TOOLS FOR ALLIANCE BUILDERS

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This document was prepared by the Office of Global Development Alliances.

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CONTENTS

ABBREVIATIONS AND ACRONYMS

ADS	Automated Directives System
AFR	Bureau for Africa
ANE	Bureau for Asia and the Near East
AO	Agreement Officer
APS	Annual Program Statement
CEO	Chief Executive Officer
CO	Contracting Officer
CSR	Corporate social responsibility
CTO	Cognizant Technical Officer
DFID	U.K. Department for International Development
EGAT/UP	Bureau of Economic Growth Agriculture and Trade, Office of Urban Programs
FAA	Foreign Assistance Act of 1961, as amended
FACA	Federal Advisory Committee Act
GAIN	Global Alliance to Improve Nutrition
GC	Office of the General Counsel
GDA	Office of Global Development Alliances
GMF	German Marshall Fund
GRI	Global Reporting Initiative
IG	Office of the Inspector General
IT	information technology
LPA	Bureau for Legislative and Public Affairs
M&E	monitoring and evaluation
MNC	multinational corporation
MOU	memorandum of understanding
NGO	nongovernmental organization

OAA	Office of Acquisition and Assistance (successor to OP)
OCI	organizational conflict of interest
OP	Office of Procurement (predecessor to OAA)
P&G	Procter and Gamble
PIO	public international organization
PPA	public-private alliance
RCO	Regional Contracting Officer
RFA	Request for Applications
RLA	Regional Legal Advisor
SEC	U.S. Securities and Exchange Commission
SFPGA	Sustainable Forest Products Global Alliance
SME	small and medium-sized enterprise
SOAg	Strategic Objective Agreement
STCP	Sustainable Tree Crops (Cocoa) Program
UN	United Nations
UNICEF	United Nations Children's Fund
USAID	U.S. Agency for International Development
WHO	World Health Organization

INTRODUCTION

Tools for Alliance Builders is a resource guide addressing fundamental and applied questions about building public-private alliances (PPAs) that address development problems. This practical handbook helps U.S. Agency for International Development (USAID) staff engaged in alliance building understand, navigate, and smoothly link two processes: 1) the outwardly focused process involved in finding and working collaboratively and effectively with private sector partners; and 2) the inwardly focused process of navigating USAID policies and procedures related to its annual programming cycle and the obligation of its funds.

Managers of USAID operating units, program technical staff, and procurement and legal staff may all find themselves involved in various aspects of building and managing alliances, and they will all find information here that relates to and supports their roles and responsibilities in alliance development. Furthermore, this guide may be of some interest and use to foundations, corporations, and other potential alliance partners who wish to understand USAID's perspective on alliances and the internal issues that it must take into account when engaging in them. An abridged version of this document addressed to potential resource partners is pending.

Tools for Alliance Builders is a publication of USAID's Office of Global Development Alliances (GDA) that is periodically updated and refined to reflect lessons learned and the ever-improving state of the art. It should be used in conjunction with existing Agency directives, such as, Acquisition & Assistance Policy Directive (AAPD) 04-16 Public-Private Alliance Guidelines and Collaboration Agreement, in addition to ADS 201, 204, and 303.

Tools for Alliance Builders is designed, through a modular format, to allow the reader quick access to key information. Because of the extensive use of hyperlinks, accessing *Tools* in electronic format is recommended.

Chapter 1, Considering a Public-Private Alliance lays the groundwork for considering what constitutes an alliance, the business and government cases for working together, leveraging, and strategic planning.

Chapter 2, Engaging Partners introduces the reader to initial outreach efforts, the appropriate way to contact for-profit partners, due diligence, and technical assistance.

Chapter 3, Constructing an Alliance discusses the important steps of joint planning and documenting agreement among partners, as well as procuring goods and services to carry out alliance activities.

Chapter 4, Managing an Alliance discusses the operational structures and mechanics required to maintain an alliance, including governance, monitoring and evaluation, and reporting.

The *Tools* in each section contain resources providing frequently asked questions, practical models, and examples to address targeted technical issues at a level of detail greater than what is in the text. Throughout *Tools for Alliance Builders* references are made to items in each section's *Tools*, which are hyperlinked to the actual item either on the internet or in this document.

EXTENDING THE IMPACT OF GOVERNMENT, BUSINESS, AND CIVIL SOCIETY

The GDA promotes a development assistance model predicated upon the idea of partnership between the public and private sectors, and designed to deepen programmatic impact by combining the interests and capabilities unique to each. In more than four fiscal years of operation, the GDA business model has leveraged $4.6 billion in total partner assets through $1.4 billion in Agency funding.

Secretary of State Rice highlighted the role of partnership in Transformational Diplomacy as the way "To work with our many partners around the world to build and sustain democratic, well-governed states that will respond to the needs of their people—and conduct themselves responsibly in the international system...Transformational diplomacy is rooted in partnership, not paternalism—in doing things with other people, not for them...."

This "fundamental reorientation" is illustrated by the shift in resource flows to the developing world over the last three decades. In the 1970s, 70 percent of resource flows from the United States to developing countries consisted of official development assistance. Today, 85 percent of resource flows to the developing world consist of foreign direct investment, private donations from foundations and other sources, remittances, and movement in capital markets. Official development assistance accounts for only 15 percent.

This shift reflects the emergence of private sector entities as active participants in the development process. The GDA assistance model[1] responds to this changed environment, and extends USAID's reach and effectiveness in meeting development objectives by combining its strengths with the experience and capabilities of the private sector.

