

Introduction to USAID for the Private Sector

The purpose of this letter is to introduce the U.S. Agency for International Development (USAID) and the Public-Private Alliance (PPA) model to private sector entities that are interested in partnering with USAID in global development activities. The PPA model was introduced in 2001 to harness the resources, skills and creativity of the private sector in generating unique approaches to global development issues.

The move toward alliances activity is based on the recognition that traditional approaches to foreign assistance have evolved, with non-public resources now accounting for 80% of the resource flows to the developing world, compared to just 30% in the 1970s. Many of these resources are from the private sector, creating the opportunity for enhanced cooperation in development activities. In addition, the private sector makes unique contributions in developing countries by promoting improved labor and environmental standards, sustainable job creation, expanded trade relations, and technological innovation and training. Thus, there are many areas where USAID and private sector collaboration in development activities makes sense, and creates a win-win-win situation for local populations, USAID and its partners in developing countries.

USAID private sector partners have embraced the PPA concept and to date over 200 alliances have been formed in 100 countries, with \$500 million of USAID resources leveraging over \$2 billion in non-U.S. Government assets. USAID is committed to devoting its talents and resources to alliance building, and seeks to generate maximum flexibility in formulating and structuring alliances.

What is USAID?

USAID was created in 1961 to design and manage U.S. foreign assistance programs with the mandate to promote democracy and economic growth, and assist countries emerging from crises and humanitarian disasters. Through its programs, USAID fosters a positive view of American values and skills, and has a direct impact on improving the lives of populations in the developing world. Currently, USAID manages programs in more than 100 countries and its annual budget of close to \$14 billion supports programs in numerous areas, including economic growth and trade development, democracy and governance, environment, IT, education, health care, and agriculture.

USAID is headquartered in Washington, DC and is headed by an Administrator who is appointed by the President and confirmed by the Senate. Andrew Natsios is the current Administrator. The agency is comprised of regional bureaus, including:

- Sub-Saharan Africa
- Asia and the Near East
- Latin America and the Caribbean
- Europe and Eurasia.

In addition, three functional Bureaus manage programs for transnational issues, including:

- Global Health
- Economic Growth, Agriculture and Trade
- Democracy, Conflict and Humanitarian Assistance



As shown in the attached organizational chart, USAID's primary strength is in its 80 country and regional missions around the world, which house U.S. and national staff who are country and technical experts. USAID programs are usually funded through grants or contracts for the procurement of goods and services, and currently relationships exist with over 3,500 U.S. companies and 300 private-voluntary organizations (PVOs).

What is a Public-Private Alliance (PPA)?

In May 2001, Secretary of State Colin Powell announced an initiative to develop Public-Private Alliances (PPAs) with private sector partners on issues of shared interest to USAID and stakeholders in developing countries. As part of this effort, the Global Development Alliance Secretariat (GDA) was created in USAID's Washington, DC headquarters to serve as a facilitator among potential partners in alliance building activities. The GDA Secretariat has a small staff that provides training to USAID staff on the PPA model, conducts outreach to the private sector, and shares learning on best practices. Companies, business organizations, and trade associations may approach the GDA Secretariat's office, the Washington, DC bureaus, or overseas missions to discuss specific ideas and opportunities.

The alliance model incorporates the pooled knowledge, skills and resources of USAID, the private sector and other partners. PPAs differ from other USAID programs in that they bring shared responsibilities and resource commitments to a particular activity that is more collaborative than traditional grant disbursement. In creating PPAs, USAID and its partners jointly identify solutions that capitalize on the expertise that each entity brings to the table, and creates a unique synergy to development solutions.

Successful PPAs can relate to your organization's core competency or can address broader development goals. Although USAID can collaborate with your firm in a number of areas, the following PPAs provide some examples of alliance activities and objectives.

- Improving Commodity Standards: Multinational corporations work with local producers to improve cultivation and standards of commodities core to their business, including cocoa, coffee and forest products.
- Building IT Capacity: Computer and software firms donate product and provide training to local populations to both enhance a country's IT capacity and to improve workforce skills.
- Development Surrounding Large Infrastructure Projects: Multinationals in the extractive industries support a broad range of development projects in the areas in which they work. These efforts go beyond the traditional "bricks and mortar" of building hospitals and schools by seeking to create sustainable local capacity in a range of areas.
- Enhancing Global Health, Education and Environmental Standards: Private sector partners have been active in initiatives that increase access to vaccines, provide scholarships for advanced education and training, and develop clean water resources, to name a few.

How Can Your Company Benefit from PPAs?

The PPA model would not be nearly as successful without the greater interest in Corporate Social Responsibility (CSR) that has evolved in the last decade. Companies have become



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increasingly active in sponsoring development projects and are donating substantial resources, skills and personnel to such efforts. It is commonly recognized that this not only makes good business sense in the countries where companies operate, but also meets investor expectations and creates shareholder value for the firm. As such, your company's involvement in PPAs can advance your firm's social responsibility agenda.

Furthermore, many USAID-sponsored programs address issues that advance private sector interests. For example, USAID programs seek to strengthen the rule of law, reduce the incidence of corruption, provide alternative dispute resolution mechanisms, and allow for increased FDI. Although alliances are not intended to promote a company's position or entry to a particular market, partnerships often enhance the enabling environment for private sector activity. For example, PPAs can achieve the following:

- Enhancing supply chain management in the production and procurement of goods and services;
- Introducing advanced technologies in the delivery of health, education, and government services;
- Promoting economic growth and private sector development through enhancing business skills, product design, and marketing efforts of local companies; and,
- Training in International Accounting Standards and the development of sound banking systems.

