



# Foreign Assistance: Public-Private Partnerships (PPPs)

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## Summary

The flow of private sector resources to developing countries has increased significantly in recent decades. Seeking opportunity in this changing environment, government development assistance agencies such as the U.S. Agency for International Development and the State Department are working with private sector entities in unprecedented ways to determine when and if such partnerships can lead to improved development results. As explained in the Obama Administration's 2010 Quadrennial Diplomacy and Development Review (QDDR), "private sector partners can add value to our missions through their resources, their capacity to establish presence in places we cannot, through the technologies, networks, and contacts they can tap, and through their specialized expertise or knowledge."

Modern public-private partnerships (PPPs), characterized by joint planning, joint contributions, and shared risk, are viewed by many development experts as an opportunity to leverage resources, mobilize industry expertise and networks, and bring fresh ideas to development projects. Partnering with the private sector is also widely believed to increase the likelihood that programs will continue after government aid has ended. From the private sector perspective, partnering with a government agency can bring development expertise and resources, access to government officials, credibility, and scale.

Now a decade after the formation of USAID's Global Development Alliance (GDA), PPPs for development have received mixed reviews. PPPs require significant effort to create and manage, and critics argue that inadequate data exist to demonstrate that these efforts are the most effective way to use limited development resources. Others have expressed concern about partnerships diverting resources away from proven development programs or recipients. Still others are concerned that PPPs, particularly those involving corporate partners and focusing on trade and economic growth, may lead to outsourcing of U.S. jobs. Partnership proponents have varying views as well. Some feel that the goal of mainstreaming the PPP model as a tool for development has been achieved, while others contend that the potential for using PPPs in development has only begun to be realized and that expanded partnerships are the future of development assistance.

To date, the movement toward this modern concept of development partnership has been driven by successive administrations with limited congressional involvement. However, recent reviews of U.S. foreign assistance policy, together with increasing fiscal constraints, may spur congressional action on foreign assistance reauthorization or reform in the 113<sup>th</sup> Congress. As part of this effort, Congress may consider several issues that affect or are affected by the use of PPPs, including budget and procurement policies, interagency leadership, international commitments, and the role of aid within broader development policy. This report discusses the evolution of private sector involvement in U.S. foreign assistance programs over recent decades, how globalization has driven the modern approach to development partnerships, potential benefits and drawbacks of PPPs, and how partnerships are being used by other bilateral donors and multilateral development agencies. The report then discusses partnership-related issues that may be of interest to Congress as part of the foreign assistance authorization and reform process.

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## Introduction

In the last decade, the concept of government partnerships with the private sector has frequently appeared in international development literature and U.S. development policy discussions. Goal 8 of the United Nations' Millennium Development Goals is to "develop a global partnership," with an emphasis on working with the private sector to increase global access to information technology and pharmaceuticals.<sup>1</sup> The "transformational diplomacy" initiative in the George W. Bush Administration included "engaging the private sector" among its six areas of focus.<sup>2</sup> The Obama Administration's U.S. Global Development Policy, announced in September 2010, aims to "leverage the private sector, philanthropic and non-governmental organizations, and diaspora communities."<sup>3</sup> U.S. development activities in the last decade reflect this emphasis. The U.S. Agency for International Development (USAID) alone reports participating in 1,600 public-private partnerships (PPPs) with more than 3,000 different partners between 2001 and 2012.<sup>4</sup> Some observers view such partnerships as part of a broad ongoing transformation of how foreign aid is implemented, bringing nontraditional actors and ideas into development practice. Others view PPPs as an experiment that has not proven itself preferable to traditional approaches to development assistance.

### **What Is a Public-Private Partnership (PPP)?**

A key issue in evaluating public-private partnerships (PPPs) in development is determining what constitutes a partnership. This report focuses on partnerships in which a U.S. development agency works with a private sector entity, with each contributing resources (cash or in-kind) to achieve a shared objective that has significant development benefits. Agencies may define PPP somewhat differently. USAID, for example, defines its Global Development Alliances (GDAs) as having a 1:1 leverage of USAID resources, a nontraditional resource partner, a jointly defined solution to a social or economic development problem, shared risks and results, and sustainability.<sup>5</sup> The Department of State describes its "new generation of public-private partnerships" as "a collaborative working relationship with non-governmental partners in which the goals, structure, and governance, as well as roles and responsibilities, are mutually determined and decision-making is shared."<sup>6</sup> What these partnerships have in common, and what makes them distinct from many U.S. government relationships with private sector entities, is that the private partner is not a vendor, contractor, grantee, or government-funded implementer, but rather, ideally, an equal partner invested in every stage of the partnership activity.

This report discusses the evolution of private sector involvement in U.S. foreign assistance programs over recent decades, how globalization has driven the modern approach to development partnerships, potential benefits and drawbacks of PPPs, and how partnerships are being used by other bilateral donors and multilateral development agencies. The report then discusses partnership-related issues that may be of interest to Congress as part of the foreign assistance authorization and reform process.

<sup>1</sup> See <http://www.un.org/millenniumgoals/global.shtml>.

<sup>2</sup> "A Call to Action: Report of the Advisory Committee on Transformational Diplomacy," Department of State Publication 11484, Office of the Secretary, January 2008, p. 11.

<sup>3</sup> "Fact Sheet: U.S. Global Development Policy," available at <http://www.whitehouse.gov/the-press-office/2010/09/22/fact-sheet-us-global-development-policy>.

<sup>4</sup> See <http://www.usaid.gov/gda>.

<sup>5</sup> See "An Intro to GDA" at [http://www.usaid.gov/our\\_work/global\\_partnerships/gda/intro.html](http://www.usaid.gov/our_work/global_partnerships/gda/intro.html).

<sup>6</sup> See GPI's Partnership Guide at <http://www.state.gov/s/partnerships/guide/index.htm>.

## **Evolution of the Private Sector Role in U.S. Development Assistance**

USAID and other U.S. agencies have worked with the private sector for decades, but they have expanded their means of engaging the private sector over time. Starting in the mid-1970s, USAID began using nonprofit nongovernmental organizations (NGOs) as development program implementers more frequently, primarily as an alternative to full government staffing. The shift allowed for greater flexibility, and arguably cost savings, while maintaining full government control of development policy and programs.

In the 1980s, the Reagan Administration's foreign aid policies focused on supporting indigenous for-profit private enterprises as a means of improving economic development processes and outcomes. The Private Enterprise Initiative, begun in 1981, focused largely on improving the policy environment for indigenous private enterprise in developing countries, but it also explored ways to use the private sector to implement traditional aid programs.<sup>7</sup> This approach was also reflected in the establishment of several enterprise funds, beginning in 1989, which primarily used USAID funds to invest in small and medium-sized private businesses, initially in Central and Eastern Europe, as a means of spurring private sector development in countries transitioning toward market-based economies.<sup>8</sup> Microenterprise programs, through which USAID supports local financial institutions or organizations providing small loans and support services to small entrepreneurs, first became popular in this period as well.