The GDA assistance model advances development goals through a variety of methods. USAID might work with national and international corporations with a commitment to social responsibility. Or USAID can engage a corporation's direct business interests in a region to guide foreign direct investment or corporate capabilities in product development, marketing, and distribution in support of development goals. USAID also works with local and international partners to lower barriers to market entry for goods serving a public interest, simultaneously improving service-delivery and stimulating economic development. Not to be forgotten as an important revenue source are personal remittances—GDA has brought together partnerships to lower transaction costs and channel remittance flows toward investment rather than consumption and co-invested with Diaspora groups in development projects in their home countries. Finally, USAID assumes risk in a variety of operations, thereby catalyzing nascent markets in home mortgages, investment capital, or imports and exports.

Similarly, the resources leveraged are as diverse as the alliances themselves. They include technology and intellectual property rights, market creation, best practices, policy influence, and expertise ranging from international trade to biodiversity protection. Together, the combination of complementary assets has encouraged innovative approaches, more effective problem solving, and deeper program impact.

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[1] From the Agency perspective, public-private alliances are a 'new' business model for development. It is worth noting, however, that partnership between public and private sector actors has been a trend for the last decade at least, and that for a number of USAID officers the idea and practice of engaging the private sector is not new.

1. CONSIDERING A PUBLIC-PRIVATE ALLIANCE

The purpose of a PPA is to deliver greater development impact through the combined strengths of multiple stakeholders. Although alliances are not new, the GDA represents a more intentional and concerted approach to them, and with a goal to integrate the model into Agency practice. A successfully mainstreamed PPA approach to development is one in which the willingness and ability to identify and engage those intersections is practiced in every program area, in every country where USAID has a presence, and at every level of the Agency.

Alliances do not typically consist of the usual USAID partner arrangements, wherein the strategic objective team identifies the problem and solution and then seeks implementing partners through conventional mechanisms.[2] Rather, alliances become possible where private sector interests share a degree of overlap with an operating unit's strategic objective or planned result. Alliances then become a mechanism by which an operating unit taps into additional resources in support of its strategic objectives, and for-profit resource partners enlist USAID's development expertise in support of its direct and indirect business interests.[3]

Under what conditions is a PPA appropriate? The answer depends largely on the local conditions faced at the mission level, or regional or global issues at the bureau level.

In Southeastern Europe, governments and foundations have come together to create the Balkan Trust for Democracy (Appendix I), which awards grants to civic groups, indigenous nongovernmental organizations (NGOs), governments, think tanks, and educational institutions throughout the Balkans to promote democratic consolidation, cross-border cooperation, and reconciliation.

In resource rich countries such as Angola and Nigeria, extractive companies are now taking seriously the need to effect sustainable investments in the communities in which they operate, as well as engage national and subnational governments where program-level impact can most often be achieved. See the Learning Story series and the 22 highlighted case studies in the GDA report, titled *The Global Development Alliance: Public-Private Alliances for Transformational Development* on the GDA website (www.usaid.gov/gda) for in-depth treatments of individual alliances in various sectors.

In Mexico and other countries that have U.S.-based Diaspora populations, GDA has engaged private financial services companies in order to lower transaction costs so that more resources flow to the populations and communities that need them most. Alliances also engage hometown associations in order to channel remittances toward community-level investment rather than household consumption. See also FAQs: Remittances (Appendix XVI) and the GDA Remittances Report.

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[2] Public-private alliances are an innovation in Agency practice because they explicitly call for relationships with other donors and private sector resource partners at the strategic objective level. However, at the activity level USAID does typically use its more traditional network of implementing partners.

[3] See *The Competitive Advantage of Corporate Philanthropy*, by Michael E. Porter and Mark R. Kramer for a discussion of philanthropy aligned with core business interests.

A collection of nearly 400 alliances over fiscal years 2002–2005 indicates that the examples of alliance activity are many and varied[4]. From demand-driven supply chain management to information communication technology skills training among youth to catalyzing nascent markets in a variety of operations, PPAs can work wherever private sector interest is combined with a commitment by development officers to engage the private sector as an important stakeholder in advancing the development agenda.

PRIVATE SECTOR REASONS FOR PARTNERING

The private sector has a number of motivations for becoming more involved in sustainable development in the countries where they are operational. Some motivations are purely altruistic while others have direct business benefits.

Altruistic Drive

Being charitable—Companies give for reasons of public relations and positive publicity.

Living up to corporate values—Companies such as Unilever and Ben and Jerry's have a social investment mission.

Creation of social capital—Companies that understand their role in building the social fabric of health, education, work, and income in communities where they are located.

External Benefits

Consumer favor—Market studies show a growing desire to buy (or not buy) because of values-based criteria, such as "sweatshop-free" or "child-labor-free" clothing and lower environmental impact.

Investor favor—Investors choose to support company's social investments.

Competitive advantage/differentiation—Companies realize that if they can strengthen the quality and reliability of their suppliers in the developing world they will have an advantage over their competitors (such as sourcing certified products such as coffee, bananas, and timber). USAID has a number of alliances to purchase sustainability produced products (with Ikea, Home Depot, Starbucks, Kraft, and others).

Risk management/giving back to community—Companies that have had a negative experience such as a boycott or some other incident have experienced a surge of new ideas. For example, a number of oil companies have experienced disruptions in production due to social unrest in the communities where they extract oil. As a result, they now realize that they can mitigate this risk by visibly investing in the social and economic prosperity of the communities where they operate.

Internal Benefits

Employee motivation—Employees are motivated to perform well and contribute to companies that have strong corporate social responsibility (CSR) commitments.

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[4] GDA maintains a listing of these alliances. Use the GDA database to view alliances. The database allows for searches by alliance name, partner name, sector, region, and country. Visit http://inside.usaid.gov/GDA/

Recruiting advantages—Potential employees are attracted to work for a company with a visible and successful CSR program.

Retention tool—Employees choose to remain with a company, knowing they are contributing to the social well-being of their community, resulting in reductions in turnover and associated recruitment and training costs.

