal descent and restorative justice.

THE INTERNATIONAL SMALL GROUP AND TREE PLANTING PROGRAM
"AS THE TREES GROW, THE MONEY FLOWS"

"One thousand trees at the hospital in one month. We meet every Tuesday and Thursday afternoon after the heat of the day and dig holes, then plant the trees to improve the area around the hospital [and] have more shade for patients and visitors."

—FROM THE ACTION PLAN OF A SMALL GROUP IN KENYA

A community-based program that grew out of a faith-based mission to Africa restores communities and biodiversity by planting trees. In the process, it mitigates environmental degradation, famine, drought, disease, and poverty.

PURPOSE
To empower subsistence farmers to develop community-based reforestation and sustainable agricultural techniques.

CONTEXT
Millions of acres of tropical forest in Africa and Asia have been destroyed by decades of logging and slash-and-burn farming. This unsustainable human activity has exposed the ground to harsh, drying winds and brief, heavy rains that erode the thin topsoil. Poor farmers then work the degraded land until the ecosystem or crops fail, exposing rural communities to drought, famine, and disease.

ALLIANCE MEMBERS
U.S. Agency for International Development

Clean Air Action Corporation

Dow Chemical Company Foundation

The World Bank

Institute for Environmental Innovation

Berkeley Reforestation Trust

ACCOMPLISHMENTS AND OUTCOMES
More than 2,500 groups of 6 to 12 committed individuals are breaking the cycle of unsustainable subsistence farming in Tanzania, Kenya, Uganda, and India. In Kenya alone, 800 small groups have planted 170,000 trees and one million seedlings. Of several million trees planted under the program, more than 1.5 million are under successful cultivation.

FUNDING ARRANGEMENT
U.S. Agency for International Development: $1.5 million

Clean Air Action Corporation: $3.9 million

Dow Chemical Company Foundation: $1.2 million

CLEAN AIR ACTION CORPORATION

John Gichuki, of Jacaranda Group, Kenya, was a very active farmer interested in tree planting. Although he had never taken part in group action before, he decided in 2004 to join six fellow villagers to start a small group under the International Small Group and Tree Planting Program (TIST). Gichuki's group planted 5,000 trees in the first nine months of 2005, receiving roughly $76 for its work. The group decided to reinvest 20 percent of their earnings in care for the trees they planted. The remainder went to purchase food for their families.

TIST creates incentives for rural communities in such areas to form small groups that restore barren landscapes. "As the trees grow, the money flows," goes the program's slogan. Money flows to the planting groups in the form of payments for each tree planted and also from sales of fruit, nuts, timber, firewood, and other forest products. Benefits grow as the trees mature, improving local farming conditions. Simultaneously, better agricultural techniques taught by program personnel increase the supply of food to the small groups and their communities. Wherever TIST small groups exist, local auditors, or "quantifiers," verify the number of trees planted (and still living) and upload the data to the program's website, www.tist.org.

Planting millions of trees recovers environments and changes lives. Trees provide shade and windbreaks for people, animals, and crops. They prevent erosion, preserving agricultural land. Some types of trees improve soil quality. Others provide fruits, nuts, animal food, timber, medicines, bee habitats, and even insecticides. Trees mark borders around homes, farms, roads, and paths. Groves can become a village woodlot. Native grasses grow again under the shelter of trees, providing food for farm animals.

As the trees grow, so does the hope of poor villagers in poverty-stricken and marginalized areas that lack good roads, bus service, phone coverage, internet access, and banks. Since 1999 TIST has grown from 40 small groups in Tanzania, to more than 2,500 small groups in four countries. Small group members have planted more than 10 million trees, and more than 1.5 million trees are alive today. Active TIST participants have recruited and trained others, have more than doubled crop yields, and have reduced their health risks substantially.

FROM FAITH TO ACTION

In 1998, Ben Henneke, president of Clean Air Action Corporation (CAAC), and his wife Vannesa, answered a call to service from the minister of their congregation in Virginia. They soon found themselves "surprised missionaries" on a trip to help the Anglican diocese of Mpwapwa in central Tanzania. The diocese, about the size of Rhode Island, consists of 500 congregations shepherded by 62 priests.

"We thought other people did things like that," commented Vannesa Henneke. "And we would support them and say prayers for them. But all of a sudden we were in central Tanzania." They were there to lead a seminar in "small group servant leadership." Bishop Simon Chiwanga had decided to organize the members of his diocese into self-supporting, cooperative small groups to reduce the load on his thinly stretched clergy. The groups also would become vehicles for collective problem solving.

It was the Hennekes' first exposure to Africa, and they remember being shocked at the desolate landscapes and at the lack of opportunity for the intelligent, hard-working villagers. Their group returned a year later and conducted a follow-up seminar, a "visioning process," to determine exactly what problems villagers faced and what they might imagine as a hopeful future. During that seminar participants developed the goals of sustainable agriculture and tree planting, an idea that soon flourished into the TIST program under the continued supervision of the diocese.

The problems identified in the visioning process were clear. Declining soil fertility; lack of shade and firewood; and recurrent famine, disease, drought, food insecurity—all were among the villagers' top concerns. And they all seemed to result from decades of unsustainable use and destruction of local resources. But hope for the future came out clearly, too. Local participants in the Hennekes' seminar voiced their commitment to change and agreed on the need for reforestation, sustainable agricultural practices, and micro lending to build livelihoods.

The participants had vision; that was clear. They also had begun to form groups to implement their vision. What they lacked was access to funds to create the system they knew they needed. That was where the Hennekes and CAAC came in.

EXPANSION

When the Hennekes returned a third time to implement the plans that had emerged from the visioning process, Ben Henneke brought along his own business, CAAC, which invested $500,000 for planting 500,000 trees. CAAC also provided mentoring and guidance for the small groups; assistance in management techniques and democratic procedures; and the technological infrastructure needed to monitor the progress of the planting program. CAAC also would work with the small groups to share best practices for replication and expansion.

As the Hennekes developed the TIST concept, they reached out to other partners. Jerry Martin, a vice president of Dow Chemical Company, had been among the facilitators of the visioning process during the second seminar. Inspired by that experience, he led an effort within Dow to support TIST. In 2001, the Dow Chemical Company Foundation awarded TIST $1.2 million to create a nonprofit implementing organization, the Institute for Environmental Innovation, and to plant an additional 1.5 million trees involving some 7,000 farmers working in more than 650 small groups. Dow wanted to ensure that the TIST program would embody the same approach to sustainability that Dow was developing for its own operations. The heart of Dow's policy is that to succeed in the twenty-first century, a company must simultaneously excel in all three elements of sustainable development: economic viability, social responsibility, and environmental integrity.

Dow AgroSciences (DAS) has also become involved with TIST. DAS provides technical assistance for TIST program participants to further develop agricultural practices, crop protection, and agricultural marketing skills. In so doing, DAS aims to gain insights into the needs of undeveloped markets and the kind of new products that will be needed in the future in areas like Mpwapwa.

In 2000, the TIST Board voted to create a for-profit organization—TIST, Ltd.—with an arms-length business relationship with the Anglican Church. TIST, Ltd. is designed to manage the business operations of the Mpwapwa TIST program. In 2002, TIST expanded to the state of Tamil Nadu in southern India. In 2003, it was replicated in Uganda by farmers who had participated in a TIST seminar in Tanzania and saw that TIST could make a difference to their own lives.

In 2003, the U.S. Agency for International Development (USAID), recognizing TIST as an innovative mixture of private sector involvement and faith-based outreach, invested $500,000 to enable TIST to reach out to another 1,500 small groups in Tanzania. The plan was to plant 1.8 million new trees, benefiting some 75,000 people.

In 2005, USAID's mission in Kenya committed $1 million for TIST to expand to the Meru and Nanyuki regions of that country. In addition to the demonstrated benefits, USAID thought TIST's small group structure might serve as an effective vehicle for educating rural people about HIV/AIDS and malaria, topics that the small groups in Kenya had identified as important.

TIST BY THE NUMBERS, OCTOBER 2005

	Tanzania	Kenya	Uganda	India
Trees planted	408,073	170,369	324,589	447,856
Seedlings	67,416	1,062,160	31,975	561,377
Top species	Luciner, Mijohoro, Mjlonge	Eucalyptus, Gravellia	Eucalyptus, Enshaarri, Misaipras	Casuarina, Eucalyptus, Indian Tree
Active small groups	348	1,032	735	275

Source: www.tist.org.

HOW TIST WORKS

At the heart of TIST are small groups of 6–12 subsistence farmers. Participation in the groups is voluntary, but a minimum commitment of five years is encouraged. The group structure is based on equal participation; leadership rotates among members. TIST empowers these voluntary associations to meet group-defined goals by planting trees, improving agricultural practices and fuel efficiency, spreading health-related information, and sharing best practices with other groups.

Using principles of conservation farming developed in Zambia under the aegis of the U.N. Food and Agricultural Organization, TIST trains small groups to prepare nurseries and raise seedlings. Trees are planted in small local plots around group members' homes, farms, and communities—wherever they can be useful—rather than in large monocultural tracts. Plantings increase shade, reduce erosion, restore important natural resources, and control flooding, all of which help fight famine and poverty. As the TIST alliance expands through these areas, farmers and other participants build skills in agricultural management, conservation farming, community building, and computer technology (related to data gathering and information sharing), that will serve them in the future.

Groups design their own approach to planting, making decisions on which trees to plant and where to place them. The small groups are encouraged to plant indigenous trees. The Neem tree, a species native to India and Myanmar, has proven extremely beneficial. It thrives in semi-arid climates and demonstrates positive effects on pest management, environmental protection, and even health and medicine.

The small groups own the trees and receive all benefits of their presence, including a sustainable fuel supply, fruits, nuts, fodder, shade, and local environmental benefits. TIST provides quarterly payments to small groups according to the number of trees planted and maintained according to specified practices. In Tanzania, a typical group with 1,500 trees could earn the equivalent of a month´s wages from their trees over the course of a year. The trees are both a cash crop and a visible representation of the choice that each small group has made—to do what they can to improve their community.

TIST uses a low-cost, high-tech approach to monitor and collect data about plantings. Local quantifiers collect field data using palm computers and a global positioning system. From internet cafés, they upload their data—on the location, size, and species of trees being planted—to TIST's database. The TIST website offers real-time data on tree populations and the GPS coordinates of the groves planted and tended by the program's many small groups.

TIST also provides training and supplies for tree planting and conservation farming, fuel-efficient and healthier stoves, and education on malaria and HIV/AIDS prevention. A two-way communications network includes newsletters and monthly reports, plus weekly local meetings, monthly district-level meetings, and biannual national seminars. The communications network allows for training, the addition of new TIST components, and expansion to new small groups in other areas, regions and countries.

EMPOWERMENT OF 20,000 SUBSISTENCE FARMERS, ONE GROUP AT A TIME

For TIST, reforestation is the means to the larger goal of building communities and spreading hope through self-help and empowerment. "We ask people what they care about," says Ben Henneke, reviewing the method of community mobilization and empowerment he and his wife developed for their seminars in 1998. "Then we ask them to talk to each other about what works really well. And then we ask them to figure out how to use the things that work well to achieve the things they care about."

From its humble beginnings in Tanzania, TIST has now been replicated (with adaptations) in Kenya, Uganda, and India. It has mobilized more than 20,000 men and women in 2,500 small groups to develop and share best practices in reforestation, agriculture, and health. The growing popularity and awareness of the reforestation program has encouraged more villages to become involved.

As TIST develops, it becomes clear that it straddles multiple worlds. The farmers are most concerned about whether, how much, and how quickly they are paid for the trees they plant. Donors wants to be assured that the small groups are receiving the proper training, putting it into practice, and achieving broader environmental goals. Connecting these worlds has been a challenge, and many lessons have been learned along the way:

- TIST is most effective in the poorest areas: among people with the least resources and infrastructure, and the fewest alternatives.
- Daily operations in such locations can be grueling, with a phenomenal toll on people, organizations, and machines.
- TIST is easy to join; adding another group or location does not require much initial work in the villages. But as the popularity of the small groups grows and new groups spread over larger areas, the logistics required for continued service to and monitoring of the groups become daunting.
- Keeping costs low is a constant challenge for participants and sponsors alike.
- Good equipment and training can allow the collection and transfer of data with reasonable and declining cost. But it takes individual integrity and lots of hard physical and intellectual labor by the people collecting the information to provide accurate and useful information.
- Grassroots organizations and large organizations like USAID and the World Bank require "interpreters." TIST participants may be in complete alignment with a donor's goals—but a major effort often is necessary to aggregate and organize information from so many local sources into a form useful to donors.

GLOBALGIVING

DEVELOPMENT AT THE SPEED OF LIGHT

PURPOSE

To build the leading online marketplace for international philanthropy, channeling contributions from individuals, community-based organizations, corporations, and foundations to projects in the developing world.

CONTEXT

Integrated markets, communications technology, network-oriented thinking, and decentralized decision-making are changing the theory and practice of development, creating new coalitions of stakeholders focused on specific development problems and issues. GlobalGiving is a fresh approach to delivering foreign aid and is competing to become a household name in international philanthropy.

ALLIANCE MEMBERS AND ROLES

GlobalGiving

U.S. Agency for International Development

Partners through employee and customer giving campaigns include:

Hewlett-Packard

The North Face

Development Alternatives, Inc.

Gap, Inc.

Applied Materials

ACCOMPLISHMENTS AND OUTCOMES

Development organizations have posted more than 1,300 high-impact projects in 60 countries on the GlobalGiving website. To date, 3,800 individual and institutional donors have contributed $2.4 million to 470 projects.

FUNDING ARRANGEMENT

U.S. Agency for International Development: $1.5 million

Other resource partners include Omidyar Network and the Hewlett, Kellogg, Mott, Sall, and Skoll foundations, which together have contributed more than $4 million.

eBay, Google, PayPal, Yahoo!, and Visa International provide in-kind technical assistance and expertise.

Two former World Bank executives engage USAID to advance a next-generation platform to facilitate giving for international development causes and projects.

WATER PARTNERS INTERNATIONAL

Unable to make ends meet, many families in rural western Nepal send their daughters to work in faraway cities as bonded servants in private homes or as dishwashers in teahouses. The conditions under which these "indentured daughters" live and work are entirely at the discretion of their employers. Abuse is rampant.

