



## **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](http://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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