Business Case

Extending markets—The business world has recently begun to realize that the four billion people who live on less than US$2 per day represent a substantial new growth opportunity. Innovative approaches are being developed and tested by such companies as Procter and Gamble (P&G), Danone, Tetra Pak, and others. Companies are learning that new business strategies are needed to develop products that are both affordable and accessible to the poor. For example, P&G developed PUR Purifier of Water, a dry product in a sachet that treats 10 liters of contaminated water, by removing sediment from the source water and a chlorine-based disinfectant to ensure ongoing protection of treated water. Added to drinking water, it can make the difference between life and death in areas of the world where water is pulled from shallow wells and polluted streams or where piped water is unclean. This low-cost product is a market-based solution to the huge global health challenge of water contamination, which kills an estimated 2 million children each year.

WHAT USAID AND PRIVATE PARTNERS OFFER EACH OTHER

In the four fiscal years that GDA has endeavored to mainstream the alliance model throughout all levels of Agency practice, discussions between USAID staff and representatives from the private sector, foundations, and NGOs have brought to light story after story of the symbiotic relationship that develops when the public and private sector meet to implement development programs. Practitioners from each sector have come to realize and appreciate the rich lode of skills the other possesses.

> At the July 2003 GDA Workshop for USAID Washington, Administrator Natsios brought his own experience to the group in recounting a conversation with the Chief Executive Officer (CEO) of a major information technology (IT) firm. Mr. Natsios asked, "What is it that USAID is helping you with since we've got so little money?"
>
> The CEO was clear in his answer—entrée to government ministries and USAID's deep knowledge of how the national governments work and with whom to work.

THE BUSINESS AND GOVERNMENT CASES FOR DOING BUSINESS

Given the business case for companies to implement a CSR program, what are the incentives for business to work with USAID as a partner? Today's emerging consumer markets exist in the same developing countries where USAID facilitates good governance, public health, and economic development. Corporations therefore engage USAID where their direct or indirect business interests can be furthered in those markets, or where their philanthropic interests can be applied. What "service" does USAID provide that corporations might not find anywhere else? Why might a corporation engage with USAID? USAID offers:

Funding. USAID disburses approximately $14 billion each year to build human and institutional capacity in developing countries. Through the GDA business model, there is now a formal mechanism to actively seek ways to bring matching funds to business ventures related to the development outcomes USAID officers seek to engender.

Access. USAID can introduce corporate partners to host country policymakers and key institutions. Such contacts can help a firm pursue its non-alliance business interests.

Development expertise. USAID development officers are leaders in the field of democracy and governance, public health, and economic development, with experience as both practitioners and theorists in facing development problems.

Long-term in-country presence. USAID's decentralized structure results in mission-level competency and autonomy in advancing country-specific development agendas.

Relationships with local and global partners. USAID can provide valuable introductions to its vast network of local and international corporations and nonprofits, all potential partners for business.

Opportunities to prevent local disputes and manage social risk.

Improved relations and new communications channels with stakeholders.

What are the incentives for USAID to work with business? Firms have an acumen for profit-driven results due to market pressures public institutions do not face so directly, and therefore have their own unique set of competencies. What are the business "services" USAID can take advantage of?

Product development. Well before an alliance with USAID was even considered, P&G invested $20 million developing a product that reduces incidence of diarrhea and other water-borne diseases by up to 50 percent.

Funding—cash and/or in-kind resources. After further investment to distribute and market the product in several developing countries, P&G partnered with USAID to invest $3.5 million to test the product in three model market situations. USAID is working alongside this effort to test market viability and evaluate product efficacy in relation to other available technologies. **Core business service expertise.** Firms that commit to social responsibility via what they already do as a business can be a powerful force. In Ghana, the largest retail food chain in the world invested in rural pineapple producers to help them meet European Union and U.S. import requirements. The company could then immediately enter the product in its supply chain to retail markets.

Product distribution channels. Existing business product channels can be used to carry goods of development interest. The social marketing of public health items could then be transported and distributed alongside goods whose distribution was already paid for by market demand.

Project design better connected to market realities. Development interventions do not always take sufficient account of how consumers will respond. Working with business can help ground USAID officers to better target their programs for better results.

Ability to influence private sector community investment.

Promotion of self-sufficiency and sustainability of NGOs.

The hoped-for result of collaboration between USAID and private sector partners is that synergies will result from such joint efforts. Alliances are most successful when USAID and business offer complementary skills and multiply value.

ALLIANCE PRINCIPLES

Effective alliances depend on a number of guiding principles, which, if embraced, contribute to long-term success.

TRUST	Trust is an essential foundation that enables partners to work together despite the individual alliance organizations' differing interests, motivations, cultures, values, and infrastructures. It is also fundamental to partnerships working in and among communities, especially those delivering public goods, for their social contract.
EQUITY	Equity implies an equal right to be at the table and a validation of those contributions that are not measurable simply in terms of cash value or public profile.
COMPETENCIES	This principle pertains to the identification and building of appropriate competencies according to the alliance's goals and mission. There must be an appropriate competency mix in the partner organizations and individuals to achieve the partnership's goals and a determination of how they can be best combined and aligned to effectively serve the goals.
INCLUSIVITY	Inclusivity concerns the ability for an alliance to process the views and needs of its stakeholders—those groups who affect and/or are affected by the alliance and its activities—and to reflect on these expectations at all evolutionary stages of the alliance.
PARTNERSHIP ALIGNMENT	Alliances develop and combine organizations with differing interests and objectives in their individual organizations. The alliance should be aligned to individual partner's organizational goals and interests.
MUTUAL BENEFIT	If all partners in the alliance are expected to contribute to the alliance they should also be entitled to benefit from the alliance. A healthy alliance will work toward achieving specific benefits for each partner over and above the common benefits to all partners. Only in this way will the partnership ensure the continuing commitment of partners and therefore be sustainable.
TRANSPARENCY	Openness and honesty in working relationships are pre-conditions of trust—seen by many as an important ingredient of successful partnership. This characteristic pertains to the full, accurate, and timely disclosure of information and communication. This includes formal processes such as reporting, auditing, and so on of an organization's procedures as well as informal methods of communication through meetings, teleconferences, email, and so on. It includes the openness in fully explaining the reasons for any decision or course of action adopted by a partnership and the acceptance of responsibility for the consequences of the decision or action.