But help is coming from GlobalGiving.com. For every $100 donation made through the web-based philanthropic portal, the Nepalese Youth Opportunity Foundation is able to pay for a girl's primary education and offer families compensation for the wages they would have received if their daughter had gone to work. Sumitra Chaudhari, one of an estimated 40,000 Nepalese girls sold into bonded servitude, is now in school, with help from the foundation. She wrote of her experience in a poem to her family: "Father, and my mother, I join my 10 fingers. Don't send us to work for the landlords."

A continent away in rural Kenya, a network of independent health clinics offers prevention and treatment services for malaria, respiratory infections, worms, amoebas, and diarrhea. Donations to the clinics make possible training for health workers and deliveries of medicines and other supplies. A clinic averages 5,000 patients a year, and economies of scale are allowing them to offer services to more people at lower cost. "The [clinics] will go a long way to narrow the gaps currently existing in delivery of health services," reports Dr. E. Maree of the ministry of health for the Kirinyaga District.

These small but effective projects, although very different in scope, share space in an online catalog of development projects at www.globalgiving.com. The site enables anyone to support a development project—a concerned individual, a Brownie Scout troop, or an employee of a Fortune 500 corporation whose contribution is matched by her employer. It began with the idea that web technology had opened new ways to tap new sources of philanthropy for development projects.

A NEW DEVELOPMENT MARKETPLACE

As leaders of the Corporate Strategy and Innovation groups at the World Bank from 1998 to 2001, Dennis Whittle and Mari Kuraishi were responsible for Development Marketplace, an open competition designed to unearth new ways of stimulating and channeling small donations to development causes. The initiative brought together individuals, nongovernmental organizations (NGOs), and other groups proposing innovative "bottom up" solutions to pressing social and economic concerns—solutions that delivered results and could be expanded or replicated. Development Marketplace was the World Bank's first explicit attempt to apply a venture capital approach to international development. Since the first event in 1998, marketplace events have been staged at both the global level (with 171 winning proposals receiving $23 million in funding), and in several countries (with 650 winners in 42 countries receiving $11 million).

The innovations that surfaced in the competitions had a powerful common thread. Whether it was Bosnian war widows placing their hand-knit apparel in Parisian boutiques or a new approach to developing an AIDS vaccine, each innovation seemed to suggest that an incredible wealth of available resources for development lay untapped. And though the Development Marketplace events succeeded in generating millions of dollars for partners and projects, the sums were a drop in the bucket of World Bank assistance. Competitive marketplaces did not blend well with the sprawling operations of the World Bank.

But buoyed by the potential of the marketplace approach, Whittle and Kuraishi elected to spin off the concept. They resigned from their positions at the World Bank in 2000 with optimistic but unproven ideas that online giving could help transform the development industry and capture the imagination (and dollars) of a new generation of unofficial donors. Like the bright-eyed business school grads that try their fortunes in start-up ventures each year, they reached out not only to potential investors, but also to friends and family.

"The start-up phase was quite a challenge," Whittle remembers. "But once we launched programs with the initial users, the whole thing started to gather momentum. And now, we have an extraordinary, growing network of partners from all sectors."

Initial successes included partnerships in the technology, nonprofit, and foundation sectors; an endorsement from the United Nations Information and Communications Technology taskforce; and support from corporate partners (such as Hewlett-Packard) and international NGOs (such as Ashoka and IDEX). With the help of its new partners, GlobalGiving was able, in late 2002, to launch its web-based portal—the new development marketplace.

In 2003, GlobalGiving approached the Global Development Alliance (GDA) in hopes of connecting with like minds and leveraging additional resources. The concept was well suited to GDA's focus on new approaches to development and on leveraging new and additional resources in the service of international development.

"GlobalGiving brought two valuable services to the table," said GDA director Dan Runde. "First, it promoted and supported personal giving by the American people—through individual donations and the collective, voluntary action of community-based groups and employers. Second, each donation indirectly helped build the capacity of the local NGOs that implemented the projects. Both of these actions advanced important USAID objectives."

GDA granted GlobalGiving $500,000 in 2003 and an additional $1 million in 2004, both for general operating support.

GLOBALGIVING...

"...represents the application of eBay to international aid... Like eBay it is meant to let the "market"—in this case for development aid—clear at a minimum cost without any bureaucratic interference."
— James Fallows, *Atlantic Monthly*

"...is a kind of turbo-charged global want-ads section where project leaders can advertise their needs and funders can find them."
— Bruce Jacobs, *Philanthropy Magazine*

"... may be the first of many market endeavors that compete with aid agencies..." — William Easterly, *Foreign Policy*

"...will focus on the underserved segments of the market and expand funding for entrepreneurs and communities in emerging markets. [It] will help increase transparency, encourage innovation, and reduce transaction costs in the development industry."
— International Finance Corporation, World Bank Group

"...the foreign aid equivalent of the speed of light."
— *The Washington Post*

THE COMPONENTS OF GLOBALGIVING

GlobalGiving encompasses two separate organizations. A for-profit firm, Many Futures, reaches out to potential funders and provides technical support, while the GlobalGiving Foundation works directly with in-country NGO partners to vet projects and to handle and disburse donations.

GlobalGiving.com is a public website that offers a simple, measurable way for individuals, community-based groups, and institutions to invest in projects that improve the quality of life of local communities. Through its project–donor matching service, GlobalGiving brings the buyers and sellers of the international development world together, with minimal transaction costs, to build an efficient market for philanthropic contributions directly to development activities.

The new development marketplace is a 24/7 one-stop shop for advancing causes: poverty reduction, good governance, maternal and child health, education, livelihood skills development and other missions pursued by social entrepreneurs in developing countries.

CLICK HERE

A programmatic focus of GlobalGiving's outreach has been to partner with corporations in employee-, member-, or customer-giving campaigns focused on one or several projects, some of which are featured on the public website. Hewlett-Packard, The North Face, Ap-


FREEPLAY FOUNDATION

plied Materials, Yahoo!, Gap, Inc., Participant Productions, and Sister Cities International are some of the organizations now working with GlobalGiving.

For employee-giving initiatives GlobalGiving offers to develop a customized website for its partner. The partner may then select projects that are strategically relevant to its business, thereby making the connection between employees and international issues of special concern. Gap, Inc., and Hewlett-Packard, both among the first to participate in employee-giving campaigns, have provided corporate matching funds. The North Face also matched gifts from its employees and customers to tsunami relief. Such direct-giving opportunities often engage a younger segment of employees who might not otherwise donate.

USAID's relationship with GlobalGiving allows the agency to bring the advantages of the GlobalGiving platform to individual country missions. Powered by and cobranded with GlobalGiving, country mission websites market the mission's investments as candidates for further support, connect donors to the local partners with which the missions work, and connect diaspora populations in the United States and elsewhere with development projects in the emigrants' home towns or provinces.

DUE DILIGENCE

GlobalGiving sources projects through a network of project sponsors that vet projects to ensure they are legitimate, well-run, and satisfy IRS guidelines for international grant-making—including new voluntary guidelines set forth in the USA Patriot Act to prevent access by terrorists to sources of financing.

Project sponsors use a variety of mechanisms to accomplish this task, including visiting project leaders, conducting financial audits, meeting with stakeholders, and collecting references from local, national, and international experts. GlobalGiving evaluates all project sponsors' methodologies and procedures, and reviews the due diligence done. After projects are submitted, GlobalGiving conducts secondary due diligence and random audits to ensure that the organization meets GlobalGiving's standards for trustworthiness, quality, and impact.

The end result contributes to an important aim for USAID: building local capacity. GlobalGiving, through its affiliated project sponsors, demonstrates the power of proper grants management and governance. The simple act of a citizen in the United States investing $200 in a developing country project provides a market signal to NGOs that certain standards of transparency and good governance must be met if they are to compete for that funding.

GlobalGiving hopes that reporting on the status of projects will improve donors' understanding of the efficiency and impact of the projects they support. As projects promoted through GlobalGiving become fully funded and achieve their objectives, both donors and project leaders should get a better understanding of what works and what does not, in a variety of contexts.

CHALLENGE AND SUCCESS FACTORS

GlobalGiving has surmounted some challenges in its quest to become the preferred means to donate online. Among the lessons learned so far:

Titles matter. GlobalGiving was originally named DevelopmentSpace, but it was quickly evident that this name reflected past associations with official donor bodies that elicited little recognition outside that community. Upon assessment, Whittle and Kuraishi realized that they needed a name that kept an outsider's perspective, was short and easy to remember, and clearly communicated the appropriate message. The new name correctly and effectively explains what the organization is promoting.

Building brand trust and visibility is difficult. A "flight to recognized brands" is not unusual during humanitarian crises. GlobalGiving's response to the tsunami that struck South Asia on December 26, 2004, was to cede the usual 10 percent overhead capture on the first $100,000 of donations raised for relief and reconstruction, work with partners to increase its visibility on partner websites and other media, and establish new partners on the ground in affected countries to enable general relief as well as specific project support. However, the public response to tragic events that capture widespread attention moves toward established, well-known organizations like the American Red Cross, neutralizing efforts to increase visibility during such times, no matter how well planned.

There is no formula for reaching new market segments. GlobalGiving believes that there is an untapped market segment of younger donors who are keenly aware of issues of global concern, as well as local issues in remote places. There is no standard method to successfully engage a nontraditional market segment that may not otherwise contribute, though employee-giving campaigns have shown some promise. Similarly, diaspora populations represent a large, untapped market. While most remittances are used for necessary household items, some are spent on durables such as home construction. A much smaller portion is enlisted to support local infrastructure projects in tandem with public funds. GlobalGiving is ideally positioned to make the connection between emigrants and development projects in their country of origin—or in the home province or municipality of community-based groups bound by this commonality.

Country projects do not market themselves. At its most basic, GlobalGiving is nothing more than a neutral space where buyers and sellers of development projects can meet. If GlobalGiving is to become a development cyber-fair with the same name recognition as eBay, the "sellers" of development projects must assume the functions of marketing and outreach to differentiate their scope, effectiveness, and impact. GlobalGiving offers opportunities to do this through reporting on status and other forms of communication between donor, implementer, and beneficiary, but many local partners have yet to learn that differentiating their product is a factor that helps determine why some projects get fully funded, while others languish.

Innovation is key. GlobalGiving's experience has shown that rapid-cycle experimentation—the ability to quickly test and implement new features and enhancements—has been key to continuing its growth, and remains a critical factor in achieving long-term success. The GlobalGiving cycle of innovation quickly recognizes and addresses the challenges that confront a new enterprise, and reduces the lag from idea to operation.

CHAPTER EIGHT

REDUCING POVERTY

SOLUTIONS AT THE BOTTOM OF THE ECONOMIC PYRAMID

"Four billion poor can be the engine of the next round of global trade and prosperity," writes C.K. Prahalad of the University of Michigan's business school in The Fortune at the Bottom of the Pyramid (Wharton School Publishing, 2005). In responding to a development challenge, alliance partners can discover or create previously unimagined business opportunities; others take proven technologies and apply them in innovative ways. Under the right circumstances, the bottom of the pyramid is the human equivalent of an oil deposit: it can raise an economy from below.

In partnership with the U.S. Agency for International Development (USAID) and nongovernmental organizations, leading companies are finding ways to provide vital goods and services to millions of underserved people at the bottom of the economic pyramid. The alliances in this section cover health, microfinance, enterprise development, and agriculture. They represent diverse business models, some intricate (with many participants across a continent), others compact and focused.

- The NetMark Alliance brings together the world's leading manufacturers of mosquito netting with local retailers, marketing communications firms, and the ExxonMobil sales network in Africa to build a sustainable program to prevent mosquito-borne diseases. The program offers product choices for all levels of consumers, including the poor.
- Visa International, FINCA, and local banks in Guatemala and Nicaragua are pioneering the use of electronic financial tools such as ATMs and electronic money transfers for the microenterprise and remittance sectors. The alliance widens access to financial services for poor entrepreneurs who are often outside the traditional banking community and minimizes electronic transfer fees for workers who send money home from abroad.

KICKSTART

- The Business Creation Alliance unites foundations and other partners to bring pumps and other appropriate technologies and tools to farmers and entrepreneurs in Tanzania. Businesses kick-started by the technologies have a major ripple effect on the local economy. One corporate partner provides a steady market for crops grown with the tools the alliance provides.

- The Markala Sugar Project Alliance grew out of an initiative by the government of Mali to build a sugar industry to supply the domestic market and provide export revenue. Schaffer and Associates, USAID, and Mali's government verified that the concept would work before opening the alliance to additional partners and investors to join in implementation.

NETMARK ALLIANCE
PAIRING COMMUNICATIONS AND MARKETS TO FIGHT MALARIA

USAID convenes a longstanding international health education partner, a multitude of large and small manufacturers of mosquito netting, a consortium of health communicators, and a major fuel company to help protect millions from malaria.

PURPOSE
Protect millions in Sub-Saharan Africa from death or chronic illness from malaria by promoting the use of insecticide-treated bed nets while building African commercial carrying capacity for a sustainable insecticide-treated bed net market.

CONTEXT
There is no consensus on how best to fight malaria, an affliction that kills more than 2 million people in sub-Saharan Africa each year—mainly children and pregnant women. But the U.S. Agency for International Development, through the NetMark Alliance, makes the case for the long-term sustainability and effectiveness of African and international commercial partnerships in the manufacture, distribution, retail, and promotion of long lasting insecticide treated mosquito nets.

ACCOMPLISHMENTS AND OUTCOMES
Nine million treated nets sold. A successful demand creation campaign informs potential consumers that Mosquitoes Kill, Kill Mosquitoes with long-lasting insecticide treated nets. ExxonMobil Corporation provides demand creation support, discount voucher funding, and an expanded voucher distribution network.

ALLIANCE MEMBERS AND ROLE
U.S. Agency for International Development

Academy for Educational Development

ExxonMobil Corporation

Commercial and production partners:

A to Z Textile Mills

BASF

Bayer Environmental Science

SiamDutch Mosquito Netting Co.

Vestergaard Frandsen

Syngenta

Mossnet Industries

Harvestfield Industries

Reckitt Benckiser

Sunflag Nigeria

Communications and social marketing partners:

Exp. Momentum

Foote, Cone and Belding Advertising

FUNDING ARRANGEMENT
U.S. Agency for International Development: $65 million ceiling over eight years ($30 million to date)

ExxonMobil Corporation: $900,000 (to date)

Commercial partners: $20 million (to date, and not including unofficial partners)

Studies suggest that decreased productivity and higher health costs related to malaria negate economic growth in sub-Saharan Africa by 1.3 percent each year. Many more studies conducted over the past 15 years show that insecticide-treated bed nets (ITNs) reduce all-cause mortality rates among young children by at least 20 percent, severe malaria by an average of 45 percent, and premature births by 40 percent.