Thus, by working with partners, alliances can have a multiplier effect by generating a greater impact than would have been realized if the partners worked independently. These activities can generate conditions for a more stable and prosperous country, which is in the interest of USAID and its partners.

How Can I Create an Alliance with USAID?

There are two principal ways that your organization can participate in alliances. The first involves support through the provision of cash, technical assistance, or in-kind resources to projects co-sponsored by USAID that relate to a company's core competency and have a development impact. The second involves support for a non-core business activity, such as offering direct assistance to a project in a developing country where your company has a large investment, or in a sector that relates to your Foundation or CSR priorities.

USAID seeks to be flexible and responsive to proposals from the private sector, and welcomes discussions with potential partners for activities that have a strategic fit with USAID's mission. USAID partners with companies that demonstrate a commitment to socially responsible business practices with regards to financial transparency and soundness, human rights and labor conditions, environmental accountability, and affirmative action standards. The resource contribution made by the partners must be at least equal to that of USAID, but often exceed the minimum 1:1 leverage ratio, and can be in the form of cash or in-kind contributions, such as product, knowledge or technical skills.

Regardless of where and how discussions begin the primary role in managing and implementing alliances often resides in the overseas missions. Thus, even if preliminary discussions occur in Washington, it is essential that mission support is sought early in the process. If an alliance is supported by the mission, then USAID and the partnering organizations will work to develop agreement on the desired outcomes, inputs, roles and



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responsibilities of each partner. These often result in non-binding Memorandums of Understanding (MOUs) but can take other forms as well, including cooperative agreements or grants. There must be a firm commitment by the partnering organization to move forward before USAID will obligate funds.

An illustrative list of private sector partners is attached. This list includes private businesses, foundations and trade associations, and is not meant to be exhaustive. For more information on USAID's Public-Private Alliance model and the GDA Secretariat, please visit our website at www.usaid.gov/gda or contact the GDA office at (202) 712-4418.



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Private Businesses

Abbott Laboratories
AlphaSmart
American Express
Amiran Ltd.
Archers Daniel Midland
Aveda
Aventis
Bajaj Auto Limited (BAL)
Barry-Callebaut
BASF
Bayer
Becton, Dickinson, & Co.
Boyd Coffee Company
British Petroleum (BP)
Cadbury Schweppes
Caja Popular Mexicana
CALTEX Philippines
Cargill
Cascadia Forest Goods
Caterpillar International
ChevronTexaco
Chiquita
Cisco Systems
Citigroup
Coca Cola
Colgate-Palmolive
Covington and Burling
D&S Gelfuel Limited
DeBeers
ECOM
Edelman Worldwide
Egyptian Natural Gas Holding
Company
Energy Conversion Devices
(ECD)
Ernst & Young
Evenson Dodge
Exportimo/South Cone Trading
Felton International
Fitch Rating
General Mills
Gibson
GlaxoSmithKline
Goldman Sachs
Good Coffee Company
Green Mountain Coffee
Roasters
Heinz
Hershey Foods
Hewlett Packard

Honest Tea
IBM
IKEA
International Specialties, Inc.
Intervet International

Private Businesses

Java City
Johnson and Johnson (J&J)
Kraft Foods
Levis Jeans
Liz Claiborne
Lucent Technologies
M&M/Mars
Masterfoods
Maxygen Inc.
McKinsey & Company
Merck & Co.
Microsoft Corporation
Millstone
Mirant
Monsanto
Morton Salt Company
Motorola
MTV International
Nestle
Neumann Kaffee Gruppe
Nokia
North American Wood
Products
Oderbrecht
Orange
PADCO
Pfizer
Procter & Gamble
Roche Vitamins
Royal Ahold, Inc.
Royal Cup
Schaffer and Associates
Schering-Plough
Scimedx Corporation
Shell Petroleum Development
Company of Nigeria, Ltd.
Starbucks
STIHL Brazil
Sun Microsystems
Tata Iron & Steel Company
Limited
The Bank of Brazil
The Gap
The Home Depot
Timberland

Trojan
Uganda Pharmaceutical
Manufacturers
Unilever
Viacom
Visa International
Westwood One Radio Network
Wyeth
Yahoo
Young and Rubicam

Foundations

Aga Khan Foundation
Amy Biehl Foundation Trust
Bill & Melinda Gates
Foundation
Case Foundation
Charles Stewart Mott
Foundation
Conrad N. Hilton Foundation
(CNHF)
David and Lucile Packard
Foundation
Elizabeth Glaser Pediatric
AIDS Foundation
Eurasia Foundation
Ford Foundation
GE Fund
German Marshall Fund of the
United States
Gillette Foundation
Henry J. Kaiser Family
Foundation
Humane Society of the US
International Youth Foundation
(IYF)
J.M. Kaplan Fund
John D. and Catherine T.
MacArthur Foundation
Kellogg Foundation
Levi Strauss Foundation
Lincy Foundation
Lions Club International
Foundation
Robert Wood Johnson
Foundation
Rockefeller Foundation
Rotary International
Soros Foundation
Wellcome Foundation
William and Flora Hewlett
Foundation



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Trade Associations

American Forest and Paper
Association
Chocolate Manufacturers
Association
Colombian Chamber of
Commerce
Confederation of Indian
Industry
Confederation of Mozambique
Business Associations
Guinea Chamber of Mines
Indian Chamber of Commerce
Information Technology
Association of America
International Private Water
Association
The International Textile,
Garment and Leather Workers'
Federation
The World Information
Technology and Services
Alliance
Uganda Coffee Trade
Federation
US Halal Chamber of
Commerce
World Chlorine Council
World Cocoa Foundation
World Council of Credit Unions



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