These models of private sector engagement continue to this day. Government aid agencies work with private entities both as implementing partners and drivers of economic growth in which to invest. In the last decade, however, a new model of public-private engagement in development has emerged. Rather than funding private entities to implement USAID-designed programs, or investing in the growth of private enterprise within a developing country (both approaches are ongoing), the new model is designed to take advantage of the growing presence of international corporations, foundations, and other private entities in developing countries through formal relationships marked by common objectives, mutual resource contributions, and shared risk. This is the type of activity, now commonly referred to as a public-private partnership (PPP), addressed in this report. Nevertheless, there is no official definition of PPP in the international development context, and an understanding of the wide range of activities that are referred to as PPPs is important for understanding the debate around PPP efficacy.

### **Globalization and Development**

The rise of PPPs in development assistance is closely related to significant changes in the flow of funds to developing countries in recent decades. Liberalized trade policies and information technology innovations have led to a surge in global actors. Private financial flows to developing countries—including commercial lending, charitable giving, and money transfers between family

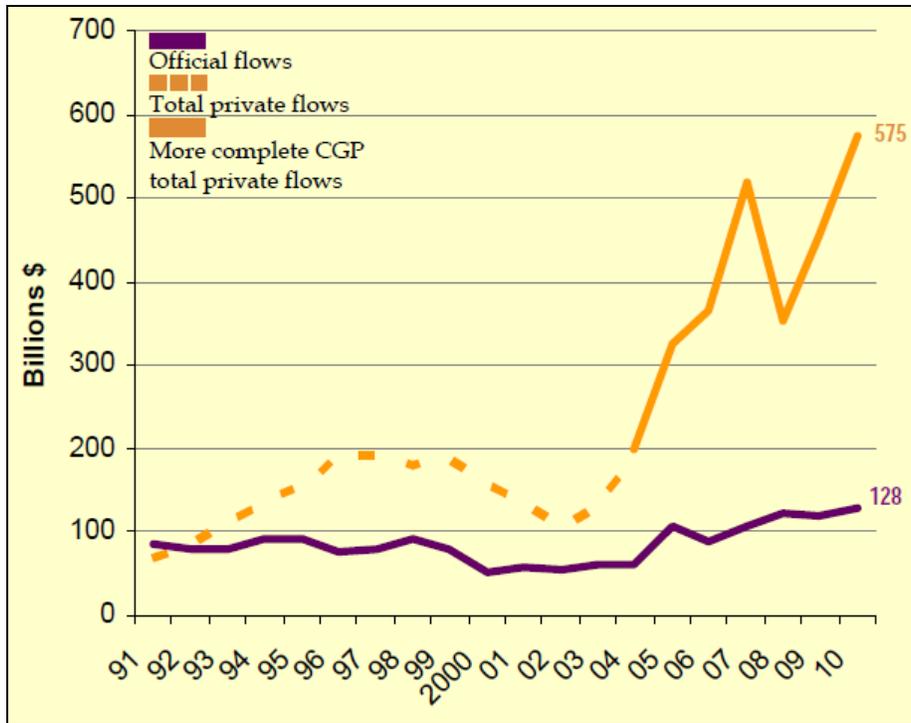
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<sup>7</sup> For a detailed review of the Private Enterprise Initiative, see “The Private Enterprise Initiative of the Agency for International Development,” a report prepared for the U.S. House of Representatives Committee on Foreign Affairs by Curt Tarnoff, Congressional Research Service, September 1989 (Washington: GPO).

<sup>8</sup> For more information on enterprise funds, see GAO Report NSIAD-99—221, “Enterprise Fund Contributions to Private Sector Development Vary,” available at <http://www.gao.gov/archive/1999/ns99221.pdf>.

members—are now significantly and consistently higher than official development assistance,<sup>9</sup> a dramatic change from just 10 years ago. Foreign aid from government donors accounted for only 18% of the estimated \$703 billion in total financial flows between the Organization for Economic Cooperation and Development (OECD)<sup>10</sup> member countries and developing countries in 2010 (Figure 1).

**Figure 1. Financial Flows from Organization for Economic Cooperation and Development (OECD) Countries to Developing Countries, 1991-2010**  
(in billions of current U.S. dollars)



**Source:** Hudson Institute Center for Global Prosperity, *The Index of Global Philanthropy and Remittances*, 2012, Figure 4, page 15, as modified by CRS.

**Note:** CGP = the Hudson Institute’s Center for Global Prosperity. The “More complete CGP total private flows” data reflect a change in 2004 from using private flow data from OECD to using methodology developed by the Center for Global Prosperity for calculating private flows.

Looking at U.S. financial flows to the developing world in 2010, official flows (development aid from the government) accounted for only about 9%. Private capital flows, remittances, and philanthropy made up the bulk.<sup>11</sup> The quality of private flow data is questionable, and some analysts assert that much of the private flow is not going to the least-developed countries, where

<sup>9</sup> Official development assistance (ODA) is defined by the Organization for Economic Cooperation and Development (OECD) as grants and concessional loans (with a grant element of at least 25%) intended to promote the economic development and welfare of developing countries.

<sup>10</sup> The Organization for Economic Cooperation and Development (OECD) is a primary source for information on global official (government) financial flows.

<sup>11</sup> Hudson Institute Center for Global Prosperity, *The Index of Global Philanthropy and Remittances*, 2012, Table 1, p. 8.

official aid is still paramount. Still, the trend is unmistakable. Donor governments are no longer the key foreign players in many developing countries. Aid policies and priorities are affected by evolving trade, investment, and migration trends and policies. In this changing context, PPPs are viewed by many policymakers as an opportunity to leverage private resources toward solving problems that hinder development and business interests alike.

## **U.S. Government Development Partners**

Among U.S. agencies involved in international development, USAID took the early lead in developing and implementing a PPP model. Under the Obama Administration, the State Department has become more active in development-related PPPs as well, and, more recently, the Millennium Challenge Corporation has applied the new partnership model in the development of its country compacts. While agencies may vary in their partnership priorities and processes, there is significant overlap. In fact, many large PPPs include multiple U.S. agencies as partners.

### **USAID—Global Development Alliances/Private Sector Alliances**

USAID is the primary U.S. agency promoting international development. The agency has been the U.S. government leader on PPPs for development since establishment of the Global Development Alliance (GDA) Secretariat within USAID in 2001. The Secretariat was tasked with developing partnership models that could become a new standard for USAID programs. It was intended to link growing private financial flows in developing countries to U.S. development assistance programs, enabling both private and public gains by promoting common interests.<sup>12</sup> USAID reports participating in more than 1,600 PPPs since 2001, with more than 3,000 distinct partners.<sup>13</sup> Private partners include corporations, universities, and foundations and other nonprofit organizations.