But large donor investments in purchase and distribution of nets are required to achieve these results across a continent. As demand grows for free or partially subsidized ITNs, so, too, does the donor and public fiscal burden. Research has shown that many people are willing and able to pay for nets, while some cannot. Unfortunately, donor resources are often wasted by supplying subsidized products to those already willing and able to pay, while the neediest go unreached.

The NetMark Alliance helps international and African manufacturers and distributors of ITNs develop sustainable markets that do not depend on donor funding. In addition to enlisting local commercial investment through a generic marketing campaign communicating the need to sleep under insecticide-treated mosquito nets, the alliance provides targeted, time-limited subsidies to prime new potential markets and distributes discount vouchers through public antenatal clinics and other outlets to reach vulnerable populations unable to pay full market prices. Finally, the alliance works in the national and international policy arena to reduce or eliminate taxes, tariffs, and other impediments to the proper functioning of the ITN market.

BUILDING THE ALLIANCE: ENGAGING THE COMMERCIAL SECTOR

What evolved into the NetMark Alliance began in 1998 when Dennis Carroll, an infectious disease specialist from the Centers for Disease Control but attached to the U.S. Agency for International Development (USAID), convened a quorum of leading epidemiologists, public health specialists, and commercial sector professionals as a kick-off for the agency's Infectious Diseases Initiative. The purpose was to examine the latest field trials for malaria drugs and formulate fresh approaches to treatment and prevention. This was a problem-solving conference, and Carroll was among those who hoped to build a consensus around ITNs as tools that met both immediate public health needs and the challenge of sustainability.

One of the attendees, David McGuire, was already convinced of the potential for partnerships with the private sector to build market momentum around ITNs. "Using donor money has its place and is very effective in some ways," he said. "But in terms of creating something that would last whether donor funding is available or not—I came to realize that you needed to engage the commercial sector in a much different way."

USAID issued the solicitation that became NetMark soon after the 1998 kick-off meeting. At that time, there were still questions about whether the commercial sector could carry ITNs as a valued good or that the commercial sector could viably complement, or even replace, direct donor subsidies.

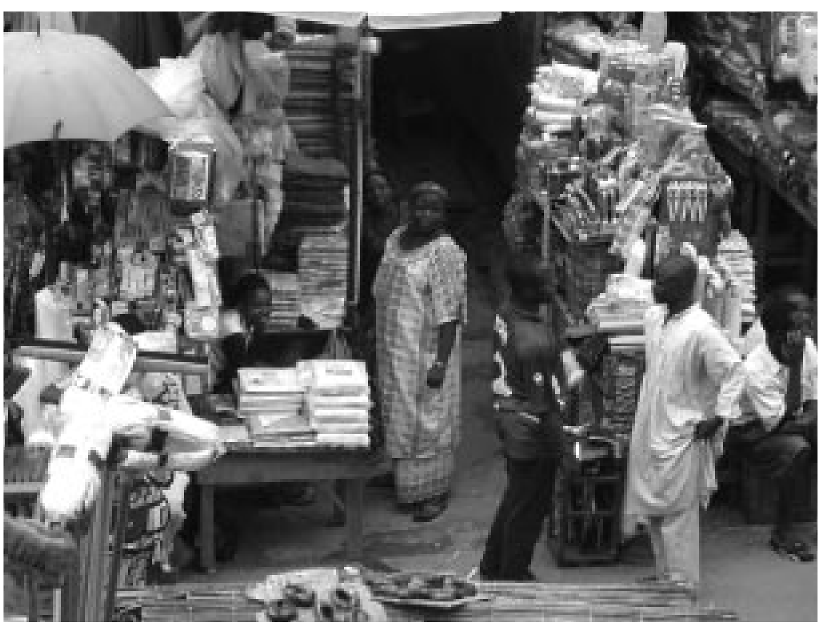
Consequently, when the Academy for Educational Development (AED) won the solicitation in September 1999, the organization faced

ROLES OF THE MEMBERS OF THE NETMARK ALLIANCE

- U.S. Agency for International Development developed the NetMark concept as part of its Infectious Diseases Initiative.
- Academy for Educational Development is the alliance's implementing partner.
- ExxonMobil Corporation funds vouchers for net purchases, honors vouchers at Mobil Marts, and creates demand for treated bed nets through the Help Us Help campaign.
- Leading manufacturers of netting and insecticides offer a reliable supply of products at reasonable prices.

an immediate challenge in pursuing this experimental new strategy. But McGuire, as director of the NetMark team, was determined to show that commercial sector partnerships could achieve public health goals.

The need for action could not have been starker. A NetMark study showed that in 2000, the year before NetMark began selling nets, retail prices for conventional untreated nets ranged from $3 in Nigeria to $27 in Zimbabwe, a significant amount of money for poor Africans. Wide-reaching studies estimated that malaria cost Sub-Saharan Africa at least one percentage point in annual economic growth each year from 1965 to 1990. The NetMark concept had to vie with major international initiatives from the traditional development organizations as well. NetMark's launch in 2000 coincided with the 1998 launch of the Roll Back Malaria Global Partnership by the World Health Organization, the United Nations Children's Fund (UNICEF), the United Nations Development Programme, and the World Bank as a global coordinating and information sharing mechanism, and the Global Fund to fight AIDS, Tuberculosis, and Malaria with its global financial support for local implementing groups responding to country action plans.



ACADEMY FOR EDUCATIONAL DEVELOPMENT

AN INTRIGUING VALUE PROPOSITION

The linchpin of AED's winning proposal was a sole-source partnership with SC Johnson, a global leader in the marketing of insect control products. AED felt it necessary to work with a company that had the distribution and marketing capacity to take on a new product under a well established brand. Such a relationship would increase the likelihood of creating a viable ITN market within the original five-year timeframe of the project, as stipulated in the agreement between USAID and AED.

SC Johnson had understandable concerns about the viability of a commercial ITN market in an environment of low demand, highly subsidized competition, and uncertain tax and tariff policies. In addition, its timeframe was not consistent with NetMark's commitment to USAID to launch in at least four countries on a national scale. When initial market research indicated uncertain prospects for success, SC Johnson ultimately decided to withdraw from the partnership.

It was a heavy blow to AED, which had to decide whether NetMark should continue or be dismantled. AED's initial assumption hit an unexpected challenge. For McGuire there was no time to lose; quick action was needed to salvage the entire concept of engaging the private sector for commercial expansion of the ITN market.

The NetMark team made a case to senior staff at USAID and AED for presenting the same market data to all major net and insecticide manufacturers to determine if they would reach the same conclusion as SC Johnson, since companies already producing ITNs or treatment kits for the donor market might be in a better position to expand into the commercial market. Once USAID had accepted this proposal, the NetMark team presented to the six major suppliers of nets and insecticides—Aventis, Bayer, BASF, Siam Dutch Mosquito Netting, A-Z Textiles, and Vestergaard Frandsen—an intriguing value proposition: they could double their marketing budget through joint investment with NetMark, and gain the support of key policy makers and

CONSUMER BEHAVIOR AT THE BOTTOM OF THE ECONOMIC PYRAMID

Implementing a discount voucher program was an opportunity to observe consumer behavior in a population that normally enjoys a severely prescribed range of purchase options. Evidence indicates that, as would be predicted by Bottom of Pyramid scholars C.K. Prahalad and Stu Hart, individuals given the opportunity to become new consumers act like any other consumer by demonstrating a willingness to "upgrade" regardless of where they lie on the spectrum of purchasing power. For example, rather than use a $3 discount for a low-end $6 net of the sort that mass donor procurement would provide, 80 percent of consumers redeeming NetMark vouchers purchase higher-end nets that are bigger, longer-lasting, and even serve as something of a household fashion accessory through variation in color and style.

community groups by entering a new market with few competitors, and help save lives in the process.

By "doubling the marketing budget," NetMark was referring to its pledge to match commodity procurements for initial orders, and provide support for product distribution. Their efforts would also be supported by broad-based generic campaigns NetMark would conduct to communicate the need to use mosquito nets.

BALANCING EQUITY AND SUSTAINABILITY

While the initial NetMark alliance was conceived as a way to channel commercial investment into a functioning market for insecticide-treated mosquito nets, there was also the need to deliver ITNs to populations unable to afford the market price. Accordingly, the NetMark agreement between AED and USAID was modified to include action to achieve the proper balance between achieving sustainability through local commercial participation and equity through delivery of mosquito nets to the poorest populations.

The challenge was how to achieve equity in a manner consistent with the NetMark philosophy of strengthening the local commercial sector, and not disrupt sustainable market potential with poorly targeted donor intervention. The NetMark solution stresses a segmented market approach: a broad-based discount voucher scheme for those outside the reach of the market. Issued at public antenatal clinics, the vouchers were likely to go to indigent families. Because the vouchers were redeemable at local retail outlets rather than donor distribution points, the subsidy was still channeled through local commercial distribution channels. Also, the vouchers were not necessarily worth the full price of a typical bed net, as NetMark wanted to retain the basic feature of a market economy: that consumers should see the inherent value of the goods and chose the models they like and can afford.

AN UNEXPECTED PARTNER, AN INSTANT SALES NETWORK

By 2002, NetMark was battle-tested. Having weathered the shock of losing an important partner, NetMark had successfully reconfigured itself as a valued member of a consortium of manufacturers representing more than 80 percent of global supply of insecticide-treated bed nets. It had also introduced a voucher program targeting populations that were most at risk or beyond the reach of the market. This hard-won success was beginning to attract attention as a proven model of sustainability and equity.

McGuire was flying home from Tanzania in 2002 when he encountered a former colleague on the flight and struck up a conversation. When he talked with her about the success NetMark had achieved so far, she promised to refer the discussion to her husband, who worked at ExxonMobil's Global Issues Business Unit.

It was a serendipitous connection. ExxonMobil has been in Africa for a century as a producer and retailer. The company maintains 2,000 service stations in 30 countries while producing a million barrels of oil each day—activity that involves more than 5,000 direct employees and 50,000 through in-country supply chains.

In 2000, ExxonMobil made a strategic decision to reduce the malarial burden in Africa as the centerpiece of its corporate social responsibility program. Since that time, the ExxonMobil Foundation has invested more than $10 million in its Africa Health Initiative, supporting various anti-malaria programs. In January 2005, ExxonMobil announced that it intended to ratchet up its commitment to $10 million per year and maintain that commitment in subsequent years. The potential value in developing a partnership between NetMark and ExxonMobil was enormous.

After a series of "get to know you" discussions to identify shared priorities and build trust, NetMark and ExxonMobil developed the "Help Us Help" campaign. Help Us Help reinforces the basic message of NetMark's behavior-change marketing by teaching preventive actions against malaria. Capitalizing on the ExxonMobil network of Mobil Marts and service stations as a way of reaching beneficiaries, the campaign used a variety of materials to transmit the NetMark message: point of purchase education posters, banners, and T-shirts all communicating the need to "Help us roll back malaria."

The ExxonMobil service stations also served as a place where customers could purchase ITNs with the NetMark seal of quality, and where ExxonMobil/NetMark-branded coupons were honored. Finally, the campaign generated additional funds from ExxonMobil in the form of a percentage donation for every liter of gasoline sold. Donations went toward purchases of ITNs for children in orphanages.

The ExxonMobil Foundation made a small grant to test the approach in Zambia. When the pilot realized an 80 percent redemption rate and enabled approximately 8,000 pregnant women in the Kabwe and Lusaka districts to receive discounted ITNs, ExxonMobil and NetMark committed to expanding and replicating the partnership in Nigeria. The partnership was also subsequently expanded to Ghana, and Cameroon. The ExxonMobil Foundation has committed more than $900,000 to support the use of vouchers in these expansions.

The beauty of the partnership is that NetMark engaged ExxonMobil at every level of its operations in Africa. First, it was a natural fit with the company's focus on malaria through the Africa Health Initiative. From this shared sectoral focus came a partnership that yielded for NetMark a distribution network of hundreds of service stations and Mobil Marts. The network advanced both the local carrying capacity as points of sale for bed nets and a place where co-branded ITN vouchers were honored. With the proceeds generated by the Help Us Help campaign, ExxonMobil procured nets and distributed them at orphanages.

NetMark's collaboration with ExxonMobil has been recognized as a durable best practice for public–private alliances. UNICEF joined as a NetMark partner in Zambia and Senegal, while Britain's Department for International Development implemented the model in a large-scale initiative in Ghana.

A NET SUCCESS, EVEN BY DIFFERENT MEASURES

NetMark's loss of SC Johnson but gain of ExxonMobil as partners has proved rich in lessons and irony. NetMark initially bet everything on a single player and lost its first round, but then won the greater benefits of the consortium approach: a diverse and more sustainable supply chain, lower prices through investment and competition, expanded consumer choice, and flexibility in responding to production or supply problems.

ARE VOUCHERS TOO SLOW? AN ONGOING DEBATE

The need to reach the poorest of the poor with mosquito nets is a source of ongoing tension due to differences among donors, governments, nongovernmental organizations, and individual activists over the best way to combat malaria. Many argue that the only response to endangered lives is mass procurement and distribution of free nets. The governments of Uganda and Kenya have both withdrawn from planned voucher schemes as an inadequate response to the malaria threat; other African nations are expected to apply for funding from the Global Fund for AIDS, Tuberculosis, and Malaria to enable them to purchase bed nets for free distribution. However, mass distribution of free nets will almost certainly frustrate the development of local commercial and administrative capacity and ultimately may prove unsustainable. Local capacity is needed for the management of future health crises.

However, the consortium approach also has challenges. A commercial partner that sees a 4 to 5 percent increase in sales due to the partnership with NetMark would consider it an astounding success; but for public health advocates who need to reach 50 to 80 percent of the target population, such "success" is unacceptable (of course, a 5 percent increase for each of 10 suppliers may get to the public health goal). McGuire puts this in perspective: "These public versus commercial agendas can lead to success when [partners are] bound by a shared commitment around mutually beneficial goals, but also create interesting dynamics and tensions."

The mechanics of success and failure in partnerships can also be linked to *where* the collaboration is within the private sector's organizational structure. The partnership with SC Johnson originated as a proposal from its R&D department and was to be implemented by the marketing unit in sub-Saharan Africa. When the marketing team could not foresee a profitable outcome in assessing the market research, the partnership could not continue. Had SC Johnson's Corporate Social Responsibility unit been able to underwrite some of the business risk, the original partnership might still exist.