The Asia and the Near East (ANE) Bureau has used these principles and other lessons learned to create the Preconditions for Success: An Alliance Checklist, found as Appendix II, for further discussion.

GDA ALLIANCE PRECEPTS

In creating the GDA model, a set of four precepts were developed as a means for distinguishing an alliance from the usual USAID partner arrangements. These precepts therefore are found in successful alliances:

Joint definition of the development goal and the means to achieve it, by all development partners in the alliance;

- Agreement between the PPA partners to share resources, risks, and to collaborate on results in pursuit of an objective that can be better obtained with a joint effort;
- Looking toward new partners (or existing partners in new ways) for innovative approaches; and
- Leveraging significant resources that may include financial resources, in-kind contributions, and intellectual property.

Alliances are a return on investment of time and budget over the long term. Though initial outreach and consultation may involve discussions beyond the typical planning process, alliances ultimately produce more attention and resources for development objectives:

- Alliances present an opportunity to at least double resources devoted to a particular development activity being implemented through an alliance;
- By working across stakeholder interests, USAID officers can help focus those groups that influence a program's results;
- Alliances increase the human resources committed to an objective—the commitment is greater because the investment of real resources and shared risk are tied to core interests; and
- The solution to a development challenge often can be achieved through an alliance modality.

WHERE ALLIANCES MIGHT FIT INTO STRATEGIES

While the circumstances surrounding alliance creation differ widely, the basic process of including such alliances in a country strategy is similar to the planning required for any development program, following the precepts of Automated Directives System (ADS) Chapter 201.

ALLIANCES IN NEW STRATEGIC PLANS

Analytical work at the beginning of a new strategic planning period should draw upon private sector perspectives and experience to assess, by sector, the prospects for alliances to contribute to priority development objectives, examine and engage the range of potential partners (local and international private companies, foundations, NGOs, and so on), and inform mission or bureau decision-making about how best to allocate limited resources toward future alliance building.

PPAs are effective when planned at the strategic objective or activity level. Crosscutting objectives are particularly useful in order to capture dynamic alliance opportunities that may arise among any of a mission or bureau's strategic objectives.

All interested parties in a particular sector or subsector should be given equal opportunity to engage with USAID during the strategic planning process. Once a strategic objective(s) has been established, discussions may mature into analysis of a specific development issue, strategies to address that issue through joint planning, negotiation toward partnership, and implementation through standard procurement instruments. At this point, consideration of organizational conflict of interest (OCI) must be taken into consideration. See Chapter 2, Engaging Partners, for more discussion of this concern.

Traditional strategic planning procedures used by field missions may need to be adjusted to accommodate the potential use of alliances as a development tool. See A Practical Framework: Ten Steps for Analyzing and Integrating Public-Private Alliances into USAID Strategic Planning for an in-depth discussion of the process of organizing the planning, conducting relevant analyses, formulating the strategy, and planning for implementation of alliances in strategic planning.

ALLIANCES IN MATURE PROGRAMS

As alliance opportunities may arise unexpectedly, whether in response to an emergent CSR interest or a sudden turn in a longstanding partner relationship, alliances are often programmed midstream in the strategic planning cycle.

In this context, alliances may be thought of as "tactics" that can be used to contribute to previously approved strategic objectives. For alliances planned at the strategic objective level, there may be discretion within the strategic objective to allocate funds from one activity to another. For alliances planned at the activity level, adjustments can often be made by amending existing grants or contracts.

ALLIANCE BUILDING WITH RESOURCE CONSTRAINTS

Incorporating alliances midstream is often made difficult due to the shortage of USAID budget resources available for newly identified activities. Some ways of meeting this challenge are:

Seek out partners that can bring their own funding.

Considerations:

- This offers a potentially high return on investment of staff time, but with no guarantee of success.

This is not just a theoretical point, but builds on what is routinely practiced by many USAID missions in their donor coordination work. When this concept is broadened to embrace privately funded development programs and is done with focus and continuity, it can produce significant results, as is illustrated by the experience of the Brazil Mission. A USAID officer successfully "leveraged" the activities of other bilateral and multilateral donors and private foundations to support local USAID objectives by regularly convening consultative donor meetings and advocating greater coordination in support of specific sectoral goals.

Build alliances around existing cooperative agreements, grants, and contracts to provide technical assistance support for alliance activity, in parallel with contributions provided by outside partners; partners can be brought in for collaboration and agreement without commingling resources or redirecting existing work.

Considerations:

- Technical assistance services are already in place.
- The scope for joint planning is somewhat restricted.
- The grant/contract may need to be amended.
- Roles and relationships may need to be redefined.

This approach could take the form of adding new partners that bring their own funding for program components. Partner contributions might include foreign direct investment, purchasing power, lessons learned, combined political influence, proprietary products, intellectual property, complementary skills and services, volunteerism, and increased problem solving and reach.

An example of how this approach has worked is the Papua Bird's Head Alliance in Indonesia. USAID/Indonesia used existing grants and contracts to support alliance opportunities that contributed to mission priorities. For example, one program was building budgetary capacity in Indonesian local government units in response to the recent decentralization law returning 70 percent of local revenues back to local governments. When BP began construction of a natural gas processing plant in a resource-rich, previously untargeted region in a remote province, there was obvious need to build capacity in the local government to properly handle the influx of resources from the gas plant that were returned to the local government via the decentralization law. The mission successfully expanded existing activities to that region as alliance activities.