USAID uses PPPs in every development sector. For example, in the Jordan Education Initiative, USAID brought a dozen private sector technology companies, including Cisco and Dell, together with the Jordanian Ministry of Education's program to modernize curriculum content and broadband information technology as a key step to education reform. USAID contributed \$11.25 million to the partnership between 2005 and 2007, while the private partner contributions were valued at \$25.6 million.<sup>14</sup> In the Sustainable Tree Crops Alliance, USAID brought together public and private stakeholders in the cocoa industry, including Mars, Hershey, Nestlé, and other international chocolate processors. The project was designed to improve the income of small tree crop farmers and the environmental sustainability of cocoa production systems in West and Central Africa through technology transfer, marketing, and institutional innovations. USAID contributed \$2.18 million to the effort in 2002, while other partners contributed \$7.55 million.<sup>15</sup>

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<sup>12</sup> Assessment of USAID's Global Development Business Model, USAID Bureau for Policy and Program Coordination, Evaluation Working Paper No. 11, April 2005, p. 3.

<sup>13</sup> See Fact Sheet: Office of Development Partners/Private Sector Alliances, available at [http://www.usaid.gov/our\\_work/global\\_partnerships/gda/resources/PSA\\_Fact\\_Sheet.pdf](http://www.usaid.gov/our_work/global_partnerships/gda/resources/PSA_Fact_Sheet.pdf).

<sup>14</sup> See USAID GDA Database, available at <http://gda.usaid.gov/alliances/detail.asp?s=SVHTWWJYBVBXBPDSHGDMHRBQYLYTQYNT&id=413&t=>.

<sup>15</sup> See USAID GDA Database, available at <http://gda.usaid.gov/alliances/detail.asp?s=SVHTWWJYBVBXBPDSHGDMHRBQYLYTQYNT&id=126&t=>.

**Table 1** and **Table 2**, below, show the objective and partner roles for two fairly typical USAID PPPs. The text box below (“Innovation in Partnership: African Diaspora Marketplace [ADM]”), in contrast, highlights a more innovative partnership model focused on leveraging the knowledge and resources of developing country nationals who reside in the United States.

**Table 1. Malawi Dairy Development Alliance**

<b>Objective.</b> Build the capacity of small dairy farmers, local milk processing plants, and farmer-owned milk bulking programs in order to improve production and profitability.		
<b>How It Works.</b> Partners collaborated on improving the entire dairy value chain, including loan programs that allow farmers to purchase new heifers, improved feed and cattle health, loan guarantee programs for local milk processing facilities, and improved milk bulking practices. The alliance provides rural dairy farmers, feed producers, and small and medium-size dairy processing facilities with the resources and tools required for a successful local dairy industry.		
Partner	Contribution	Motivation
Land O'Lakes	Technical expertise, significant experience in Malawi, introduction of new cattle breeds.	National visibility, social responsibility.
Local milk producers/dairies	Investments in new practices and technology, capital for farmer loan programs.	Higher, more predictable income.
General Mills	Financing.	National visibility, social responsibility.
Monsanto	Soybean seeds and technical assistance. The mature beans are used for cattle feed.	National visibility, social responsibility.
USAID	Technical advice, financing, partner and alliance coordination.	Economic growth.
Government of Malawi	Extension agents that worked in the value chain, assistance with animal importation, assistance with processing paperwork quickly.	Economic growth.

**Source:** USAID, “Building Alliances Series: Microenterprise,” available at [http://www.usaid.gov/our\\_work/global\\_partnerships/gda/micro\\_guide/micro10.html](http://www.usaid.gov/our_work/global_partnerships/gda/micro_guide/micro10.html).

**Table 2. Oral Rehydration Solution (ORS) Campaign, India**

<b>Objective.</b> To increase knowledge and use of high-quality, World Health Organization (WHO)-approved Oral Rehydration Solution (ORS) for the treatment of diarrhea.		
<b>How It Works.</b> USAID/India and ICICI Bank explained to ORS manufacturers the health and business advantages of switching to WHO’s new low-osmolarity formulation. Once these manufacturers had developed ORS that met WHO standards, they were allowed to place the campaign logo on their product packaging. Media outlets advertised the new products, including placing them on popular TV shows.		
Partner	Contribution	Motivation
ICICI Bank	Staffing for implementation, budgeting, and financial management.	National visibility, social responsibility.
ORS manufacturers	Millions of free samples of WHO-approved ORS, and staff, materials, and funding for product promotion and outreach.	Market expansion, consumer confidence.
Media outlets	Staffing and air time for integrating ORS messages into TV shows.	National visibility, social responsibility.

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Indian Academy of Pediatrics	Advocacy resources and technical expertise.	Improved health-provider knowledge of the importance and correct use of ORS.
Government of India	Funding to develop and air TV advertisements.	Improved children's health.
USAID	Funding and technical assistance for overall implementation.	Improved children's health.

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**Source:** Case study from USAID, "Building Alliances Series: Health," available at [http://www.usaid.gov/our\\_work/global\\_partnerships/gda/health\\_guide/health7.html](http://www.usaid.gov/our_work/global_partnerships/gda/health_guide/health7.html).

The GDA Secretariat was intended to be a temporary entity that would be phased out when the GDA business model was mainstreamed throughout USAID. However, mainstreaming did not occur as quickly as planned, and in 2005, rather than disappear, the Secretariat evolved into the Office of Global Development Alliances, later into the Private Sector Alliance Division of USAID's Office of Development Partners, and most recently the Global Partnerships Division (GP) of the Office of Innovation and Development Alliances (IDEA). PPPs have arguably become an integral part of program planning and development strategy at many U.S. missions abroad. Efforts to institutionalize the alliance concept have been bolstered in recent years by new foreign service officers, hired through the Development Leadership Initiative, who have been trained and designated as alliance builders before beginning their first overseas assignments. Efforts in the international community to broaden the donor-centric aid model to engage a broader range of development stakeholders have strengthened the mainstreaming effort as well.<sup>16</sup>

The GP Division in Washington continues to assist mission staff in developing strategic alliances, serves as a point of contact for private sector entities wishing to engage in partnerships, and focuses on advancing knowledge of best practices in alliance building and evaluation.<sup>17</sup> In recent years, the GP Division (once PSA) has also focused on identifying opportunities to improve alliance efficiency through establishing Global Framework agreements with companies that collaborate with USAID in a specific sector or type of activity in multiple countries. For example, USAID works with Cisco and Hewlett-Packard in more than 60 countries to provide information technology training that creates job opportunities and lays the foundation for a global information technology infrastructure. As of September 2013, USAID had Global Frameworks with Starbucks, Coca-Cola, Intel, Evensen Dodge, Bayer Pharma, the Packard Foundation, Green Mountain Coffee, General Mills, Kraft, the MacArthur Foundation, PepsiCo, the Alliance for Green Revolution in Africa, Project C.U.R.E., Swiss Re, Unilever, DSM, the World Cocoa Foundation, and Microsoft Corporation as well.<sup>18</sup>

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<sup>16</sup> For more on global coordination of development assistance goals and practices, see CRS Report R41185, *Foreign Aid: International Donor Coordination of Development Assistance*, by Marian L. Lawson.

<sup>17</sup> USAID, "History of Global Development Alliance," available at [http://www.usaid.gov/our\\_work/global\\_partnerships/gda/history.html](http://www.usaid.gov/our_work/global_partnerships/gda/history.html).