The successful partnership with ExxonMobil, on the other hand, leverages its existing brand image and network of service stations in a manner not directly tied to business strategies for future growth. It is more an exercise in good corporate citizenship. For ExxonMobil, the fight against malaria responds to the human case for action, interest in the health of its consumer base, and concern for its 5,000 direct and 50,000 extended employees. ExxonMobil's Africa Health Initiative demonstrates the corporation's acknowledgement of and commitment to these self-evident mandates.

LESSONS

Perhaps the greatest impact of NetMark is its demonstration that enlisting private sector involvement in malaria prevention works. Rather than using Global Fund resources exclusively to procure a volume of nets, African governments can invest in homegrown commercial capacity that will outlast donor support. The NetMark approach is not a magic bullet solution, but seeks to maximize commercial sector involvement within the context of the Roll Back Malaria Campaign by using a mixed model that includes commercial, subsidized and free products through market segmentation. The exact extent of the private sector's ability to deliver ITNs throughout Sub-Saharan Africa has yet to be fully demonstrated, but if the NetMark alliance has demonstrated anything it is that a lasting solution will not be found without it.

As it is, with more than nine million ITNs sold, NetMark's new goal is 20 million, or about $60 million in commercial investment. The alliance developed a successful social marketing campaign to educate people about ITNs as an effective way to avoid disease. An exceptional supply chain produced a range of popular ITN products and choices and a sales network through Exxon that could reach the intended market.

In terms of a scaleable model for other similar challenges, NetMark shows that:

- Donor resources for malaria can be efficiently applied to local and international partnerships that build commercial carrying capacity.
- A clear and focused response to a major public health problem through a well-balanced public–private alliance can have a significant impact.
- There are benefits to having diverse partners with well-defined roles.
- Investment and competition can result in lower prices, expanded consumer choice, and improved supply. The program provided equal access to ITNs to the poor through a voucher system.

NEXT GENERATION MICROFINANCE ALLIANCE

BRINGING EFFICIENCY AND SECURITY TO MICROFINANCE AND REMITTANCES

PURPOSE

The U.S. Agency for International Development and FINCA, pioneer of the village banking model, have partnered with Visa International's financial services network to modernize banking and money transfers for poor people in Guatemala and Nicaragua. Co-branded debit cards provide security and convenience for micro-entrepreneurs, efficiency for commercial banks and microfinance institutions, and cross-border funds transfer capability to facilitate remittances at reduced or no cost.

CONTEXT

Small loans, often $200 or less, reduce poverty in a big way by allowing aspiring entrepreneurs in low-income countries to start or expand small businesses. A broader array of financial services—savings and checking accounts, funds transfer, flexible credit, and insurance—can sustain the successful entry of low-income actors into the broader economy in which they live and operate.

ALLIANCE MEMBERS

U.S. Agency for International Development

FINCA

Visa International

Bancafe

Bancentro

ACCOMPLISHMENTS AND OUTCOMES

The Visa–FINCA–Bancafe debit and remittance card made available to FINCA's 12,000 clients—all of them women—in Guatemala.

FUNDING ARRANGEMENT

U.S. Agency for International Development: $610,000

Visa International: $641,800 in technical expertise

FINCA and other partners: $168,420

A leader in global finance teams with a preeminent microfinance institution to expand the reach, efficiency, and affordability of banking and remittance services for the aspiring poor. The outcome will provide millions of extra dollars in direct investment for small business development.

FINCA

Blanca Jimenez could provide for her family on her husband's income, but there was seldom any left over to save or for the children's education. Her homemade bread was famous in her neighborhood and she wanted to open a small bakery as a way of bringing in more income. Her husband used a part of his income to purchase raw materials from a family friend with a wholesale business. With help from Jimenez's father and brothers, they built a clay oven. She began baking her bread and selling door to door.

Then Jimenez took out her first FINCA loan—about $100—and over the next five years received 13 more to purchase specialized supplies, such as molds, bread trays, and a kneading machine, as well as greater quantities of ingredients. Her business activity has had important spillover effects—the family friend's wholesale business expanded to provide more supplies for Blanca and other bakeries in Guatemala City. Today, Jimenez oversees a bakery and four outlets, employing nine bakers. She earns enough to send her younger children to school, while her older ones now have a family business to help maintain and grow.

With her next loan from FINCA, Blanca intends to open another bakery. But this time, instead of receiving the entire proceeds of her loan at FINCA's country office, she'll be given the opportunity to have her loan deposited electronically into a savings account at Bancafe—a local commercial bank. What's more, she'll be given a debit card to access her account at the bank, use its ATMs, or make purchases at participating merchants.

The card, branded with the name and logos of FINCA, Bancafe, and Visa International, reduces her exposure to theft. And her account at the bank gives her access to a range of financial services she needs as her business expands. For any of Blanca's family who work abroad, the card can access funds transferred internationally from agencies or bank accounts.

If the Visa brand is an unexpected sight in relation to a microfinance loan, that's because the organization has just begun to develop the business models and financial services products that enable their member banks and merchants to cater to low-income market segments. Through their microfinance alliance, USAID, FINCA, and Visa help draw together the realms of commerce, finance, and effective, sustainable poverty reduction.

BUILDING THE ALLIANCE

In its 30-year history, Visa has been at the forefront in the explosion of electronic financial services. Today, 1.3 billion Visa cards circulate in 150 countries, with transactions generating more than $3 trillion in annual sales volume—more than 10 percent of all personal consumption in many developed markets.

In following its mission to expand the benefits of electronic payments to all the world, Visa has been aware of the macroeconomic benefits to developing economies of electronic payments—increased transparency, greater efficiencies, higher security, and the migration from informal, un-banked economies to the formal financial sector. In terms of positive social impact, the tangible improvements to the life of poor and low-income individuals are diminished reliance on predatory lenders and government aid; enabling the aspiring poor to build businesses, create personal wealth, and achieve dignity through self-sufficiency; and the investment potential from streamlining and improving transfer of remittances from family members working in other countries.

The company quickly identified microfinance as a way to use electronic payment solutions to help local economies obtain greater access to capital, thereby advancing its broad business objectives while building positive working relationships with a broad range of stakeholders. It seemed a win-win situation: Visa could benefit local economies through greater access to capital while it developed and refined new financial services products that catered to low-income market segments.

But Visa is a service executed through member banks and very few banks have reconfigured themselves to provide banking services for microcredit clients. For Visa to contribute, it needed a member bank willing to deploy a business model that had a high number of customers with low account balances. Such services were almost entirely provided by microfinance institutions—usually local or international nonprofit organizations that could not legally provide the full services of a bank. Visa needed to learn more about the field.

FINCA was identified as a potential partner due to its preeminence in microfinance; also, an attorney sitting on a committee examining Visa's potential role in international development was acquainted with a member of FINCA's senior staff. The Visa attorney suggested that FINCA, a pioneer in the village banking model, could educate Visa about microfinance and perhaps serve as a potential partner.

Conference calls and personal presentations about the microfinance field and FINCA's corporate capabilities laid the groundwork for a stronger relationship. One area of potential collaboration was to improve FINCA's efficiency through the use of Visa electronic payment solutions: Visa had the technical capability to contribute to such a project while FINCA brought to its long history as innovators and service providers in microfinance. The alliance would be based in Latin America because FINCA was well established there and Visa's regional director was interested in developing new financial services products to serve the bottom of the economic pyramid.

TRADITIONAL PARTNERS, NOVEL IDEAS

FINCA has a long history with the U.S. Agency for International Development (USAID) as a traditional implementing partner. In 2003, when the Global Development Alliance (GDA) solicited innovative projects that brought additional resources and new partners to the table, FINCA recognized a good fit between its relationship with Visa and the GDA mandate to orient USAID missions and bureaus toward partnerships. FINCA proposed to hire a project leader to identify and establish working relationships with Visa member banks in Latin America to pilot the use of Visa payment solutions among micro-entrepreneurs.

Holly Wise, then director of the GDA Secretariat, took an interest in the proposal. "It wasn't so much that additional support for FINCA represented a unique opportunity," she recalled. "But their strategic relationship with Visa certainly merited attention. In addition to engaging Visa as a partner, we thought the potential impacts of the relationship would be increased efficiencies among our microfinance development partners, and possibly even a reduction in remittance transfer costs further down the road."

With endorsement from GDA and a favorable technical review from the economic growth team at USAID, the alliance was announced at the World Economic Forum in Davos, Switzerland, in January 2004. USAID administrator Andrew S. Natsios joined Malcolm Williamson, then Visa International's president and CEO, and FINCA executive director Rupert Scofield in presenting the alliance as a concrete example of one of the meeting's core themes: partnerships among governments, businesses, social entrepreneurs, and nongovernmental organizations (NGOs) as drivers of economic opportunity.

ROLES OF THE MEMBERS OF THE NEXT GENERATION MICROFINANCE ALLIANCE

- U.S. Agency for International Development provides funding resource and local support.
- FINCA, as the alliance's implementing partner, works directly with banks to transform FINCA clients into commercial bank customers.
- Visa International provides staff time and expertise, access to member banks, brand strength.
- Bancafe and Bancentro provide commercial banking services in Guatemala and Nicaragua.

BANKING THE UNBANKED

Commercial banks do not typically consider it profitable to engage microfinance clients. The cost of paperwork to register new accounts, for instance, exceeds the profits from their small deposits. For the aspiring poor, minimum balance requirements are a formidable obstacle to entering the banking system.

While banks are not organized to work with poor and illiterate clients, FINCA's mission supports precisely this clientele. However, like most other microfinance institutions, it cannot accept deposits from its clients without first becoming a regulated financial institution. The cost to do this in Guatemala, Nicaragua, and many other countries has been prohibitive. Instead, as part of its alliance role, FINCA connects its clients with commercial, Visa member banks.

In Guatemala, the partner bank is Bancafe. FINCA's client database supplies documentation that allows Bancafe to process new accounts efficiently. Because it is a conduit for a large number of clients, FINCA has been able to negotiate favorable terms with Bancafe, for example, a relaxation of minimum-balance requirements.

FINCA clients gain access to formal savings accounts, providing them with a secure means to accumulate wealth and a platform to access formal money transfer services and insurance. It is here that Visa adds value to FINCA's efforts. Under the Next Generation Microfinance Alliance, up to 12,000 are expected to become Bancafe customers and receive co-branded FINCA–Visa–Bancafe debit and remittance cards. Card services include savings accounts, ATM access, electronic purchases at Visa-participating stores, and a convenient, cost-effective money transfer mechanism.

In Nicaragua, partners are exploring the possibility of delivering a flexible business credit line through the FINCA-Visa card, in addition to the remittance and loan disbursement innovations under way in Guatemala.

REMITTANCES—LOWERING TRANSACTION COSTS... AND RISKS

In a significant alliance innovation, holders of FINCA–Visa cards and Bancafe savings accounts may receive funds transfers from family members in the United States. Clients visit or call the bank to transfer funds directly to their Bancafe accounts in Guatemala. Bancafe customers may then access the transferred funds at ATMs or merchants that accept Visa.

The potential impact of this innovation is vast. Worldwide, migrants' remittances are the second-largest source of financial transfers to the developing world (after foreign direct investment and well ahead of official development assistance). In 2003, remittances from the United States (the largest source country) topped $28 billion, providing capital for many microentrepreneurs. Through the debit card, as many as 12,000 microbusinesses in Guatemala—all owned by women—can in-

ON MICROFINANCE INSTITUTIONS BECOMING BANKS

Whereas FINCA has been extremely successful in extending credit to the poorest of the poor, offering savings and remittance services that FINCA's microbusiness clients need has proven much more difficult. Authorities may allow an international nongovernmental organization such as FINCA to risk its own capital, but the savings of commercial bank customers receive much stiffer prudential regulation.

Before accepting deposits an institution must build information systems that can close its books under deadline and generate statements that conform to specific national formats established for commercial banks.

FINCA has transformed 3 of its 22 country operations into such regulated entities and plans to transform more, but the process is arduous. Visa's involvement in the Next Generation Microfinance Alliance speeds the process for FINCA by helping select the most suitable member bank to approach and interceding on FINCA's behalf when the partnering process stalls.

vest remittances, loan proceeds, and their own savings directly into their businesses, avoiding costly money transfer operators and risky informal operators.

If extended to the millions of people who send remittances from the United States and elsewhere to Latin America, funds transferred by debit card could save, annually, hundreds of millions of dollars otherwise lost in transaction costs, and redirect it to the investment and consumption needs of poor families.

As elsewhere, carrying cash in Latin America can be dangerous. For clients who purchase directly from merchants in the Visa network, the Visa–FINCA card reduces risks for client and merchant alike. Instead of cashing a check and then leaving the bank carrying cash, clients can use their Visa–FINCA card to withdraw only the amount they need for immediate purchases. By accessing the network of ATMs and Visa member banks, they can also withdraw cash closer to where they make their business purchases, reducing the risk of traveling with cash.

Using cards, Bancafe customers also save time waiting in bank branch lines, while Bancafe is able to move clients from costly teller windows to more efficient ATMs, thereby lowering the costs of serving poor customers.

OUTCOMES AND LESSONS

The aim of the alliance is to bring more people into the formal banking system by helping commercial banks, and Visa itself, develop profitable business approaches and products suitable for low-income customers. For banks, the solution is a high number of low-balance accounts. For Visa, it is adapting existing solutions for a new segment and developing new tools, some of which meet the needs of this segment for cross-border financial services. Someday, both Visa and the commercial banking system will know how to do this. It is in the allying of partners with shared resources and complementary interests that brings that day closer.

"The value of partnership is strongly demonstrated by this alliance," remarks Tim Huson, director of electronic products at FINCA. "When USAID's support enables FINCA to partner with a commercial bank and offer Visa's electronic payment services, it's a success for everybody—but most of all the poor, who require only the right opportunities to succeed."

Ultimately, the success of the alliance depends on the ability of a commercial bank and FINCA to devise a mutually beneficial business approach that expands the range of services to low-income clients. One key success factor in this respect is leveraging the ability of a microfinance institution to gather and verify client information at a relatively low cost. Many poor clients cannot readily provide documentation, and because many are illiterate they need help to complete the required paperwork. FINCA solves these problems for banks, vastly simplifying the task of processing new-account applications and meeting the tough "know your customer" regulations that have been adopted in most countries to curb money laundering and prevent terrorist financing.

In addition to cross-fertilizing the fields of microfinance, electronic payments, and remittance services, the Next Generation Microfinance Alliance should allow Visa to share success strategies and best practices with member banks around the world to bring the benefits of formal financial services, in cost and security, to more of the world's poor.