While the mission's resources were committed under several sectorally focused bilateral assistance agreements, these did not require amendment or renegotiation since the alliance activities were entirely consistent with the objectives defined in them. Rather, a coordinating mechanism was needed within the mission to ensure management of activities by individual Strategic Objective Teams. The mission was sufficiently integrated to support the cross-sector alliance program. Where contract or grant amendments were required, contractors were responsive and more than willing to cooperate, as they saw the benefit to the program of mobilizing additional resources under the proposed alliance. However, an amendment outside the contract scope of work or grant program requires adequate justification and must be approved, which may at times prove difficult and/or time consuming.

Use **pillar bureau buy-in** mechanisms (or other vehicles) to create a new activity within an existing strategic objective.

Considerations:

- Technical assistance and procurement support may be available from pillar bureau.
- U.S. partners are likely to be identified and partner relationships in place.
- Funding constraints for future year funding may not be necessarily resolved.

An example of this mechanism is the Alliance in Youth Development managed by the Bureau of Economic Growth Agriculture and Trade, Office of Urban Programs (EGAT/UP). EGAT/UP, in the process of broadening activities focused on HIV/AIDS, employment and conflict mitigation, planned an EGAT-AFR alliance to support youth development. ENV/UP staff, in collaboration with AFR, developed a joint EGAT-Bureau for Africa (AFR) alliance, which builds on an existing Leader with Associates agreement and ENV/UP's ongoing, separately funded, alliance relationships with the International Youth Foundation and Lion's Club International. The EGAT-AFR plan is to offer the resources available under these programs—both technical assistance and access to the leveraging potential—to any Africa mission that wishes to develop an activity in support of youth development. Strong interest in this option was demonstrated by missions with Strategic Objectives in HIV/AIDS, employment, and conflict mitigation, given the central role that youth plays in all three sectors. The alliance affords mission support under this arrangement without requiring funding in the initial year, making it an attractive avenue for resource-short missions interested in alliance building.

Reallocate resources within a bilateral assistant agreement to fund new grant/contract support for alliance work.

Considerations:

- This is a clean start; it permits competition, joint planning, and clearly-defined partner relationships from the outset.
- It may be necessary to renegotiate with the host country government.

Use **GDA or bureau incentive funds** to create a new activity or scale up existing activity supporting an existing Strategic Objective.

Considerations:

- This required additional resources.
- This is a clean start; it permits competition, joint planning, and clearly-defined partner relationships from the outset.
- This is not available to all.

If a mission identifies an opportunity to build an alliance in support of its existing program, but cannot free up adequate budget resources, there are sometimes limited resources within the GDA or perhaps through a mission's parent bureau.

Bear in mind that USAID's Development Credit Authority works as an alliance, providing a variety of partial guarantees to private lenders and investors to finance development activities. See Appendix IV, Development Credit Authority and Alliances for details and examples.

TOOLS

Illustrative Case Study: Balkan Trust for Democracy

FAQs: Remittances

GDA Remittances Report

Learning Stories on Alliances

Preconditions for Success: An Alliance Checklist

A Practical Framework: Ten Steps for Analyzing and Integrating Public-Private Alliances Into USAID Strategic Planning

Development Credit Authority and Alliances

2. ENGAGING PARTNERS

The process for determining alliance partners is shaped by the desired development impact and the universe of stakeholders that influence the outcome of that impact. A result of this analysis is that all stakeholders defined by the development issue become potential partners, and all potential partners should be a part of the discussion for as long as they remain interested in joining the alliance.

Partners can be as diverse as the alliances themselves. They can include NGOs, foundations, universities, associations, small and large businesses, multilateral or bilateral donors, and government entities. They may be located in the U.S., the host country or a third country.

Within alliances USAID will be working with two types of partners: *implementing partners* and *resource partners*. Implementing partners are those partners such as NGOs and nonprofits that represent a familiar community to USAID. They are responsible for the implementation of program activities. Resource partners—drawn from the private sector, foundations, and individuals—are the new territory for USAID officers, who will bring forth significant additive resources into the alliance and will—consistent with the Alliance Precepts—actively engage in the program development phase and oversight of program activities.

How does the mission get started in both identifying nontraditional resource partners and exploring possible common areas of interest that would provide the foundation for alliance-building?

ADVERTISING FOR THE PRIVATE SECTOR

An initial concrete measure for alerting the private sector that USAID is seeking to develop new partnerships through its public-private partnership initiative is to ensure that mission's external relations program, and in particular its website, has readily accessible information on the mission's strategy and the GDA model. As missions begin to promote PPAs they should be able to answer positively to the following questions:

Does the mission's website clearly state that it is interested in working with non-traditional partners?

Can a person visiting your site easily find the name of the GDA point of contact?

Do you have any stories of successful alliances listed on your site?

Would a nontraditional partner be able to understand what the mission's goals and objectives are by looking at your website?

Has your mission used the press or media to announce your interest/involvement in PPAs?

Have you included a link to the GDA website in Washington and/or to the global Annual Program Statement (APS)?

Do you have a briefing paper targeted to the private sector that summarizes the mission strategy and GDA approach?

Has your mission included PPAs in its strategy? In its strategic objectives? (See GDA website for a framework and examples)

PRIVATE SECTOR MAPPING

For each of the development sectors being considered in the mission's strategic plan, consider whether the private sector is or could be a significant, long-term partner.

There are different ways to look at the private sector as both a stakeholder and potential resource partner in the mission's development program:

1. **Direct business interests**: What private sector actors stand to gain if this sector grows and prospers? Conversely, what private sector actors stand to lose if it doesn't?
2. **Indirect business interests**: What private sector actors have a long-term financial or reputational investment in this country or sector?
3. **Philanthropic interests**: What corporations, foundations, and other actors in the private nonprofit sector have interests in this country or sector?
4. **Critical assets**: What private sector actors might be a critical part of the solution to the development challenges in this sector?