<sup>18</sup> See USAID's Global Frameworks website at [http://www.usaid.gov/our\\_work/global\\_partnerships/gda/frameworks.html](http://www.usaid.gov/our_work/global_partnerships/gda/frameworks.html).

### **Innovation in Partnership: African Diaspora Marketplace (ADM)<sup>19</sup>**

The African Diaspora Marketplace (ADM), a PPP between USAID and Western Union, is an interesting example of USAID trying to leverage private funds for economic growth.<sup>20</sup> This partnership model builds on both Western Union's interest in increasing financial flows to Africa, thereby increasing the market for the company's money transfer services, and the knowledge and drive of Africans living in the United States.

The ADM is a business plan competition through which Africans living in the United States compete for matching grants of up to \$100,000 to establish or expand a business in their home countries, with local partners. More than 700 applications were submitted in the first year, from which 58 finalists were chosen to attend a January 2010 event in Washington, DC. Finalists presented their ideas before judges and the public; participated in learning sessions on business planning, access to credit, and USAID technical assistance opportunities; and took part in networking events. Among the 14 proposals chosen as matching grant recipients were a cell-phone application that allows remote farmers to get real-time information on commodity prices and an entrepreneurial nursing franchise.

USAID contributed \$600,000 to the first ADM, using the Academy for Educational Development (AED) as an implementing partner. Western Union contributed \$800,000, along with publicity and program design support. The partnership was widely viewed as a successful pilot, and USAID launched a second ADM round in 2012, selecting 17 new grantees. State/GPI has incorporated ADM, together with new diaspora business plan competitions in several other regions of the world, into its International Diaspora Engagement Alliance (IDEA) platform.

## **State Department—Global Partnership Initiative**

State has a long history of working with the private sector, but its current PPP strategy stems from Secretary of State Condoleezza Rice's "transformational diplomacy" initiative in 2006, which included engaging the private sector among its objectives. In accordance with the recommendation of the Advisory Committee on Transformational Diplomacy's working group on partnerships, a Global Partnership Center (GPC) was created at State in 2007 within the Bureau for Resource Management. The stated goal was to "expand the Department's use of partnerships that achieve policy, programmatic and management objectives by leveraging the resources, expertise and creative culture of private sector and non-governmental entities."<sup>21</sup> As with USAID's GDA, the GPC was focused on mainstreaming the use of PPPs as a tool throughout the department, rather than establishing and managing its own partnerships.

In January 2009, soon after the Obama Administration took office, the GPC became the Global Partnership Initiative (GPI), housed within the Office of the Secretary of State and led by a Special Representative for Global Partnerships. The change appears to indicate the importance that the Obama Administration places on what then-Secretary of State Clinton called the "new generation of partnerships." The elevation within State was intended to make the division more effective in leading State efforts, in addition to providing more clout in interagency efforts. The transition, however, did not come with any additional resources.

While the State Department often supports partnerships that have development objectives, its interests are primarily diplomatic. Common objectives of State Department PPPs are enhancing the United States' reputation and visibility abroad and building relationships between people with common interests that transcend political and cultural divisions. For example, the Global Women's Mentoring Partnership, begun in 2006, places emerging women leaders from all over

<sup>19</sup> All data on ADM are pulled from the competition website at <http://www.diasporamarketplace.org/about-adm>.

<sup>20</sup> The alliance also included Ecobank, a pan-African bank, and the George Washington University Center for International Business Education and Research.

<sup>21</sup> U.S. Department of State Action Memo on Establishment of the Global Partnership Center, July 11, 2007.

the world in three-week mentoring programs in the United States with women chosen as *Fortune's* Most Powerful Women Leaders. State provides grants to an NGO to manage program logistics and vets candidates through overseas posts, while *Fortune* provides mentors with appropriate expertise and experience whose companies pay for the international air travel and per diem expenses of the participants.<sup>22</sup> In the 2008 Breast Cancer Global Congress, State partnered with the Avon Foundation to organize a one-day forum in Germany to connect experts and public health representatives from more than 40 countries to share ideas and encourage public-private initiatives related to the treatment of breast cancer.<sup>23</sup> Currently, GPI is focusing on four broad “flagship partnerships,” under which a variety of partnership activities fall:

- Accelerating Markets Partnership, a collaboration between business, government and civil society intended to bring innovation and pooled resources to business challenges to increase economic value along with positive social and environmental impact. The partnership is being implemented first in Brazil, with a focus on the housing and the environment sectors.
- International Diaspora Engagement Alliance (IDEA), which promotes and supports diaspora-centered initiatives in entrepreneurship, volunteerism, philanthropy, diplomacy, and social innovation, including annual Global Diaspora Forums since 2011 and diaspora business plan competitions in Africa, Latin America, the Caribbean, and the Pacific Islands.<sup>24</sup>
- Global Alliance for Clean Cookstoves (see text box below).
- Partnership for a New Beginning (PNB), established in 2010 to bring together American private sector leaders and their counterparts in Muslim communities.<sup>25</sup> State does not provide funds to support PNB partnerships, but describes its role as the convener of the alliance, which includes the Aspen Institute, Coca-Cola, and the Stonebridge Group among its leading partners.

Unlike USAID, the State Department often plays the role of convener or facilitator for alliances, rather than a resource partner. It contributes leadership, credibility and a broad ideological framework for partnership activities that are implemented and largely supported by other entities, including other U.S. agencies.

#### **The Global Alliance for Clean Cookstoves (GACC or the Alliance)**

The Global Alliance for Clean Cookstoves (GACC or the Alliance), announced by then-Secretary of State Clinton in September 2010, was created to address the problem of dangerous, inefficient, and environmentally harmful use of traditional cookstoves. The World Health Organization (WHO) estimates that nearly half the world's population is negatively affected by such stoves. The smoke and toxic fumes from traditional cookstoves damage human health and the environment; significant effort must be devoted to gathering wood to fuel cookstoves; and the demand for wood fuel promotes deforestation. Cleaner stoves, fueled by plants, gas, or solar power, are designed to address these problems while also creating opportunities for local small businesses. The Alliance's goal is for 100 million homes to

<sup>22</sup> See a case study of the program on the State Department website at <http://www.state.gov/s/partnerships/release/124981.htm>.

<sup>23</sup> See <http://www.state.gov/r/pa/prs/ps/2011/10/175510.htm>.

<sup>24</sup> See <http://www.state.gov/s/partnerships/diaspora/index.htm> for the State Department web page on this alliance.

<sup>25</sup> See <http://www.state.gov/s/partnerships/newbeginning/index.htm>.

adopt clean and efficient stoves and fuels by 2020.