According to Sandy Thaw of Visa's product group, the Next Generation Microfinance Alliance has generated just such a discussion among Visa's executive leadership. With help from USAID and FINCA, Visa has the opportunity not only to improve the capabilities of its members to serve the unbanked, but also apply the lessons of its new partnership and become, in effect, a permanent partner in furthering a development agenda.

WHY 12,000 WOMEN?

FINCA loans to men and women but targets women clients because they have the least access to credit and because women with children are typically the poorest segment of the poor. Evidence also suggests that women channel loan proceeds toward nutrition, health and education for themselves, their husbands, and their children, while male heads of households do not always utilize resources as productively.

BUSINESS CREATION ALLIANCE
NEW TECHNOLOGIES FOR PROFIT

A Stanford engineer enlists the U.S. Agency for International Development in a social enterprise in Africa based on simple designs, durable profits, and sustainable local supply chains.

PURPOSE

To develop and market low-cost tools that poor farmers can use in profitable businesses. The U.S. Agency for International Development supports KickStart's efforts to build markets and raise demand to a level where donor subsidies can be replaced by a fully sustainable supply chain.

CONTEXT

In Tanzania, 80 percent of the populace works in agriculture. However, falling household income, limited access to water, and lack of affordable technology constrain production capabilities. To stimulate growth through agriculture, development initiatives must address these issues.

ALLIANCE MEMBERS AND ROLES

KickStart

U.S. Agency for International Development

KickStart co-investors, including:

Mulago Foundation

SC Johnson Corporation

Case Foundation

Lemelson Foundation

Nike Foundation

John Deere Foundation

ACCOMPLISHMENTS AND OUTCOMES

Nearly 3,000 pumps sold under a USAID grant have generated $2.4 million in profits and wages. Thirty-three wholesalers have been established, and 126 retailers recruited and trained. Each $1 invested by donors generates an estimated $20 in new income for farmers.

FUNDING ARRANGEMENT

U.S. Agency for International Development: $650,000

KickStart co-investors: $810,000

KICKSTART

Abedinego Lession and his wife Monica started a business cultivating ornamental plants and flowers at their home in Tanzania about seven years ago. For the first five, they watered plants by toting buckets of water from the only source available: a communal irrigation stream that supplied each household two hours a week. The work was tedious, and they were not able to irrigate all their flowers within the allotted time.

But with six months' savings, the couple invested $75 in a KickStart Super MoneyMaker irrigation pump. The contraption, which resembles a stripped down Stairmaster, combined the pumping action of a normal walking gait with the pressure created by a vacuum to lift water 23 feet and irrigate up to two acres of land.

Today the Lessions earn about $130 a month, twice what they earned before. "We are now able to cover all our domestic needs, our children's school fees, and maintenance of our buildings," reports Abedinego Lession.

The Lession family is only one of nearly 40,000 businesses begun or expanded in Tanzania, Kenya, and Mali thanks to water pumps and other simple, appropriate technologies created by KickStart. Their added profits are a tiny part of $38 million in new wages and profits generated by KickStart products. In Tanzania, farmers using KickStart pumps generate profits and wages equivalent to 0.2 percent of Tanzania's reported GDP.

BUILDING THE ALLIANCE

KickStart was founded by Nick Moon and Martin Fisher, two veterans of African development efforts. Frustrated by the lack of lasting progress against poverty, and inspired by the tremendous entrepreneurial spirit of poor Africans, they set out to create a new model for fighting poverty. Because 80 percent of the world's poor live on small farms, Moon and Fisher knew that helping farmers improve their productivity would have the greatest impact on global poverty. Fisher, a Stanford-trained engineer, designed a number of simple, manual tools that people could use to create an income for their families.

The technologies born from his efforts were designed to create entrepreneurship opportunities. KickStart's manually operated oilseed press helped stabilize and lower the cost of that commodity after the removal of price controls. Its housing-block presses and carpentry tools are sold at half the price of competitors' tools. And the company's design for a latrine pit cover has been applied in refugee camps all over central and eastern Africa.

But the technology with the greatest economic impact has been the MoneyMaker line of micro-irrigation pumps. For about $60 ($90 for the deluxe Super MoneyMaker), farmers can move from seasonal subsistence farming into high-value crop production by farming year round in several crop cycles.

The U.S. Agency for International Development's (USAID) first partnership with the company that became KickStart began in 1997 in Kenya. ApproTEC, as the company was then known, approached USAID again in 2004 through the Global Development Alliance (GDA) solicitation for innovative development solutions and new partners willing to bring resources to the table. The organization had recently opened a domestic office and launched an outreach campaign to take its proven concepts to scale. ApproTEC asked USAID to support the important first step of expanding sales of irrigation pumps in Tanzania.

Thomas McAndrews, a private sector development officer in USAID's Tanzania mission at the time, recognized the company's value, commenting that the pumps "could have a profound impact on the income streams of small farmers and their families." While neither the mission nor GDA could support the company enough to confidently foresee the end of marketing subsidies, they could participate with its private sector funders to help reach that goal and help thousands of subsistence farmers create a middle class.

USAID/Tanzania offered $200,000, while GDA committed $450,000 from its 2004 incentive fund. These funds were matched by cash resources totaling more than $700,000 from the Mulago Foundation, the Case Foundation, SC Johnson Corporation, and the Nike Foundation. Jill Rademacher, senior vice president of the Case Foundation, spoke for many foundation partners when she explained her organization's support: "We look for NGOs with the ability to scale innovative and proven approaches. Being able to leverage the contributions of many was also an important factor in our decision to partner with USAID."

As a part of its expansion campaign, ApproTEC took on a new name that better reflected its mission and impact—to kick-start businesses, lives, and economies. While proud of its roots in the appropriate technology movement, the organization had carved out a special niche by focusing not on devices that *saved* time or money, but on those that *made* money.

AMBITIOUS TARGETS

KickStart's target is to sell 7,000 irrigation pumps to farmers and an additional 3,000 to local nonprofits and relief agencies. USAID's support is used to refine the company's marketing techniques and effectiveness, to improve product design, to assess product performance, and to measure the economic impact of the pumps on the households that purchase them.

KICKSTART

The greater goal is to help KickStart achieve the critical mass of sales needed to pay for its marketing budget. Once a stable demand for the technology exists, the company intends to make it the anchor of a complete supply chain, first transferring the technology to manufacturers and building their capacity to mass-produce it, then getting the product to distribution hubs that can deliver the products for sale at retail outlets. In time, as demand and sales increase, the cost per sale will drop to point where a profit is made on each sale. KickStart will use these profits to develop new technologies and to build markets in new countries.

Ending marketing subsidies and developing integrated supply chains are just two facets of the KickStart intervention, which cycles continuously through:

- *Market research* to identify small-scale business opportunities with high potential. Market and subsector studies examine the raw materials available to an economy, the products that compete with a proposed technology, and market demands and constraints for small enterprises.
- *Design and production of new technologies.* In addition to the tools, equipment, manuals, and business plans required to create and roll out a new product, KickStart provides tooling, quality-control specifications, and training for manufacturers.
- *Marketing to entrepreneurs.* KickStart recruits and trains existing local retailers. It then purchases products from its circle of manufacturers and sells them to the retailers.
- *Demand creation campaigns*, perhaps the toughest step in the cycle. Despite the time and effort invested in new and appropriate technologies and the innovative results achieved, KickStart's products are big-ticket items for local farmers. But with time, effort, and excellent product performance, marketing begins to generate awareness and


KICKSTART

sales to the point that full cost recovery is possible. Marketing techniques include promotional sales and discounts, radio and newspaper advertisements, live demonstrations, and the legwork of a commissioned sales staff.

- *Monitoring of impact.* KickStart's monitoring staff interview a random selection of purchasers when they first buy the technology and again one and two years later. KickStart staff administer detailed questionnaires and gather data to determine the impact of the new businesses and the performance of KickStart products. Products that fall short of the desired increase in the owners' income are discontinued. The data help KickStart gauge how fast it is approaching full cost recovery.

PUMPING PROFITS

KickStart's private sector investors, like USAID, are committed to poverty reduction for its own sake. But they have chosen to spend their development dollars on KickStart, in particular, because of the resonance between the organization's mission, approach, and impact and the issues and conditions donors identify as important to them. Two examples are the Case Foundation, and SC Johnson Company.

The Case Foundation is an example of what *Business Week* has called the new breed of philanthropic foundations, often founded by investors and entrepreneurs, who then bring their business acumen and entrepreneurial approach to the practice of development. The KickStart story and method meshed well with Steve and Jean Case's own success stories as founders of America Online, and they have personally visited KickStart's Kenyan operations to share their business perspective. The Case Foundation also provided a communications expert as KickStart debated its name change in May 2005, advised KickStart on its expansion campaign, and committed $100,000 in operating support for its program in Kenya. Says Martin Fisher: "Steve and Jean Case really understand what we do, and it is especially gratifying when supporters are engaged on so many levels."

SC Johnson provides financing for KickStart's efforts to reach farmers in the Kenyan highlands, one of the most remote areas of the country. There, some 200,000 subsistence farmers harvest the chrysanthemum plant for its active ingredient, pyrethrum, whose natural insect-killing properties is the action agent in

SC Johnson's Raid and Baygon products. Kenya produces two-thirds of the world's supply of this natural insecticide, and SC Johnson is the world's largest buyer. But only 12 percent of farmers irrigate their lands, depressing crop yields, while the lack of extension services has degraded crop quality. Despite its comparative advantage, Kenya is not maintaining its share of the global market in active ingredients for insecticides.

Since Kenya's pyrethrum farmers do not often visit the city and town centers where KickStart's regular marketing activities take place, SC Johnson enables KickStart to take its marketing outreach directly to the highlands. Through promotions and event marketing—such as contests to determine who can fill a water tank faster using one of the pumps—pyrethrum farmers see what the pumps can do for their lives. In the first year of SC Johnson's involvement, more than 10,000 farmers have had an opportunity to learn about the pumps through radio and newspaper advertisements, newsletters, posters, contests, and other marketing.

Tied marketing is also an element of the partnership. SC Johnson supplies a can of Raid or Baygon insecticide with every pump sold, establishing the SC Johnson brand in the minds of new consumers who, thanks to the pump, will soon enter the middle class and have more disposable income for public health products, such as insecticides. The Pyrethrum Board of Kenya supplies a pack of high-quality pyrethrum seeds with every pump sold, providing further value to the farmers and restoring seed quality for future generations.

Pyrethrum production per acre has increased substantially, allowing SC Johnson to continue to use natural pyrethrum rather than switching to a synthetic replacement. At the same time, pyrethrum farmers boost household incomes that will improve nutrition, health, and education for their families. For SC Johnson, it is an opportunity to invest in the well-being of communities in a manner that improves the conditions of its factor inputs and may lead to a new market niche at the bottom of the economic pyramid.

NEXT STEPS

The Business Creation Alliance is a part of KickStart's $16 million plan to create 80,000 new enterprises by increasing market penetration in Kenya, Tanzania, and Mali, and expanding to three new countries in the region. A low-cost hip pump and deep-water pump are two new technologies under development. Priced at about $30, the hip pump is designed as an entry-level product, while the design of the deep-water pump will allow it to reach 70 feet below the surface through well shafts and boreholes. Marketing efforts also include product placements in a radio soap opera and mentions in a song by a popular Tanzanian performer. KickStart hopes to test a rural micro-credit project by the end of 2006.

These efforts are progressing while the organization overcomes obstacles—among them increases in the cost of steel that threaten to price the pumps out of the market, a copycat manufacturer that is threatening the reputation of the KickStart brand, and continued difficulties in reaching rural consumers. Despite these challenges, KickStart is well positioned, with a wide mix of public and private funders.

For-profit and foundation donors provide the majority of KickStart's funding. Official bi- and multilateral donors provide just 14 percent of KickStart's revenues, an amount that is exceeded by KickStart's earned income. KickStart's goals is to increase earned income, reduce the need for marketing subsidies, cultivate a wide array of private sector funding sources, and enlist official donors for help only in navigating the intricacies of a given development milieu. The company's plan is well aligned with USAID's approach to partnerships, in which the agency gradually reduces public funding but continues to play a convening and facilitating role among diverse stakeholders.

MARKALA SUGAR PROJECT ALLIANCE
"WE WILL DO GREAT THINGS TOGETHER"

PURPOSE

The Markala Sugar Project Alliance, part of a long-term plan to build a sugar industry in Mali, mobilized funds to prove the feasibility of a program to grow and process 8,000 tons of sugarcane per day, about five times the country's current capacity. The expected outcome—to produce 164,000 tons of sugar per year—will have a major impact on Mali's internal economic development by creating jobs, raising indigenous managerial capacity, stimulating investment in infrastructure, and generating export income.

CONTEXT

With per capita income of $860, Mali is a poor country on the southern edge of the Sahara. But the Niger River holds out the promise of economic growth and jobs through expansion of agriculture. Only 6 percent of Mali's one million hectares of arable land are presently cultivated, leaving ample room to grow and process sugarcane to satisfy strong domestic demand and earn export revenue.

ALLIANCE MEMBERS

U.S. Agency for International Development

Schaffer and Associates International, LLC

Ministry of Industry, Government of Mali

Office du Niger

ACCOMPLISHMENTS AND OUTCOMES

After a preliminary feasibility study and initial testing showed that sugarcane could be grown in Mali, the alliance has expanded its program of field-testing and attracted private sector interest. Two enterprises have been created: Caneco, to grow and harvest the cane; and Société Sucriffre de Markala, SA, to build a factory to process the cane and market sugar domestically and regionally. The alliance's $1.785 million investment is expected to attract $270 million in capital, the largest amount of foreign direct investment that Mali has ever attracted.

FUNDING ARRANGEMENT

U.S. Agency for International Development: $892,000

Schaffer and Associates International, LLC: $626,000

Government of Mali: $177,000

Office du Niger: $90,000

A visionary but businesslike public–private approach to building a sugar enterprise is proving a tremendous growth opportunity for Mali, one of the poorest countries of Sub-Saharan Africa. The enterprise is expected to generate 5,000 jobs, build the domestic economy, and generate export revenue.

Mali's 11 million people consume about 140,000 metric tons of sugar annually, of which less than 30,000 metric tons are produced domestically. The Markala Sugar Project is designed to make Mali self-sufficient in sugar and allow export of up to 60,000 tons of sugar each year, while opening investment opportunities and creating thousands of jobs to lift Malians out of poverty. This home-grown concept was a natural candidate for a public–private alliance.