Identifying Potential Partners with Direct Business Interests

Those stakeholders falling into Category 1 are typically private for-profit businesses or service providers and are good candidates to approach as resource partners since they would expect to reap business benefits from a successful alliance with USAID.

In identifying private sector actors in this category, consider each of the roles the private sector plays and its links to USAID's development priorities:

As an employer, a private business may have interests in primary healthcare, HIV/AIDS prevention, health policy, basic education, skills training, IT training, and labor, pension, and social security policy.

As an investor, a private business may have interests in accessing essential raw materials in a sustainable way through responsible economic and environmental management; in being ensured of an adequate supply of healthy and productive workers through cost-effective healthcare and skills training; in efficient marketing of its product through market systems and transportation infrastructure development; and in a stable and predictable economic management regime with protection for foreign and local private investment.

As a vendor and supplier of inputs, a private business may have interests in growing the markets for their products and services through agricultural and small and medium-sized enterprise (SME) development, promotion of eco-tourism, skills training programs; improved financing or credit access for buyers of goods and services; and a stable and predictable trade and economic management regime.

As a purchaser of product, a private business may have interests in assuring price stability and quality of product through agribusiness development, market development, and supply chain integration.

Identifying Potential Partners with Indirect Business Interests

Stakeholders falling into Category 2 are also good candidates for resource partners, and are typically U.S. or multinational companies which have, or seek, a long-term presence in the country and/or which are identified with policy issues that could negatively affect their public image. Businesses in this category often have, or are receptive to having, CSR programs as tangible evidence of their interest in being a good corporate citizen in that country.

This category affords a broader span of possible interests that would overlap with USAID's, as the prospective partner is not tied to meeting its business interests but can undertake any activity—meeting its CSR objectives—which is likely to be more wide-ranging. Thus, it is one where proactive marketing by USAID of program ideas to receptive businesses can pay handsomely. These could—and do—include local businesses as well as multinational ones. Good candidates are programs with a broad public appeal, such as education or health. Examples of this "marketing" approach to alliance-building are: Morocco Girls Education and Healthy Indonesia 2020, both of which were developed as programs offering corporate sponsors a good development "brand" to be associated with.

Identifying Potential Partners with Philanthropic Interests

Stakeholders falling into Category 3 are typically foundations (including corporate foundations). GDA has benefited significantly from the support of a number of foundations with interests in the problems of the developing world, which have brought sizeable contributions to several ongoing alliances with USAID. The Hilton Foundation's commitment to improved water supply led to a major contribution to the West Africa Water Initiative alliance. The Gates Foundation's commitment to improving health and healthcare systems around the world has led to their support of Global Alliance to Improve Nutrition, International AIDS Vaccine Initiative, and other innovative PPAs. Other examples include Hewlett and Overbrook Foundations in Brazil Sustainable Forestry, Toyota Foundation in India Livable Communities (Clean Air), the United Nations Foundation in MesoAmerican Reef and India Livable Communities, Kellogg Foundation in Africa Food Resources Bank Alliance, and Mellon Foundation in Incentive Fund Education.

Dealing with foundations and other philanthropic resource partners affords the significant advantage of goal compatibility, since they are likelier to share USAID's longer-range development goals and time horizon. This makes this category of partners a more natural "fit" for USAID programs. However, the universe of foundations willing to work on development issues is a finite one, and competition for their attention and resources is intense.

Identifying Potential Partners with Critical Assets

This category may include some overlap with the others listed above, but offers a different way of thinking about what partners might be approached. This requires analysis of what assets are needed to achieve a specific development result AND are not available from public sector sources. Such assets might include a proprietary technology, a unique educational curriculum, or sensitive market information.

For more examples of alliances that fall within these categories, see Appendix V, Thinking Strategically About Alliances: Identifying a Private Sector Resource Partner.

MEETING POTENTIAL PARTNERS

Concurrent with the private sector mapping, a number of outreach mechanisms and reference organizations at the country level can be instrumental in assisting the mission to identify the universe of multinational corporations (MNCs), large host country companies, and host country SMEs that are potential resource partners. These are:

Conferring with embassy commercial attachés or ministries of commerce. This is an excellent source of information for companies which are either currently or planning on becoming operational in the country. They also may have information on company reputations and CSR interests.

Speaking at Chambers of Commerce. Both the American and local Chambers of Commerce are venues for introducing USAID to the key private sector and communicating USAID's interest in public-private partnerships. The International Chamber of Commerce offers a hyperlinked list of member international businesses.

Outreach to industry associations. Associations serve as an industry focal point and often represent key organizations within a particular industry. They may provide one of the best networking opportunities, as they work closely within and across industry stakeholders to advance the common, collective interests of member organizations. Associations can assist with contacting member companies, often produce directories indexing member and industry organizations, and serve as a conduit for alliance ideas with member contacts. Often, they are excellent candidates for alliances themselves.

Conferences/public-private business forum. One method currently used by missions is to conduct a public-private business forum. The Zambia Mission used the occasion of a new country strategic plan to kick-start the alliance building process, while in Armenia the event was situated in the context of their APS calling for proposed alliances. In Macedonia, a public-private business forum focused on issues related to competitiveness and European Union accession, which include provisions favoring business involvement in CSR.

Receptions. Some missions have worked with their Ambassador to host a private sector reception at the Ambassador's residence to emphasize the U.S. Government interest and support for public-private partnerships.

Individual company meetings. A fact-finding visit to key private sector companies, particularly those with direct business interests in the development issue, is recommended as a means for a preliminary dialogue with prospective partners. Prior to the meeting, perform initial groundwork such as reading annual reports and visiting their company websites, if available. The objective is to determine the company's policy (if any) on CSR and activities that the company has supported in the past. A meeting does not commit either side to a partnership—but it can provide a useful opportunity for both parties to assess at an early stage whether or not to proceed. Additionally, company representatives can be invited to the USAID mission to have "get to know you" conversations.