The GACC is led by the United Nations Foundation, a private entity devoted to promoting the work of the United Nations. The Alliance includes 12 donor countries and several major corporate donors, including Dow Corning, Shell, Morgan Stanley and Baker & McKenzie. The United States has pledged a total of \$125 million to the effort as of September 2013, and several U.S. agencies are participating in accordance with their comparative expertise. The State Department describes its role as convening stakeholders and bringing in more donor countries. The Overseas Private Investment Corporation provides debt financing and insurance to support cookstove projects. USAID supports operational research into how people use improved cookstove technology and how indoor air quality interventions can improve the household environment and promote economic opportunities for women. The National Institutes of Health has conducted clinical trials and epidemiological studies, while the Centers for Disease Control & Prevention is evaluating the health impact of indoor air pollutants. The Environmental Protection Agency is leading international efforts to establish performance standards and ratings for cookstove safety and efficiency, and the Department of Energy conducts research on technical barriers.

**Source:** Global Alliance for Clean Cookstoves website, available at <http://www.cleancookstoves.org/>; and “United States Commitment to the Global Alliance for Clean Cookstoves - Three Year Progress Report,” Fact Sheet, U.S. State Department, September 26, 2013.

## Other Bilateral Agencies

While USAID and State are the key U.S. players in development PPPs, several other U.S. agencies work with the private sector on international development issues. The Millennium Challenge Corporation (MCC) is in many ways well positioned to utilize PPPs for development, as the agency works in countries that have shown a commitment to open markets and fighting corruption, and should be attractive to private investors.<sup>26</sup> MCC encourages private sector engagement during the formation of country compacts as a means of leveraging additional resources and enhancing sustainability. The agency has a “Private Sector Initiative Toolkit” that gives guidance on four types of private sector engagement, including risk-sharing infrastructure activities with private companies, such as co-financing of a wastewater treatment plant expansion in Jordan.<sup>27</sup> However, most MCC work with the private sector does not reflect the development alliance model promoted at State and USAID, but rather involves the contracted outsourcing of public services, such as the maintenance of a rehabilitated airport in Mali or the provisions of health or sanitation services.

The U.S. Trade and Development Agency (USTDA) and the Overseas Private Investment Corporation (OPIC) also use PPPs in their mission to advance both economic development and U.S. commercial interests in developing and middle-income countries. USTDA supports infrastructure development and fair trade by providing technical assistance, feasibility studies, and “reverse” trade missions intended to spur private investment by filling information gaps and improving the business environment. For example, USTDA provided \$540,000 to the Georgian International Energy Corporation to fund a study, conducted by a U.S. company, to examine the possibility of recovering methane from coal mines in Georgia.<sup>28</sup> OPIC provides U.S. businesses with financing, guarantees, political risk insurance, and other support to enable investment in

<sup>26</sup> The MCC is a U.S. development agency created in 2004 to assist developing countries that have demonstrated relatively good governance in implementing their own development plans. For more on MCC, see CRS Report RL32427, *Millennium Challenge Corporation*, by Curt Tarnoff.

<sup>27</sup> See <http://www.mcc.gov/mcc/bm.doc/2010-002-0134-01-private-sector-participation.pdf>.

<sup>28</sup> For more details on this and other USTDA projects in the oil and gas sector, see <http://www.ustda.gov/program/sectors/oilgas.asp>.

emerging markets, which may lead to economic growth and jobs within both the United States and developing countries. For example, OPIC has worked with public and private partners to provide political risk insurance to Apache Corp., a U.S. natural gas producer, to allow it to continue gas and oil development in Egypt after the Arab Spring made such insurance difficult to obtain. While such activities are PPPs, development professionals disagree over whether they are foreign assistance activities, given the strong emphasis on supporting U.S. commercial interests. This type of partnership, however, appears to align well with the Administration's view that development policy must extend beyond aid to promote trade and private investment.

Just about every U.S. agency involved in foreign assistance is also involved in development PPPs, often as partners in alliances created or managed by USAID.<sup>29</sup> For example, the Department of Agriculture is a partner in the Sustainable Forest Alliance, contributing its forestry expertise to efforts to combat illegal logging in the Amazon. The Department of Energy provides technical and financial support to the Clean Cities Program, a PPP that promotes alternative fuel vehicles. The Department of Justice has partnered with USAID and local entities in the Criminal Justice Strengthening Alliance in South Africa.<sup>30</sup>

## **Foreign Donor and Multilateral Development Partnerships**

In addition to the United States, most other major bilateral aid donors are increasingly working with the private sector as well. Some of these activities are quite similar to USAID alliances, such as a BMZ (German development agency) partnership with Kraft Foods to benefit small-scale cocoa farmers in Côte d'Ivoire through market-oriented sustainable production techniques.<sup>31</sup> Others focus on helping their national businesses establish a foothold in developing countries, much like USTDA activities, and to provide funding directly to corporate partners.<sup>32</sup> The Canadian development agency uses PPPs, for instance, to support investment studies and pilot programs, covering up to 75% of the cost of viability studies and startup investments of Canadian firms in developing countries. One example is a CIDA-funded study to explore the viability of a Canadian business to drill hand-pumped water wells and provide related maintenance and repair services in Togo.<sup>33</sup> The United Kingdom's Department for International Development (DFID) uses "challenge funds," through which private businesses apply for grants to help establish new business ventures or improve the development impact of existing ventures, in developing countries. The African Enterprise Challenge Fund,<sup>34</sup> for example, awards competitive grants to private sector companies anywhere in the world to support new and innovative business models

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<sup>29</sup> While the vast majority of bilateral U.S. development assistance is managed and implemented by USAID, State, and MCC, more than a dozen U.S. federal agencies report funding development-related activities that fall under the definition of foreign assistance from the Foreign Assistance Act of 1961.

<sup>30</sup> These examples are pulled from the USAID Global Development Alliance Database, available at <http://gda.usaid.gov/alliances/index.asp?s=SVHTWWJYBVBXBPDSHGDMHRBQYLYTQYNT>.

<sup>31</sup> Andrea Binder, Markus Palenburg, Jan Martin Witte, "Engaging Business in Development," GPPi Research Paper Series No. 8 (2007), p. 24.

<sup>32</sup> *Ibid.*, p. 27.

<sup>33</sup> *Ibid.*, p. 18.