THE IDEA: TO CREATE JOBS ALONG THE NIGER RIVER

The idea that became the Markala Sugar Project sprang from Mali's plan to develop a poverty-stricken region along the Niger River. Agribusiness, and particularly sugar, had already been identified as a primary sector for development and investment. With funds from the U.S. Trade and Development Agency, the Malian ministry of industry, commerce, and transport hired Schaffer and Associates International, LLC (SAIL), to conduct a feasibility study for proposed sugar development in the region of Ségou. SAIL matched the funds provided by the U.S. government.[1] The study, approved by Mali's government in 2001, concluded that the region appeared well suited to the further development of sugarcane, based on the quality and quantity of available land, the ready availability of water from the Niger River, the availability of workers needing employment, and attractive financial projections.

The plan called for sugarcane to be grown on 15,000 hectares of irrigated land, with 2,500 hectares dedicated to small farmers. A future sugar factory would have the capacity to process 8,000 tons of cane per day. Total annual production was projected at 1.53 million tons of cane, or 170,000 tons of sugar, exceeding domestic demand and providing export opportunities. Further expansion was to be divided equally between the estate and small farmers.

RECOGNIZING AN OPPORTUNITY—BUILDING THE ALLIANCE

Pamela White, USAID's mission director for Mali at the time, first heard about the plan from SAIL president Francis C. Schaffer. Having been briefed on the alliance approach by staff of the Global Development Alliance (GDA), and with her thorough knowledge of conditions in Mali, White quickly tagged the Markala Sugar Project as alliance material. Now the USAID director in Tanzania, White recalls the moment:

"Sometime in the fall of 2001, I went to a meeting that Francis Schaffer was chairing on the merits of building a sugar factory in Mali. I really was there by happenstance. Holly Wise [then GDA director] had finally convinced me that the GDA concept was truly viable and worth pursuing. I was looking for a chance to build an alliance when someone mentioned to me that the Schaffer Company was holding a briefing at the national convention center. Schaffer gave such a technically detailed yet passionate speech that I was immediately convinced.

"Later that night I met Schaffer again at the ambassador's residence and asked him if he would like to work together. Before I could even outline my ideas, he responded, "We will do great things together." After that there was no turning back. I knew that no investors would come to Mali (a bit off the beaten path) unless we could prove to them that Mali was a good place to invest, so Mr. Schaffer and I agreed that we would, together with the government of Mali, start sugarcane trials to prove that land in Mali was indeed suitable for development of sugarcane and could produce enough cane to support a factory with a daily capacity of 8,000 tons.

"At first the road was rocky—what would be the government's share? Who would implement the project? How could we move the money quickly? What about environmental concerns? We took the challenges on one by one, never getting discouraged by bureaucracy or lack of vision. Many, even in USAID Mali, could not see where we were going. Many said it was illegal to give USAID money to a private company. I knew that it wasn't. Environmentalists said that it would take

a year to get the clearances—it took about four months thanks to a very dedicated USAID environmentalist. Some said that the land that the government had given us wouldn't really produce anything—it did. We had problems getting the land graded correctly; we had problems getting the sugarcane samples into the country; we had problems with the government's customs officials but we took on each task, overcame, and carried on.

"Today this is a fabulously successful project even without the factory, which will be built next year"[2006].

ROLES OF THE MEMBERS OF THE MARKALA SUGAR PROJECT ALLIANCE

- U.S. Agency for International Development provides funding and project support.
- Schaffer and Associates International, LLC, provides program management, implementation, and design.
- Ministry of Industry, Government of Mali provides research and land preparation.
- Office du Niger provides water and power from the Niger River.

ALLIANCE PARTNERS SOW THE SEEDS OF FUTURE INVESTMENT

From their initial meeting in 2001 through the completion of the GDA proposal in March 2002, SAIL worked closely with USAID and the government of Mali to design a sound alliance of private and public organizations. The initial three-year alliance, approved in July 2002, has committed nearly $2 million already, with a further $1 million planned for 2006. The government of Mali provided land and water resources and owns the majority stake in Caneco, the cane growing enterprise for the project. With support and direction from key ministries, the Office du Niger (which manages the river), and USAID, SAIL hopes to complete the total funding package for the Markala Sugar Factory in 2006, leveraging alliance funds to attract other investments and funding totaling about $270 million. In the process the project will create some 5,000 jobs for the people of Mali.

The alliance-funded testing plan included four stages, the first two of which had been completed by 2005:

- The first goal was to establish the viability of large-scale cultivation of sugarcane. Setting up a methodical testing protocol, the alliance determined the most suitable varieties of cane for Mali's climate and soil.
- The second goal was to test fertilization and irrigation methods and requirements.
- The third goal is to test the best cultivars and agronomic practices in actual farm trials on the Caneco estate and with small farmers.
- The last stage is to dedicate a plot of 30 hectares to produce seed cane to be used on the commercial estate and by participating farmers.

Several social benefits are built into the Markala Sugar Project Alliance. Employment opportunities are aimed at both men and women. The program will engage young farmers and provide training and technology transfer. Small farmers and rural communities in the Segou region will be able to participate in sugar cultivation, share access to improved infrastructure, and enjoy new opportunities to earn income, among other health and welfare resources.

CANE AND ABILITIES

The probability that the enterprise will prove sustainable is high, thanks to careful planning and conservative business projections and assumptions about yields, prices, and other matters. The partners clearly apportioned their responsibilities and the uses to which their financial contributions would be put during the first four phases of the Markala project.

Once field-testing and seed production are complete and the full investment has been raised, factory construction, infrastructure development, land preparation, and cane planting will begin. The first harvest is expected to coincide with commissioning and testing of the completed factory. Sugar production and factory throughput is projected at 29,000 tons during commissioning (Year 0), rising to 162,000 in Year 6. The Société Sucrière de Markala, SA (SoSuMar) expects an internal rate of return of 57.95 percent. SoSuMar shareholders include the Chamber of Commerce of Mali, Schaffer and Associates International LLC, and Illovo Sugar.

The major economic benefit of the project comes through substitution of domestic sugar for imports presently valued at about $45 million, which will stimulate the local economy instead of being sent abroad. The social impact in the region is represented by approximately 2,000 direct full-time and more than 3,000 seasonal jobs in the SoSuMar factory and on the Caneco estate. Some 300 small farms covering 2,600 hectares of the Caneco estate will provide further job opportunities and growth, and encourage an economy of private commercial farms within Caneco. When full investment capital is achieved, the Markala Sugar Project will provide the largest return on investment of any public–private alliance to date.

1. The chief innovation in this alliance was that, after careful review by contract officers, the U.S. Agency for International Development (USAID) made a grant to a for-profit company to conduct research on sugarcane varieties appropriate for Mali. USAID funding for the project did not violate the Downey amendment.

CHAPTER NINE

WATER FOR LIFE

IMPROVING THE FLOW OF HEALTH

Sustainable freshwater is a critical underpinning of all development. By the year 2025, 2.8 billion people in 48 countries (one-third of the world's population) are expected to face severe and chronic water shortages. Worldwide, more than 1.2 billion people are at risk of illness because they lack access to clean water services. With the Conrad N. Hilton Foundation, The Coca-Cola Company, and other partners USAID is working to reduce the incidence of diarrheal diseases and other dangers of unsafe water, and to improve the management of water resources.

- WAWI unites 13 international organizations in partnership with local governments and communities to provide water supply and sanitation service delivery, hygiene promotion, and water resources management in rural and peri-urban Ghana, Mali, and Niger. WAWI is developing a coherent partnership model that promotes a community-driven, sustainable, integrated approach to service delivery and water resources management, over a period of six years, with a total of $44 million in funding.
- Recognizing the complexity of the challenge of global water access, both to its business and to the communities where it operates, Coca-Cola launched a Global Water Initiative in 2004 to understand and tackle risk issues in collaboration with other partners and stakeholders. The Community-Watersheds Partnership Program was the result of a strategic alignment of Coca-Cola's social and business objectives with USAID's strong development focus in the water sector. Both organizations seek to demonstrate that community development and business objectives are in many cases naturally allied in the water sector and can together create a much greater positive impact in developing countries.

WEST AFRICA WATER INITIATIVE ALLIANCE
SAFE WATER, HEALTHIER LIVES

Twelve international institutions — including a major family foundation — partner with USAID to expand access to clean water and sanitation, reduce water-borne disease, and ensure the sustainability of water resources.

"Where there is no clean water and sanitation, millions of children die each year, and millions of people become blind unnecessarily and suffer debilitating diseases. Our board chose water and sanitation as a priority, as we felt it was where we could have maximum impact on the most lives."
—Steven Hilton, chairman, president, and CEO, Conrad N. Hilton Foundation

PURPOSE
To provide water supply, sanitation, and hygiene services and to support sustainable water resources management in rural and peri-urban Ghana, Mali, and Niger.

CONTEXT
Access to clean drinking water and sanitation is a serious problem in developing countries. Some 430 million people, almost two thirds of the population of Sub-Saharan Africa, lack access to adequate sanitation services. About 280 million lack easy access to a supply of safe water. The incidence of water-related disease such as guinea worm, trachoma, and diarrhea presents a critical health challenge for children and vulnerable populations.

ALLIANCE MEMBERS
Conrad N. Hilton Foundation

Cornell International Institute for Food, Agriculture, and Development

Desert Research Institute

Helen Keller International

International Trachoma Initiative

Lions Clubs International

United Nations Foundation

United Nations Children's Fund

U.S. Agency for International Development

WaterAid

Winrock International

World Chlorine Council

World Vision

ACCOMPLISHMENTS AND OUTCOMES
By 2008, as many as 450,000 people will benefit from:

- 825 new borehole wells and 9,000 new latrines
- 100 alternative water sources
- Training in water resources management, hygiene, and sanitation
- More efficient and productive use of water by farms

FUNDING ARRANGEMENT
Conrad N. Hilton Foundation: $19.1 million

U.S. Agency for International Development: $6 million

World Vision: $16.7 million

World Chlorine Council: $300,000

Other partners: $2.7 million (in-kind)

Ghana, Mali, and Niger are among the 10 poorest countries of the world. There are very large gaps in coverage of water and sanitation services—in some areas, more than half of the population lacks access to a safe water supply, and an even higher percentage lack access to sanitation. As a consequence, the poor and vulnerable rural and peri-urban populations suffer a high rate of preventable water-related diseases, including guinea worm, trachoma, and diarrheal disease. Food production, livelihoods, and conservation of the natural resource base also are threatened by the lack of clean water.

In 1986, the U.S. Agency for International Development (USAID) issued a $5 million grant to World Vision, a faith-based nongovernmental organization (NGO) with a long record of humanitarian assistance around the world, to launch the Ghana Rural Water Project. The success of that project attracted the attention of the Conrad N. Hilton Foundation, which was interested in providing safe water in developing countries. In 1990, the foundation contributed funds to enable World Vision to expand its activities. As a result, by the end of 2001, more than 500,000 villagers in Ghana enjoyed better access to safe water and sanitation. That same year, the Hilton Foundation assessed the Ghana Rural Water Project. Finding it a success, the foundation decided to fund further expansion of safe water services around the world, committing an initial $17.5 million (later increased to $19 million) to expand work into Niger and Mali, where World Vision already had a strong presence. But the foundation also sought an opportunity to tap into the strength, expertise, and resources of additional partners. It soon found the Global Development Alliance (GDA).

USAID and the Hilton Foundation, along with several other groups, jointly announced the West Africa Water Initiative (WAWI) alliance at the 2002 World Summit on Sustainable Development, citing it as a good example of the new public-private partnership approach being promoted by USAID and the U.S. Department of State. The alliance also advanced the water supply and sanitation component of the U.S. government's $970 million Water for the Poor Initiative.

WAWI unites 13 international organizations in partnership with local governments and communities to provide water supply and sanitation service delivery, hygiene promotion, and water resources management in rural and peri-urban Ghana, Mali, and Niger. WAWI is developing a coherent partnership model that promotes a community-driven, sustainable, integrated approach to service delivery and water resources management, over a period of six years, with a total of $44 million in funding. USAID has committed $6 million to WAWI through the agency's economic growth and global health bureaus, and through GDA.

SAFER WATER, LESS DISEASE, GREATER DEVELOPMENT

WAWI's objectives reflect the internationally recognized principle that improved water resources management and increased access to water supply and sanitation services are strongly linked to other development goals. Improving health and preventing water-borne ailments require clean water and sanitation facilities. Access to water frees families to earn income or engage in other pursuits that create possibilities for additional economic development. Because women and girls are predominantly responsible for collecting water for domestic use, improving water supply is especially beneficial to them.

The goal of the alliance is to improve the health and well being of rural and peri-urban families and communities in Ghana, Mali, and Niger by meeting four core objectives:

- Increase access to sustainable, safe water and environmental sanitation for poor and vulnerable communities in rural and peri-urban settings
- Reduce the prevalence of water-borne and sanitation-related diseases, particularly trachoma, guinea worm, and diarrheal diseases, through the promotion of personal

hygiene and environmental sanitation practices

- Ensure ecologically, financially, and socially sustainable management of water quantity and quality
- Foster a replicable partnership model and institutional synergy to ensure technical excellence, programmatic innovation, and long-term financial, social and environmental sustainability

The alliance began field implementation in 2002 in Mali, and in 2003 in Ghana and Niger. The alliance is well on its way to meeting its target of providing benefits to at least 450,000 people in the first six-year phase of the initiative. It is working closely with national governments to replicate and scale up efforts to make a significant impact on meeting the Millennium Development Goals in water supply and sanitation in all three WAWI countries. There is also interest in expanding the program by incorporating new resources and gradually extending the areas of geographic focus.

PARTNER ROLES AND ACTIVITIES

In addition to the founding roles played by the Hilton Foundation and World Vision, the current members of the alliance represent a broad spectrum of institutions, including a private foundation, a bilateral donor, international NGOs, universities, a public international organization, and a for-profit industry association. Together, partners exercise broad international reach and bring rich and diverse expertise to the program through their complementary roles.

Cornell International Institute for Food, Agriculture and Development conducts practical research and pilot activities to promote community mobilization and raise attention to gender issues and natural resource management.

Desert Research Institute assists program implementation through hydrologic analysis and modeling for well siting and water-source sustainability.

Winrock International works with other partners to develop sustainable smallholder irrigation, micro-irrigation, and associated marketing activities.