CONSIDERATIONS FOR ENGAGING FOR-PROFIT COMPANIES

At the mission level, engaging the host country private sector can be the most difficult aspect of alliance building, but also most rewarding in terms of activity sustainability and impact. In many areas where USAID works, the private sector is the subject of USAID assistance and it may seem contradictory to look there for resources. However, engaging and negotiating with host country partners can facilitate new business linkages and identify new opportunities for SME development.

The internet is an excellent source for identifying potential partners. For example, the search string: "association, fruit producers, Latin America," pulls several listings as well as news articles that cross reference U.S.-based associations, such as the National Fruit Producers' Association. U.S.-based associations are likely resources for identifying international groups, as they commonly interface on international issues such as commerce and trade.

Whether at the mission level or in Washington, when engaging partners new to USAID, it is helpful to provide briefing materials on the country development programs and on various aspects of USAID operations to expedite learning, promote understanding and trust, and encourage transparency. A short document summarizing key points of interest to corporate executives about the Agency has been prepared for this purpose. See the Introduction to USAID for the Private Sector.

Where the regional or local branches of MNCs exercise a degree of autonomy over CSR and investment funds, it is appropriate for bureau and mission-level personnel to interact with these offices as part of the process of engaging partners. However, field personnel may manage and implement programs while key decisions require headquarters' approval. In these cases, the GDA can assist in contacting headquarters offices.

Field officers also should be aware of coordinating communication with private sector players, particularly those with highly visible CSR programs, such as Microsoft, Hewlett-Packard, or Coca-Cola. If negotiations with a well-known firm mature, GDA may be able to report whether an alliance with the organization exists, reference other USAID staff that have worked with the organization, provide background, or advance contact with the organization directly.

ENGAGING RESOURCE PARTNERS AND LIMITS ON FUNDRAISING

When seeking partners who are likely to bring additional resources into a prospective USAID alliance, USAID officers need to be aware of legal considerations that may apply. See the Office of the General Counsel's (GC's) Guidance Memorandum on Solicitation Campaigns Seeking Contributions, Appendix VII.

USING SOLICITATIONS TO IDENTIFY POTENTIAL PARTNERS

Increasingly, USAID operating units have used formal solicitations to elicit interest in participating with USAID in an alliance. These can take a variety of approaches.

One approach, developed and used by GDA, is to issue a request for applications (RFA) or APS to solicit proposals exclusively for PPAs. Under this approach, the minimum acceptable leveraging requirements are clearly defined (originally 1:1 though requirements can and have been set higher in many cases), but respondents are allowed considerable discretion in the technical proposal. Other such solicitations have limited the respondents to proposals designed to contribute to a stated strategic objective.

In the past, field missions have also used this approach. Three examples are:

USAID/Russia *Development Alliances* (Closing date: June 21, 2007, APS No. USAID/Russia-06-0005-APS);

USAID/Armenia *Public Private Alliances* (Closing date: December 31, 2004, APS GDA-111-04-004); and

USAID/Philippines' *Public-Private Alliances in USAID Education Strategic Objective: Increased Access to Quality Education and Livelihood Skills in Selected Areas* (Closing date: March 30, 2004, 492-GDA-04-001).

Another approach used before the solicitation process evolved was to issue a solicitation that was not limited to alliances but clearly stated that the alliance model was to be considered and given preference in the evaluation of proposals. Some examples include:

PEPFAR: APS To Provide Support to Orphans and Vulnerable Children Affected With HIV (Closing date: January 5 or December 31, 2004, APS-M-OP-04-189);

India: "HIV/AIDS Program in India" (Closing date: June 5, 2006, RFA 386-06-005);

Ukraine, Belarus and Moldova: Mitigating the Impact of Those Affected by HIV/AIDS (Closing date: October 30, 2004, APS 121-04-002);

Nigeria: Enabling Environment (Closing date: February 27, 2004, RFA 620-04-003);

USAID Washington: Implementation and Extension of Wheelchair Services For Civilian Victims of War and Other People With Disabilities (Closing date: January 31, 2005; M-OP-DCHA-DOFDA-03-1344); and

Angola Mission: Enhanced Household Food Security in Targeted Communities (Open until September 30, 2005; APS-690-04-0014).

In the above cases, bonus points may be awarded for those proposals that bring in leveraged resources from a private sector partner. For a fuller treatment of this topic, please see Appendix IX GDA Language in Solicitations and Appendix X Sample Solicitation Alliance Language: Mali.

Early involvement of a contracting officer is encouraged when considering this approach to engaging alliance partners.

ASSESSING RISKS AND REWARDS[5]

Each partner needs to assess the risks and rewards that may arise from being involved in a cross-sector initiative. In fact, each partner will need to understand the potential risks and rewards of their fellow partner organizations almost as deeply as their own if they are to really commit themselves to

[5] See generally, *The Partnering Toolbook,* Tennyson, Ros, The Partnering Initiative. The *Toolbook* is available in over 15 languages.

genuine collaboration and the principle of "mutual benefit". While it is common for each partner to believe the risks to their organization are greater than to any other, it is interesting to note that most categories of risk apply equally to all partners.

Organizational risk for each of the sectors may arise in any of the following areas:

Reputation impact. All organizations and institutions value their reputation and will rightly be concerned about whether that reputation can be damaged either by the partnership itself or by any future partnership failure.

Loss of autonomy. Working in collaboration inevitably means less independence for each organization in the areas of joint work.

Conflicts of interest. Whether at strategic or operational levels, partnership commitments can give rise to split loyalties and/or to feeling pushed to settle for uncomfortable compromise.

Drain on resources. Partnerships typically require a heavy "front end" investment (especially of time), in advance of any appropriate level of "return".