<sup>34</sup> This fund involves several other European donors and Australia, in addition to DFID. For more information, see [http://www.aecfafrica.org/index.php?option=com\\_content&view=frontpage&Itemid=100001](http://www.aecfafrica.org/index.php?option=com_content&view=frontpage&Itemid=100001).

in Africa, while the Food Retail Industry Challenge Fund provides grants to partnerships that bring UK grocery retailers together with African food producers to establish “fair trade” supply chains.<sup>35</sup>

Multilateral development institutions have also made increasing efforts in the past decade to leverage private sector resources to achieve development goals, in various forms. The United Nations launched the UN Global Compact in 2000, with the goal of aligning international business practices with broad UN priorities, including the Millennium Development Goals. The compact counts more than 6,000 companies from 135 countries as participants, but is more about promoting corporate social responsibility than partnership between specific public and private entities.<sup>36</sup> The work of the World Bank’s International Finance Corporation (IFC), which provides finance and advisory services to private sector enterprises in most developing countries, could also be considered a multilateral PPP model. IFC bills itself as a convener of private sector players in development, bringing foundations and charitable organizations together with businesses to address shared development goals.<sup>37</sup>

### **Mega-PPP Example: Global Alliance for Vaccines & Immunization (GAVI)**

A few public-private development partnerships are so large and global in nature that they are in a class of their own and cannot be reasonably compared to typical PPPs. Some experts see them as functioning more like coordination mechanisms than PPPs. One example is GAVI, the Global Alliance for Vaccines & Immunization. Established in 1999 with a \$750 million seed grant from the Bill & Melinda Gates Foundation, GAVI reports 16 country donors and dozens of private sector partners, including large foundations, financial institutions, pharmaceutical companies, and research institutes. Each partner has a role designed to play to its strengths. The Gates Foundation establishes alliance funding priorities and raises awareness of alliance success through its Living Proof Project, a campaign to highlight the value of global health activities. Government donors provide funding, both directly and through pledges to the International Finance Facility for Vaccines, which gives GAVI large one-off grants, and the Advanced Market Commitment, which encourages new vaccine development by reducing market risk. The International Federation of Pharmaceutical Manufacturers provides technical assistance, while WHO provides policy expertise. The United Nations Children’s Fund, UNICEF, purchases and distributes most of the vaccines. As of June 2013, the alliance had committed over \$8.4 billion in support of programs to accelerate access to vaccines. Funds are used primarily to purchase vaccines, but also to strengthen country health systems and introduce new immunization technology. As of June 2013, the United States had contributed just over \$1 billion to the partnership and pledged to provide an additional \$175 million before 2015.<sup>38</sup>

## **Potential Benefits of Public-Private Partnerships**

PPPs have become more common because both public and private partners believe PPPs achieve shared goals more effectively than each partner could by acting alone. Commonly cited advantages of PPPs include the following:

- **Shared Risks and Resources.** While development officials are quick to point out that PPPs are not primarily a means of saving taxpayer dollars, sharing the cost and financial risks of development activities is a key attraction of modern

<sup>35</sup> For additional information, see <http://www.dfid.gov.uk/work-with-us/funding-opportunities/business/frich/>.

<sup>36</sup> See “After the Signature: A Guide to Engagement in the United Nations Global Compact,” p.7, available at [http://www.unglobalcompact.org/docs/news\\_events/8.1/after\\_the\\_signature.pdf](http://www.unglobalcompact.org/docs/news_events/8.1/after_the_signature.pdf).

<sup>37</sup> See <http://www.ifc.org/ifcext/about.nsf/Content/Foundations>.

<sup>38</sup> All data on GAVI are from the GAVI website at <http://www.gavialliance.org/index.php>.

partnerships that involve joint resource contributions. Both the government and private entities are sometimes willing to participate as partners in a project they would not be able or willing to support in its entirety. Partnership may also allow for project implementation on a larger scale, and for cost savings based on scale, resulting in each partner achieving a greater development return on its investment (or a diluted cost of failure).

- **Sustainability.** A common criticism of traditional development activities is that they never become self-sustaining and fade away when government funding ends. PPPs attempt to avoid this problem by tapping into core business interests and making sustainability profitable. In the SUCCESS Alliance, for example, small Vietnamese cocoa farmers were integrated into Mars's global supply chain, having elevated their cocoa production and processing to international standards with assistance from USAID, Mars, and the World Cocoa Foundation. In theory, market demand should sustain the partnership and the improved farmer incomes. While the sustainability argument seems logical and is supported by anecdotal evidence, there has been no comprehensive study of how PPP sustainability compares to that of non-PPP approaches.
- **Market Access/Networks.** Corporations and private entities often have networks of customers, suppliers, supporters, and employees that can broaden the reach of a development program beyond where a development agency could go. By partnering with MTV in several regional alliances, for example, USAID tapped into a vast global audience of young people for its messages against human trafficking and promoting HIV/AIDS prevention in the EXIT alliance. MTV, for its part, saw an opportunity for positive public relations and an association with USAID that could potentially enhance its reputation in developing countries.
- **Technology and Intellectual Property.** Effective use of technology, which many experts believe is crucial to economic development, can be a daunting challenge in developing countries. Through partnering with Cisco, Microsoft, and other global technology companies, development agencies are able to overcome technical, legal, and financial barriers to accessing certain technology. The technology companies, in turn, are developing relationships and support infrastructure to position themselves to compete for the next generation of technology consumers, many of whom will live in developing countries.
- **Cutting-Edge Business Practices.** While USAID and other federal aid agencies can provide technical expertise in a wide range of development sectors, they often do not have the specialized industry knowledge that a private company has. In Guatemala's Inclusive Market Alliance for Rural Entrepreneurs (IMARE), for example, Walmart supplies crucial market information that augments the impact of technical assistance and access to credit provided through NGO partners by enabling better farm planning and quality control of targeted crops. More than 600 rural small-scale farmers earned higher incomes by selling to the region's largest retailer, while Walmart strengthened its supply chain.<sup>39</sup> In partnering with *Sesame Street*, USAID gained access to advanced pedagogy and production capacity, while *Sesame Street* was able to extend its global reach into more developing countries.

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<sup>39</sup> For more on IMARE, see [http://www.usaid.gov/our\\_work/global\\_partnerships/gda/resources/IMARE.pdf](http://www.usaid.gov/our_work/global_partnerships/gda/resources/IMARE.pdf).

- **Reputation Enhancement.** Positive public relations are often a significant consideration for corporate entities entering into PPPs. Partnering with a U.S. government entity can lend legitimacy to a private entity, and association with development activities can enhance a corporation's reputation for being socially responsible. The Small Export Vegetable Alliance in Zambia, for example, was inspired in part by private sector partner Agroflore's desire to project a more populist image. The company was concerned that land seizures in neighboring Zimbabwe could spread to Zambia and affect its business if it was not seen as benefitting smallholder Zambian farmers.<sup>40</sup> Participating organizations and corporations may also anticipate that partnerships will improve their relationships with national and community leaders.

## Potential Concerns About Partnerships

The advantages of partnerships from a business perspective are sometimes viewed as points of concern from the development perspective. While many development experts see PPPs as having the potential to be mutually beneficial, some are also wary of unbalanced partnership relationships and the resource demands of partnership management leading to a number of potentially negative impacts. Among the most often-cited concerns are the following:

- **Management Burdens and Inadequate Evidence of Value Added.** Most PPPs require more time and effort to design and implement than traditional contract-based development programs. Considerable effort is required to manage the partner relationships and fulfill the reporting needs. It is difficult to judge whether this effort is justified by development impact because evaluation efforts to date—of both PPPs and traditional development projects—have not been particularly useful for demonstrating whether or not PPPs have more development value than other approaches to development assistance.<sup>41</sup> Without a standard definition of PPP within and across government development agencies, meaningful evaluation of PPPs as a development tool has been difficult, and critics have asserted that development resources may be better directed toward more proven aid models.
- **Distortion of Development Priorities.** Some development officials are concerned that opportunities to access private resources through partnerships can pull mission staff away from established country plan priorities. The availability of private funding, they argue, is hard to ignore, even when a proposed partnership does not fit well within an established mission priority. Given very limited staff resources at many USAID missions, the opportunity cost of following through on PPPs that are not necessarily aligned with stated mission priorities can be high. To guard against this, agencies often seek private sector participation in existing development programs and plans. However, lack of private sector involvement in the initial planning phase is often cited as hindering PPP effectiveness and sustainability.