Lions Clubs International Foundation provides funding and in-country volunteers to carry out a trachoma-prevention campaign in Mali and Niger.

UNICEF provides technical assistance and training on rural school-based sanitation and hygiene education. It also drills wells, rehabilitates water points, and develops alternative water sources.

WaterAid builds the capacity of communities to manage rural sanitation and change hygiene-related behaviors. It is the principal implementer of the alliance's peri-urban program in water supply, sanitation, and hygiene service delivery.

World Chlorine Council utilizes its network of industry trade associations to donate PVC pipe and education materials to communities.

USAID supports partner grants in focus areas including integrated water resources management, income generation, gender mainstreaming, and environmental strengthening. In addition, the agency provides significant support through cross-cutting activities of interest to the alliance, including strategic planning, communications and outreach, monitoring and evaluation, hygiene behavior change, and knowledge management.

PARTNERSHIP GOVERNANCE

WAWI's governance structure has evolved considerably since the partnership was created. Presently, a headquarters-level steering committee holds semi-annual meetings to ensure continued attention by all partners to overall policy and funding issues. The Conrad N. Hilton Foundation is an active participant at this level. The USAID Water Team provides coordination and technical support to the steering committee.

At the regional level, World Vision's Ghana office hosts the WAWI secretariat, which coordinates field implementation. USAID provides a regional coordinator for WAWI activities based in Bamako, Mali, who supports and works in close coordination with the WAWI secretariat.

For each WAWI country, national steering committees for each WAWI country are hosted by World Vision and chaired by a representative of the host government. WAWI partners active in the country are represented on the steering committees, which coordinate partner efforts and carry out joint program planning at the country level.

Some 450,000 people are expected to benefit from WAWI interventions by 2008. Those interventions include:

- Drilling 825 new borehole wells
- Developing 100 alternative water sources
- Building 9,000 latrines
- Training thousands of people in water management, hygiene, and sanitation
- Teaching community associations, women's groups, and households how to maintain clean and safe water supplies in the home
- Making hundreds of farm households more efficient and productive users of water

LESSONS LEARNED

WAWI is approaching the mid-point in its first six-year phase of activity. It will conduct a formal evaluation in 2006 to measure progress and adjust course where needed. "This program is still in its infancy relative to the demanding and important results that are expected of each of the partners and in terms of stated goals and activities," reports Richard Stearns, president of World Vision. WAWI partners have just completed a five-year strategic planning process focused on scaling up current efforts and becoming even more effective in national and international water-sector reform.

WAWI is a complex alliance with many partners, wide geographic reach, and an ambitious mission. Partnership development can be a challenge under such conditions, requiring considerable time and effort to ensure that the alliance becomes greater than the sum of its parts. Sharon Murray of the USAID Water Team, who manages USAID's participation in the alliance, has witnessed first-hand WAWI's maturation through many stages of formation, reconstitution, and development.

For Murray, an effective alliance is one that maintains effective communication, navigates diverse institutional cultures, and overcomes the logistical and practical problems of coordinating multiple activities on the ground. "The intense commitment and perseverance of partners at both headquarters and field level," notes Murray, "has allowed WAWI to move closer to a practical, effective, operational model of collaboration. Refining and sharing that model with others," she concludes, "will ultimately help realize the promise of partnership that WAWI offers."

WORLD VISION

COMMUNITY-WATERSHEDS PARTNERSHIP PROGRAM
SAFEGUARDING WATER RESOURCES

The U.S. Agency for International Development and The Coca-Cola Company join forces to address water resources issues in developing countries where both operate.

PURPOSE
Match the business objectives of a major international corporation with the needs for water resources management and service delivery in countries where both partners operate. USAID and the Coca-Cola system work together to provide incentive grants to local business units and bottlers and USAID missions to carry out water-related projects in target communities of the developing world.

CONTEXT
Sustainable freshwater is a critical underpinning of all development. By the year 2025, 2.8 billion people in 48 countries (one-third of the world's population) are expected to face severe and chronic water shortages. Worldwide, more than 1.2 billion people are at risk of illness because they lack access to clean water services. At the same time, a dependable and clean water supply is essential for economic and industrial development. Increasingly, different human activities are competing for limited water supplies that are critical to sustaining human health, ecosystem sustainability, livelihoods and economic productivity.

ALLIANCE MEMBERS AND ROLES
U.S. Agency for International Development (USAID)

The Coca-Cola Company (TCCC)

Global Environment & Technology Foundation (GETF)

ACCOMPLISHMENTS AND OUTCOMES
In Mali, the program will support community water supply and sanitation as well as small-scale agriculture activities using recycled wastewater from a local Coca-Cola bottling plant. In Bolivia, activities will improve governance and management of the watershed near a Coca-Cola facility. Two more projects will be initiated during 2006, and USAID and TCCC hope to extend the program into 2007.

FUNDING ARRANGEMENT
U.S. Agency for International Development: $1 million

The Coca-Cola Company: $1.5 million

Water is the key ingredient in The Coca-Cola Company's (TCCC) approximately 400 beverage brands and its reliable supply is fundamental to the company's business success. TCCC has recognized that issues of water supply sustainability (quality and quantity), watershed management, and wastewater treatment compliance are key environmental business risk issues for the corporation. Access to adequate, dependable, clean water is also basic for quality human life. As a responsible global corporate citizen, TCCC desires to act positively and, working through local and international partners, help to ensure access to clean drinking water and sanitation in the communities where they operate. Water stewardship, for the business, the communities and the environment, is central to TCCC's corporate social responsibility goals.

For the past decade, The Coca-Cola Company and its bottling partners have implemented efficiency measures to lower the water use ratios in its approximately 900 bottling facilities around the world. Recognizing the complexity of the challenge of global water access, both to its business and to the communities where it operates, Coca-Cola launched a Global Water Initiative in 2004 to understand and tackle risk issues in collaboration with other partners and stakeholders. The Community-Watersheds Partnership Program was the result of a strategic alignment of TCCC social and business objectives with USAID's strong development focus in the water sector.

TAKING ACTION TO REDUCE RISK

Strategic thinking and action on water within TCCC has been advanced by a dedicated Environment and Water Resources department within the company, led by Jeff Seabright, a former USAID senior officer in natural resources management. As a key building block of its strategic approach, the office undertook a comprehensive assessment of diverse physical, social, economic, and political risks facing the company through a 300-question survey sent to all its bottling facilities as well as division and global offices in over 200 countries. An overwhelming 92 percent of The Coca-Cola system bottlers responded, demonstrating a keen desire to both understand and address the water-related risks faced by the company worldwide.

Among the environmental concerns identified were issues related to availability and management of shared water resources, as well as liquid and solid waste management risks associated with local bottling facilities. Community relations and the company's social license to operate were also examined in light of past experiences in communities where water scarcity is a real issue and the responsibility of the Company towards helping to resolve these challenges extends beyond the walls of the facilities.

The risk model provided strong empirical support of the business case for addressing water issues that affect local bottlers and the surrounding communities, in their environmental, economic, political and social dimensions. Based on the analysis, customized mitigation plans are being developed by TCCC operating units and bottlers, focusing on concrete actions to improve company operations and engage with communities and development organizations to address social concerns.

In March 2005, TCCC married its local risk assessment work with top-level strategic planning to map the company's aspirations for the future. The company developed a 10-year vision statement recognizing water stewardship as a critical element of the overall Coca-Cola corporate strategy, and resolving to translate the vision into action.

MEETING MULTIPLE OBJECTIVES THROUGH PARTNERSHIP

In charting a way forward on water issues, TCCC engaged a nongovernmental organization, the Global Environment and Technology Foundation (GETF), to assist in outreach, facilitation and implementation of the Global Water Initiative with a variety of development partners. Representatives from both TCCC and GETF approached individual USAID

COCA-COLA'S BUSINESS CASE FOR ACTION

The Coca-Cola Company has communicated the relationship between water and its core business functions in its forward-looking statements to shareholders. In what is called a 10-K filing with the U.S. Securities and Exchange Commission (SEC) covering Coca-Cola's fiscal year 2004, the company reported that "Water is a limited resource facing unprecedented challenges from overexploitation, increasing pollution and poor management. As demand for water continues to increase around the world and as the quality of the available water deteriorates, our system may incur increasing production costs, which may materially adversely affect our Company's profitability in the long run."

"What Coke is now reporting to its shareholders," explains Dan Vermeer, Director of Coca-Cola's Global Water Partnerships within the Environment and Water Resources department, "is that water quality and water quantity are enterprise risks that are globally significant in scale. Essentially, it's a message that this is an important business challenge that Coke faces."

missions as well as the Water Team located at USAID headquarters in Washington about a broad range of partnership possibilities during 2004 and 2005.

As a result of these interactions, TCCC and GETF worked to develop a request for USAID Global Development Alliance (GDA) funding to support a global program that would address specific local water resources needs, while also advancing Coca-Cola's corporate objectives in social responsibility, cleaner production, local community support, and risk management. This proposal incorporated ongoing projects under development with the USAID/Mali and USAID/Bolivia missions. The alliance would be managed on the USAID side by the agency's Water Team, which welcomed the opportunity to engage a major corporate partner to jointly address global water issues.

GDA and other offices within the agency signaled a willingness to support the partnership in the amount of $1 million, matched by $1.5 million of TCCC funding. A memorandum of understanding outlining the objectives of the Community-Watersheds Partnership Program was signed by USAID, Coca-Cola, and GETF in August 2005. The two projects already developed in Mali and Bolivia were approved as the first activities to be supported under the global alliance. To supplement the core funding, the USAID mission in Mali has committed over $200,000 of solar pump equipment for the local initiative, while the Bolivia mission is contributing management, technical advice, and partnership facilitation support.

ALLIANCE PROFILE

The Community-Watersheds Partnership Program supports an incentive grants program for water-related projects in countries where there is a Coca-Cola corporate presence as well as a USAID mission. USAID missions and Coca-Cola divisions or bottling facilities are asked to jointly develop proposals for activities of mutual interest. Final project selection is based on evaluation criteria jointly developed by USAID and TCCC.

One or two additional projects will be initiated under the program during 2006 (with USAID's 2005 fiscal year funding), including at least one activity in Asia. Projects developed under the alliance can address any important water resources management or water service delivery problem facing the local communities, and must follow internationally established principles of the sector including good governance and public participation, financial and ecological sustainability, and social and gender equity. Projects must also directly support both the strategic development priorities of the local USAID mission (as demonstrated by a matching funding requirement), as well as the corporate interests of TCCC locally.

MALI

In Mali, TCCC faces water resources opportunities and challenges, among them a desire to bring the local bottling facility BRAMALI into compliance with global corporate standards for plant wastewater treatment. TCCC committed to a local investment in plant wastewater management, coupled with support to community interventions in water supply, sanitation, and hygiene.

Under the initiative, USAID's local NGO partners are developing and rehabilitating water points and promoting sanitation and hygiene in peri-urban Bamako (near the local bottling plant), as well as rural communities in the Ségou, Mopti and Timbuktu regions. In addition, once the BRAMALI wastewater treatment plant is operational in 2006, NGO partners will explore both use of the treated wastewater for small-scale irrigation near the plant, as well as the potential application of waste biosolids as a soil conditioner, with the goal of increasing food security and generating revenues for local families. These activities build on three years of investment by USAID working with a consortium of local partners to deliver an integrated package of water resources management services and technical assistance to vulnerable communities throughout Mali. The program also provides critical added value to existing USAID programs that increase local government capability to deliver and manage basic services for their communities.

The entire package of interventions successfully meets the objectives of the multiple partners involved: For the local bottler, the leveraged investment in wastewater treatment as well as community water supply and sanitation projects has garnered support at both the national and local government levels in Mali, and mitigated local social and economic risk for the company. For TCCC corporate headquarters and divisions, one more local bottling facility will be brought into compliance with TCCC internal environmental standards, serving as a model to others in the region. For USAID and local development partners, the alliance has reinforced local water partnership arrangements, provided direct and tangible services and economic benefits to Malian citizens, and strengthened community decision-making. For the Malian Ministry of Environment, an example has been set for other industry leaders in the country to follow in the area of environmental compliance. And for the local communities, significant benefits are forthcoming both in improved environmental quality, as well as increased access to basic services for the poor.

BOLIVIA

In Bolivia, the local Coca-Cola bottler EMBOL is located in the Tarija municipal watershed which experiences chronic surface and groundwater shortages due to a number of factors including inadequate water supply service development, wasteful water use practices by a number of actors, and lack of sustainable watershed management. As a leading industrial user of water in the area, EMBOL was motivated both to improve its own internal management to reduce water use and prevent water contamination, and to become a more active participant in governing area water resources with other local stakeholders. The USAID mission in Bolivia became interested in the partnership as a way to build on its past investments in biodiversity, upper watershed management, and cleaner production in Tarija, by engaging an important industrial actor and strengthening local participatory governance models for water resources management.

The Community Watersheds Partnership Program is supporting a local alliance of stakeholders in the water sector to promote improved watershed management in the Tarija area, including public awareness and behavior change, local industry engagement in participatory decision-making processes, community-based water resources management activities, and improved industry water and wastewater practices. These activities will be implemented by USAID's local development partner NGOs together with local governments and communities. In addition, the local

EMBOL bottling facility will be supported by TCCC division and headquarter representatives to carry out complementary activities including those related to local hydrogeological analysis, public outreach and information dissemination, as well as improved water management activities of the plant operation itself. As its contribution to the alliance, the USAID/Bolivia mission will serve a key coordinating and facilitating role among the partners, and provide ongoing technical oversight for local NGO activity implementation.

The project is still in the final stages of design, and all the partners' roles and activities have not been fully identified. However, the project holds great promise to improve both the long-term sustainability of the water resources upon which both local industry and communities depend, while also improving EMBOL's corporate citizenship and collaborative interactions with other actors in the watershed.

THINK GLOBALLY, ACT LOCALLY

The Community-Watersheds Partnership Program is still quite new and faces many challenges in its efforts to spread a forward-looking vision throughout two highly decentralized organizational structures. TCCC is working hard to communicate the general business case for water resources management to its divisions, bottling facilities, and other operating units, while permitting a customized approach that responds to a diversity of contexts in the field. USAID is working with its missions to ensure that they understand the local TCCC needs and priorities related to water resources management, in order to build productive synergies between the agency's existing development priorities and private sector interests. Both organizations seek to successfully demonstrate that community development and business objectives are in many cases naturally allied in the water sector, and can together create a much greater positive impact in developing countries.

The first two projects supported by the program, as well as additional activities under development, reflect the diversity of water-related challenges that face both the business and development sectors, and highlight the numerous opportunities for intersection of the two. The great enthusiasm already demonstrated throughout the TCCC system as well as USAID missions for this alliance is a clear demonstration that "water" is an issue around which diverse partners can find a meeting of the minds.

Once the Community-Watersheds Partnership Program activities are fully up and running, the partners will work to document overall progress in addressing both business risk and development objectives against jointly developed indicators. Demonstrated impacts of the alliance will serve to advance both TCCC's and USAID's overall visions in the water sector. Eventually, TCCC and USAID envision that the Community-Watersheds Partnerships model will be fully internalized within each of their organizational structures, fostering the formation of many additional locally-developed alliances in the water sector that go well beyond the boundaries of the existing global program, and embrace other actors beyond the two founding partners.

PART III

THE WAY FORWARD

CHAPTER TEN

TOMORROW'S PUBLIC–PRIVATE ALLIANCES

The national security strategy of the United States rests on the triad of defense, diplomacy, and development—the "three Ds." President Bush and Secretary of State Rice have made it abundantly clear that all three legs of that strategy are essential. As evidence of development's place in the administration's thinking, one has only to note that the budget of the U.S. Agency for International Development (USAID) has nearly doubled since 2001—the largest increase in percentage terms since the Truman Administration. But effective promotion of development depends on far more than appropriations of public funds, important as these are. The fact is that today's toughest development challenges will be met not by a single set of actors—not by governments, international organizations, corporations, foundations, faith-based groups, or civil society acting in isolation. They will be met—they are being met—by cross-sectoral alliances of several or many actors, each lending its own capacity to the coordinated and sequenced pursuit of shared goals.

Globalization has highlighted the power of private sector-led growth, as well as the enduring realities of poverty, disease, and poor governance. Where governance is poor and institutions weak, economic life is stifled or driven underground. Most foreign investors stay away, and what investment there is has little benefit for poor people.

CONCERTED INTERVENTIONS, JUST IN TIME

Multinational corporations have a unique perspective on how differences in the quality of institutions from one country to another can affect investment decisions. It is no surprise, therefore, that they have led the way in forming public–private alliances, which they view as the best means of achieving just-in-time improvements to the investment climate. Such companies were the first to turn to other actors—to governments and international institutions, bilateral and multilateral aid agencies, civil society and nongovernmental organizations (NGOs)—to complement their limited capacity to meet the governance challenges that affect their ability to operate.

The partnerships thus formed have become an established approach for delivering development assistance, as both established and new actors now recognize that neither governments, nor international organizations, nor companies, nor NGOs can succeed alone. They know that lasting change, change that leads to sustainable, equitable, and environmentally sound growth, depends on mobilizing complementary roles and skills.

In 2001, USAID embraced this new paradigm by creating the Global Development Alliance (GDA). The GDA approach hinges on the idea that business has a critical contribution to make to sustainable development but cannot do so on its own. It galvanizes that contribution by combining companies' resources, skills, and presence in particular countries with USAID's global platforms, capabilities, and experience—and, as necessary, with the talents of other organizations.

THE CAPACITY TO FORM AND MANAGE ALLIANCES

Because successful development requires private actors, companies, foundations, philanthropists, and faith-based groups with partnership capacity, USAID has supported organizations, such as the International Business Leaders Forum, the U.S. Chamber of Commerce's Center for Corporate Citizenship, the Synergos Institute, and Partners for Christian Development, that are dedicated to raising the capacity of companies, foundations, volunteers, and faith-based groups to work in partnerships similar to those profiled in this report.

USAID has had to raise its own partnership capacity as well. The agency has had to learn to play various roles in alliances, depending on circumstances and needs. In some cases, USAID has been a convener of a small set of partners. In others, it has been a builder of new institutional arrangements.

USAID does not have a monopoly on good partnership ideas, but it is well positioned to partner with others to achieve their social, environmental, and economic goals in developing countries. With more than 40 years of experience managing a wide range of projects in developing countries, the agency has a unique understanding of social, economic, and political challenges and long-term working relationships with governments, the private sector, and civil society organizations in developing countries.

The GDA business model has passed some significant milestones. Approximately 290 alliances have been formed in less than four years, leveraging more than three dollars in partner funds and in-kind contributions for every dollar contributed by the U.S. taxpayer. As a result of the record of concrete results that the GDA has built, alliances will continue to gain salience as a new business model for delivering development assistance.

To extend alliance work into new sectors and to deepen alliance activity in sectors where they have already made a mark, the agency will, in the years to come, continue to adjust its policies, programs, and procedures to promote alliance formation. In making those adjustments, several internal and external issues will need to be addressed.

INSIDE USAID: MANAGING RELATIONSHIPS AND MAINSTREAMING THE ALLIANCE MODEL

Changing the mindset and behavior of any large organization, especially a decentralized organization spread over the globe, is a major undertaking. While much progress has been made, the agency will seek to further embed alliance building in strategy development and human resource management. USAID's traditional approach to strategy development has been to gather input from a wide variety of sources, while developing a strategy that reflects the U.S. government's priorities and fits within USAID's budget. This often leaves little latitude for new direction, new resources, and others' ideas. What needs to be done?

- Collaborative models of planning need to be developed to support the alliance business model.
- Simultaneously, there needs to be a major operational shift from managing money and instruments to managing relationships.

The people who drive the alliance-building process are critical. USAID will need to focus on valuing, recruiting, and retaining people with an entrepreneurial spirit to match their technical development skills. USAID will need to provide incentives to develop new management structures and reward people for managing partners' money as well as they manage that of their own program.

To assist with the change process at the tactical level, in the field, the agency is extending the use of regional alliance builders, whose job it is to mainstream the theory and practice of alliance building in USAID field missions and to provide partners with a point of contact when building alliances across regions and sectors. Regional alliance builders will draw upon the resources of USAID and the resources of private actors to build country and regional alliances. By the end of fiscal year 2006, USAID will have deployed six regional alliance builders. Several field missions with substantial and intense alliance activities have hired their own alliance builder to foster and manage partner relationships.

OUTSIDE USAID: NEW PARTNERS, NEW FRONTIERS

USAID spends around $15 billion dollars a year on foreign assistance—the bulk of it still outside partnership arrangements. Similarly, most of our alliance partners (foundations, firms, NGOs) spend most of their resources outside alliances. Therefore, significant "market share" of development dollars remains to be "captured" by alliances that command the sort of synergy evident in the 22 cases profiled in this report. With the right leadership and management processes, more alliances should mean more innovation and growing skill, within USAID and among partners, in making alliances work for development.

Several trends may prove particularly important in alliance formation in the coming years.

DIASPORAS

The development community has only just begun to sense the development potential of diasporas, both for their specialized knowledge and as a source of finance. Diasporas are often rich in skills needed in their countries of origin, and the money they remit to relatives at home already exceeds the official aid provided by governments in the developed world. USAID, and the development community at large, are considering ways to facilitate the transfer of both skills and funds, and to multiply the development effect of those transfers. Tasks include making it easier for people to send money home, possibly by encouraging them to participate in the local banking system or by devising collective (and more cost effective, or lower transaction costs) remittance instruments that could serve, for example, as a source of capital for housing and business loans or for insurance.

Future alliances will exploit other ways for diaspora groups to use their skills and capital to help their homelands. Diasporas can serve as a force for democratization, as symbolized by the return of expatriates to assume leadership positions in Georgia, Latvia, and elsewhere. In 2005, GDA helped USAID's Pakistan mission to bring together a group of influential members of that country's diaspora community to consider how they could advance development in their country of origin. At first skeptical about what could be done, the participants soon achieved a convergence of energy and ideas. When the earthquake hit Pakistan in October 2005, USAID was able to reach out to the Pakistani diaspora in important ways. Similar groundwork has been laid with the Vietnamese diaspora on several occasions as well. Other field missions hope to replicate the model.

THE NEW PHILANTHROPISTS

Since the 1980s, the open economies of the developed world—characterized by rapid technological change, accelerated flows of financial and human capital, and market expansion through trade and globalization—have created unparalleled opportunities for the accumulation of private wealth. The new philanthropists who seized those opportunities take a hands-on approach to charitable endeavors, often international in scope. Some have built the infrastructure of large, traditional foundations.

New philanthropists interested in international causes quickly encounter two major obstacles: (1) the difficulty of finding a reputable implementing partner in developing countries and (2) the expense of overseeing large-scale grant-making in large amounts of overseas. To overcome them, the new private philanthropists often seek to share infrastructure through donor advisory services that offer foundation-like services to hands-on philanthropists. Those services include professional program officers, monitoring and evaluation of grants, fund administration, and collection of donations. Directly or through their advisors, the new philanthropists also seek to leverage their dollars by partnering with other actors whose capacities complement theirs. In some cases, USAID works with such donors directly; in other cases, it works with their advisors.

DEMOCRACY AND GOVERNANCE

In their traditional philanthropy as in their newer, "strategic" giving, companies often gravitate toward sectors such as education, health, and economic development. In such areas, it is easy to measure and observe results: students taking computer courses, water being purified, cashews being harvested.

Laying the groundwork for political and economic freedom, by contrast, offers no such easy benchmarks or visible results to the donor or alliance member. Yet development is impossible without good (or at least improving) governance and the rule of law, partly because economic activity depends on them. Because good governance is an indispensable condition for doing business in the twenty-first century, its attainment will be a growing source of competitive advantage among developing countries. And many countries have made progress. That is the good news. The bad news is that just as many countries, including failed states that fall into anarchy and become breeding grounds for terrorists, have slipped backwards. Many others have a long way to go before they can hope to attract foreign investment or foster the growth of a competitive, innovative private sector of their own.

Because of the importance for development of good governance and the private sector, aid donors are keen to create new opportunities to leverage private resources to address governance and democracy building. Developing successful models will be a particularly tough challenge, but one we cannot shirk.

The private sector has much to gain from secure property rights, predictable and transparent regulation, and the rule of law, all of which create market opportunities and permit firms to invest with confidence. The companies with the most to gain, and thus those that are the most logical partners in alliances to improve the business climate, are those that have long-term business interests in developing countries. Such firms have shown interest in USAID's experience in democracy and governance work—the rule of law, labor standards, capacity building for governance, and other issues—and a willingness to invest in these activities, which, although lying outside the usual boundaries of corporate social responsibility and involving sensitive topics, complement their interests.

GOVERNING GROWING ALLIANCES

Alliances are built on institutional and personal relationships that require a strong dose of trust among partners. As the alliance concept spreads, and alliances grow in depth and number, building and managing those relationships becomes simultaneously more difficult and more essential, particularly when some of the partners are networks. (Several of USAID's alliances include networks of organizations that have coalesced around a particular issue, such as cocoa in West Africa or youth employment in the Americas.)

Some alliances are more than five years old, others soon will reach that mark. As time goes on, it becomes apparent that adjustments to approaches, planning, and funding will occur. The institutionalization of alliance structures (governance, levels of support) and the decision to expand or disband a partnership are just a few of the important challenges that the agency will soon face. There are bound to be situations where some alliance partners will want to keep an activity going, even when the original goals have been met or some of the partners' interests have shifted.

Successful governance of evolving partnerships is essential for the simple reason that public–private alliances are not a development fad or a temporary solution to development problems. The United Nations and other international organizations know that they cannot solve development problems themselves. Businesses alone cannot create the optimal climate for their operations. Philanthropists want to take their pilots to scale. Bilateral donors outside the United States are reaching the same conclusion —and responding with models similar to the GDA.

Because public–private alliances are not going away, our challenge is to make them work as well as they possibly can. Leading academics are conducting valuable research on the building, managing, and governing of broad partnerships. Application of that research to maturing alliances is a sort of real-life laboratory process with immense implications for the growth of the alliance-centered, collaborative development model—and for the societies in which that model is applied.

THE CHALLENGES OF THE SECOND GENERATION OF ALLIANCES

In remarks before Congress in 2000, Colin Powell, then secretary of state, introduced GDA as "a fundamental reorientation in how USAID sees itself in the context of international development assistance, in how it relates to its traditional partners and in how it seeks out and develops alliances with new partners."

One of Secretary Powell's illustrious predecessors, General George C. Marshall, set the stage for GDA's alliance-based approach to development. The Marshall Plan worked as it did because it built partnerships within and between countries, economic sectors, public and corporate entities, and communities. The importance of individuals and institutions was balanced, establishing a personal sense of responsibility and initiative that permeated the Plan's many projects and initiatives. No single country or organization could have accomplished any of the goals of the Marshall Plan. Together, they accomplished them all—through collaborative problem solving, an entrepreneurial attitude, and the willingness of all partners to adapt to new circumstances and newly gained experience.

GDA has adapted the alliance process to our era. But much remains to be done to realize the promise of public–private alliances. Chief among USAID's challenges, as it embarks on the second generation of alliance building, are the following:

- Recruiting professionals with the ability to build and manage partnerships, and developing the alliance-building skills of the agency's staff and partners
- Ensuring that the agency has the resources, human and financial, to be a reliable alliance partner
- Taking the lessons learned from the first generation of alliances and bringing them to bear on the next

- Demonstrating, in facts and figures, the salutary outcomes of first-generation alliances
- Laying out priorities (geographic, sectoral, compositional) for the formation of new alliances
- Discovering new ways to realize the development potential of diaspora groups, new philanthropists, and other emerging classes of alliance partners
- Working with academia to meld theory and practice in the governance of complex alliances
- Harnessing the energy of public–private alliances to the essential goal of fostering political and economic freedom in countries where these are lacking.

Public–private alliances are not a panacea, and they may not be appropriate in all circumstances. However, the cases presented in this report provide ample evidence that alliances, in their many possible forms, offer creative solutions, bring more resources, and deepen commitment to resolving seemingly intractable development challenges.

The portfolio of alliances already formed offers much learning that needs to be mined and shared. Most reports call for "more research," and one of the tasks resulting from this report will be to continue to mine and share the learning of our existing portfolio of alliances. The report you have just read is part of our commitment to sharing what we have learned. GDA will be leading the charge to deepen USAID's institutional understanding of alliances as development tools and making the results available to the broader development community.

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In the space of five years the Office of Global Development Alliances (GDA) at the U.S. Agency for International Development has grown from an idea to a thriving enterprise that is pushing back the frontiers of development practice. Behind that growth lie uncounted numbers of individuals and groups. Likewise, this report on GDA's origins and present activities is the work of many, many people—among them the hundreds of development professionals at USAID who have adopted GDA as part of their approach to development.

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—Daniel F. Runde