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<sup>40</sup> Assessment of USAID's Global Development Business Model, USAID Bureau for Policy and Program Coordination, Evaluation Working Paper No. 11, April 2005, p. 12.

<sup>41</sup> Inconclusive evaluation data is a problem throughout development assistance. For more information on this issue, see CRS Report R42827, *Does Foreign Aid Work? Efforts to Evaluate U.S. Foreign Assistance*, by Marian L. Lawson.

- **Disadvantage to Least-Developed Countries and Individuals.** Some development experts have expressed concern that the type of private capital flows that have spurred modern PPPs are concentrated in the relatively advanced developing countries. They assert that the emphasis on leveraging these flows through PPPs could steer more aid resources to these countries at the expense of the poorest countries, particularly in sub-Saharan Africa, where opportunities for such partnerships may be limited. It has been suggested by analysts, for example, that WHO's participation in GAVI has hindered its commitment to bringing traditional vaccines to the hardest-to-reach populations, as it diverts resources toward supporting new vaccines for better-served communities.<sup>42</sup>

The majority of PPPs created by USAID and other U.S. bilateral agencies are funded through mission budgets rather than a central account, reducing the potential for PPPs to influence country and regional funding levels. Still, some argue that the use of PPPs, particularly those involving global corporate partners, can increase development disparities within countries by introducing international standards. The concern that those who are relatively well off and better able to meet international standards will prosper, while those who cannot—often the most poor and least educated—will fall farther behind, is common to almost all aspects of globalization.

- **Unfair Advantage to Private Partners.** PPPs raise potential concerns about taxpayer funds supporting private interests and possibly creating unfair advantages for private participants. However, there are risks as well as potential benefits to partners, and USAID neither gives money to private partners nor guarantees any share of a partnership's product. For example, while Starbucks may benefit from establishing a positive reputation among Rwandan coffee growers through participating in an alliance with USAID to improve coffee production practices in the country and establish growers' cooperatives, the Rwandan cooperatives may still sell their improved products to Dunkin' Donuts if it makes a better offer.
- **Bad Bedfellows.** While PPPs can enhance the reputation of all involved, there is the potential for damage to U.S. agencies through association with disreputable private sector entities. USAID tries to avoid such problems by vetting potential corporate partners for social responsibility using a due diligence process, but concerns persist. Some development professionals are uneasy, for example, about USAID partnering with extractive companies in Angola, the Democratic Republic of the Congo, and Ghana because of the corruption and exploitation often associated with these industries. On the other hand, partnerships could incentivize more responsible business practices. One official explains that USAID partners only with companies that agree to support and conform to the Extractive Industries Transparency Initiative and other recognized industry best practices related to transparency, human rights, security, and environmental practices.<sup>43</sup>

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<sup>42</sup> Kent Buse and Amalia Waxman, "Public-Private Health Partnerships: A Strategy for WHO," *Bulletin of the World Health Organization*, vol. 79 no. 8, Geneva, 2001, p. 4.

<sup>43</sup> Afiya McLaughlin-Johnson, "Partnerships with Extractives Industries: Lessons learned," *USAID Alliance Innovation Newsletter*, Spring 2009, p. 4.

- **Threat to American Jobs.** Observers have expressed concern that PPPs may in some circumstances support the outsourcing of American jobs to developing countries. This could be particularly true for partnerships that link developing country producers with global supply chains, creating potential competition with American suppliers, or partnerships that promote employment skills and training that may put beneficiaries in competition with American workers. For example, USAID has been criticized by Members for partnering with technology and outsourcing companies in Sri Lanka to provide advanced information technology training to local workers, who are then provided on-the-job training in business process outsourcing and call center support by partner companies.<sup>44</sup> USAID was funding an English language training component of the program in Sri Lanka, which has been suspended, further raising concerns about competition with American workers. Such concerns are not unique to PPPs, however. Foreign assistance programs have always had to strike a balance between improving economic opportunities in developing countries (with the objective of supporting U.S. humanitarian, commercial, and security interests) and ensuring that such assistance does not create a competitive disadvantage for Americans.

## Issues for Congress

The 113<sup>th</sup> Congress may consider U.S. foreign assistance programs from a variety of perspectives. The Administration's Quadrennial Diplomacy and Development Review (QDDR) and Presidential Policy Directive on Global Development initiated reforms related to aid efficiency and effectiveness that are ongoing. The 113<sup>th</sup> Congress may play a significant role in this process through appropriations legislation and oversight hearings. Moreover, significant fiscal constraints have many legislators looking at foreign assistance programs as potential sources of savings. Public-private partnerships are one approach to foreign assistance that Congress is likely to consider as part of a broader review of foreign aid policies and activities. As part of that consideration, the following issues may be of particular interest and relevance to lawmakers.

## Cost Savings

PPPs appeal to many observers as a potential means for government to do more with less by sharing the cost burden of development among a broader range of stakeholders. The State Department's Global Partnership Initiative (GPI) was originally proposed as a "force multiplier for appropriated funding," and to "yield efficiencies and cost savings,"<sup>45</sup> while USAID's Global Development Alliance (GDA) concept sought to "create a bigger pie" for development assistance.<sup>46</sup> Partnerships to date have been evaluated largely by the amount of private development funds they have leveraged. However, officials most active in partnership building are slow to tout any cost savings from this approach, arguing that the most strategic partnerships are those that do not necessarily leverage the greatest funding but bring technology, networks, or skills that would not otherwise be accessible to official development activities. Furthermore, the staff time needed to negotiate and adequately monitor PPPs can be substantially more than is

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<sup>44</sup> See <http://timbishop.house.gov/index.cfm?sectionid=79&parentid=3&sectiontree=3,79&itemid=1770>.

<sup>45</sup> "Establishment of the Global Partnership Center," Action Memo for Under Secretary Fore, July 11, 2007, Table 1.

<sup>46</sup> Global Development Alliance Conceptual Framework, p. 2 (obtained from USAID/GDA).

required for traditional forms of aid implementation, and these costs are not reflected in leverage ratios. Nevertheless, in the face of budget constraints, the 113<sup>th</sup> Congress may look to private sector engagement as a means of sustaining development programs while reducing official aid levels. The Administration suggested such an approach in recent budget proposals, requesting reduced funding for the African Development Foundation and the Inter-American Foundation while suggesting that they could maintain current program levels through partnerships with the U.S. government and the private sector.<sup>47</sup>

## **International Commitments**

PPPs can have both a positive and negative impact on meeting the United States' international development commitments. Increasing use of PPPs can support, in part, the global partnership goals of the Millennium Declaration. When partnerships involve other official development agencies, they can also support donor coordination goals, consistent with commitments in the Paris Declaration on Aid Effectiveness, which the United States signed in 2005. However, an increasing use of PPPs could undermine other international donor commitments. For example, in supporting the Paris Declaration and the follow-on Accra Action Agenda and Busan Partnership, the United States committed to making greater use of recipient country budget and procurement systems and supporting recipient country development programs rather than independent projects that are not incorporated into recipient country budget and policy processes.<sup>48</sup> Some might argue that providing assistance through PPPs could further undermine that effort by emphasizing the common goals of donors and private sector interests rather than the common goals of donor and recipient country governments, and by using private resources that cannot be “on-budget.”

## **Emphasis on Non-aid Development Strategies**

The Obama Administration's global development policy, officially announced in September 2010, acknowledges the roles and responsibilities of the many nonofficial entities that have a stake in international development. Much of its emphasis on PPPs, however, seems to be focused on trade policy and the promotion of foreign direct investment as tools for economic growth and development. This approach is consistent with the policy's emphasis on foreign aid as a single component of a broader U.S. development strategy. Increasing attention to non-aid drivers of development, prompted by both strategic and budgetary pressures, may bring new support to partnership models oriented more toward trade and investment promotion than traditional assistance projects. USAID's Private Capital Group for Africa, a relatively new platform to facilitate greater private investment in Africa, is one example of this move toward broader private sector engagement.<sup>49</sup> Some observers also anticipate the Overseas Private Investment Corporation may take a more prominent role in U.S. development policy in the coming years, reflecting a shifting emphasis in private sector engagement. OPIC reauthorization legislation may be considered in the 113<sup>th</sup> Congress, and some development experts have proposed that Congress

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<sup>47</sup> Congressional Budget Justification: Foreign Operations, Fiscal Year 2012, pp. 122-123; Congressional Budget Justification: Foreign Operations, Fiscal Year 2014, pp. 151-152.

<sup>48</sup> For more information on the international aid effectiveness agenda, see CRS Report R41185, *Foreign Aid: International Donor Coordination of Development Assistance*, by Marian L. Lawson.

<sup>49</sup> For more on the PCGA, see <http://www.usaid.gov/news-information/fact-sheets/private-capital-group-africa>.

take this opportunity to expand OPIC's authorization and reform its rules to enable the agency to play a more significant role in mobilizing private investment in developing countries.<sup>50</sup>

## **Budget and Procurement Issues**

Many development officials involved in partnerships report that the standard foreign assistance procurement rules and the unpredictability of future year budgets are significant obstacles to partnership formation. Procurement regulations and processes, particularly at USAID, have long been considered overly bureaucratic and a reflection of a risk aversion at the agency that some call prudent and others view as driving the agency into obsolescence. The procurement system is sometimes challenging in the context of modern PPPs, resulting in agencies having a hard time being proactive with the private sector. Agency officials report that it is hard to maintain a long-term relationship with private partners because of competition requirements, and slow approval processes make companies feel uncertain about commitment. Procurement reforms are a key component of the ongoing USAID Forward reform agenda, but a progress report indicates that change has been slow with regard to PPPs. While the USAID Forward goals include investing 10% of mission program funding in PPPs by FY2015, the agency was far short of that goal, at 1.7%, in FY2012.<sup>51</sup>

The annual appropriations process also makes it hard to plan and commit to multiyear time frames. The lack of predictability increases transaction costs and raises uncertainty to a level where, some officials report, corporate partners do not see government agencies as dependable partners. USAID's original GDA utilized an incentive fund, set aside for PPPs, as a means of making funding more predictable. Funds were provided out of the Development Assistance appropriations account and were intended to encourage partnership building and smooth the process by making funds more readily available. The prevailing view, however, was that the incentive fund distorted mission objectives and kept PPPs out of the mainstream.

## **Interagency Leadership**

While USAID was long the U.S. government leader on PPPs for development, other agencies have become more active in this field in recent years. The State Department has moved toward a leadership role on PPPs with the GPI, which was established, in part, to coordinate international PPPs for the whole of government. The QDDR addressed but did not resolve the interagency issue, stating that "State and USAID will standardize the partnership process through a uniform partnership template" and "create a central database of all existing partnerships so that U.S. agencies and potential partners know what we are doing, with whom, and where."<sup>52</sup> In recent years, the two agencies appear to have developed a compatible if not uniform approach to PPPs. State has established broad partnership platforms, such as the International Diaspora Engagement Alliance and the Accelerating Markets Partnership, and USAID and other agencies develop

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<sup>50</sup> For more information on proposed OPIC reforms, see "OPIC Unleashed: Strengthening US Tools to Promote Private-Sector Development Overseas," by Benjamin Leo, Todd Moss and Beth Schwanke; Center for Global Development; February 28, 2013.

<sup>51</sup> USAID Forward Progress Report 2013, p.15, 29, available at <http://www.usaid.gov/sites/default/files/documents/1868/2013-usaid-forward-report.pdf>.

<sup>52</sup> "Leading Through Civilian Power: The First Quadrennial Diplomacy and Development Review," 2010, p. 68.

partnerships in support of these platforms when there are opportunities consistent with their mission. With respect to a central database, a joint State/USAID data call was reportedly issued in fall 2012 to implement this requirement, but the resulting data are not yet publically available. Congress may seek greater organizational clarity as part of foreign aid reform legislation, or may be asked to provide funding or authorities to implement additional integration measures.

## **Limitations on Congressional Oversight**

PPPs may pose potential challenges to congressional control and oversight of development activities, as Congress does not have the same control over private funds as it does over appropriated funds. Theoretically, this means that development officials could work around congressional restrictions on agency activities by developing PPPs in which restricted activities are funded and carried out by private partners. Such concerns are largely hypothetical, but they raise the issue of how Congress can best manage public resources involved in PPPs. A further challenge to oversight stems from inconsistent data quality associated with private partner contributions. USAID Inspector General audits in 2005 and 2009, for example, found that data on private partner contributions to USAID alliances did not meet the agency's data quality requirements and may not be reliable for use in decision making within the agency and, presumably, by Congress.<sup>53</sup> While the agency has revised its guidance and reporting process in response to these audits, the ongoing difficulty of applying consistent valuation standards across a diverse array of partnerships<sup>54</sup> has led the Private Sector Alliances office to agree to add a disclaimer of sorts when reporting public-private partnership resource data, noting the nature and limitations of the available information.

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<sup>53</sup> USAID Office of the Inspector General, *Audit of USAID's Reporting on Global Development Alliances*, Audit Report #9-000-09-007-P; June 4, 2009.

<sup>54</sup> It is difficult, for example, to determine the dollar value of the youth access provided by an MTV partnership, the intellectual property provided by a technology company, and the use of a Coca Cola supply chain in a comparable way. As a result, USAID generally allows PPP partners to determine the value of their own non-cash contributions, provided that the USAID staff managing the partnership understand and approve of the valuation methodology used by the partner.