Implementation challenges. Once a partnership is established and resources procured there will be a fresh set of commitments and other challenges for each partner organization as the partnership moves into project implementation.

Risk assessment is important and sometimes easily ignored in the enthusiasm for potential benefits from collaboration. Partners should encourage each other to undertake such assessments at an early stage of their collaboration and, wherever possible, find opportunities for addressing any concerns together as a partner group in an open and nonjudgmental atmosphere.

All partners anticipate that the rewards will outweigh the potential risks. The following areas of benefit may be common to all partners:

Professional development of key personnel;

Better access to information and different networks;

Greater "reach";

Improved operational efficiency;

More appropriate and effective products and services;

Greater innovation;

Enhanced credibility; and

Increased access to resources and expertise.

In addition to these common benefits, there are likely to be a range of further rewards that are specific to individual partners. Ideally these too would be acknowledged and shared at an early stage of the partnership to enable mutual appreciation of each others' specific priorities and to ensure that all partners understand completely the expectations each partner has from the partnership.

FINDING A GOOD FIT

The differences—in organizational culture, focus, and practice—that exist between public and private institutions can be expected to manifest themselves in PPAs. If an alliance draws upon these differences as a form of comparative advantage that is multiplied by joint planning and action, then it can be successful. If, however, the differences lead to repeated disjoints that impede implementation of the activity and possibly lead to embarrassment and criticism by both parties, it may become evident that, in a particular situation, the public and private sector spheres of activity should remain separate. Alliances are not always appropriate or even feasible for any given development problem.

When evaluating further differences between public and private organizations, consider the following:

Accountability. A business is answerable to shareholders for financial gains or losses. If its programs do not produce timely results or products are late, organizational and personal financial resources are at stake. For partners, this pressure for timely results may influence their preferences for systems and procedures used in managing the alliance, such as methods of communication, meetings, decision-making, timing, program management, and results reporting.

Linkage to core business. A company's portfolio of activities should—by accountability to shareholders—advance the company's commercial interests through market share, supply chain, regulatory policy, workforce development, research and development, as well as reputation and social responsibility.

Culture. Without the same parameters of government protocol, businesses may perceive bureaucracy or procedural rigidity as obstacles in working with a government agency such as USAID.

It is not only the differences between the two sectors that must be made to work for an alliance; a significant degree of congruence in goals, mission, and strategy must also exist for collaboration to work. Field officers should understand where USAID fits into a company's strategic interests. A firm can propose collaboration in order to further its core business interests in order to generate increased profits, or as a reputational gain through its CSR regime. Field officers must be cognizant of the business perspective and stake in the activity.

James Austin of Harvard Business School suggests developing a *partnership purpose and fit statement* as a joint planning exercise.[6] Questions that might generate a purpose and fit statement include:

What are you trying to accomplish through the collaboration?

Where does your mission overlap with the potential partner's mission?

Do you and your potential partner share an interest in a common group of people?

Do your needs match up with your partner's capabilities, and vice versa?

Would the collaboration contribute significantly to your overall strategy?

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[6] The Collaboration Challenge: How Nonprofits and Businesses Succeed Through Strategic Alliances. Austin, James. Jossey-Bass Publishers, San Francisco, CA.

Are your values compatible with your prospective partner's?

It is important to note the overlap between the above questions and the questions that should be asked when identifying and assessing a potential partner. Further, it is necessary to review the due diligence process that follows as the relationship matures.

See Appendix XXVI, Partner Analysis Worksheet for help in assessing the fit between USAID and potential alliance partners by comparing interests, needs, objectives, issues, and resources. The worksheet can be used before meeting with potential partners and refined as you learn more about them over time.

DUE DILIGENCE

WHAT IS IT?

Generally, "due diligence" refers to the care that a reasonable party should take before entering into an agreement or transaction with another party. At a minimum, the due diligence process involves checking out a partner's "triple bottom line"—its social responsibility, environmental accountability, and financial viability. Demonstrated commitment to the triple bottom line, as well as to various human rights standards and protocols, signals a readiness and ability to work with public sector partners such as USAID.[7]

The due diligence process verifies the accuracy and validity of a party's claims about its image, capacities, track record, accountability, and financial viability, as well as its intent and ability to deliver on its commitments.

WHY DO IT?

Due diligence cuts down on unpleasant surprises and reduces the chance that the business practices of a partner will reflect poorly on USAID and its implementing partners, and on the U.S. Government. It reveals which partners have a proven and recognized commitment to principled business practices and reduces the risk that USAID funds will be mismanaged or misappropriated.

ON WHOM DO WE CONDUCT DUE DILIGENCE?

Due diligence should be conducted on all potential resources partners. Due diligence is not typically conducted on implementing partners, such as, NGOs or contractors.

WHEN SHOULD IT BE DONE AND BY WHO?

Due diligence should begin as soon as negotiations with partners progress beyond the "getting to know you" stage, and continue on an ongoing basis for as long as the relationship exists. Due diligence is conducted by the USAID mission or Washington operating unit that is negotiating the partnership. For example, USAID/Madagascar found that it needed to assess the ethical and due diligence of partnering with a mining firm largely owned by a multinational mining company. In this case, the mission found that they needed to undertake an extensive and comprehensive due diligence

[7] AAPD 04-16, Public Private Alliance and Collaboration Agreement, outlines the difference between due diligence and responsibility.

investigation for the partnering process. Anytime an agreement with a partner is amended or renewed, more due diligence is advised. Moreover, the process doesn't stop there. The habit of asking due diligence questions should continue throughout the duration of any agreement or transaction.

WHAT'S INVOLVED?

The landscape of potential resource partners includes MNCs, foundations, large host country companies, and host country SMEs and foundations. Many of the tools available to missions for conducting due diligence, as shown below, primarily focus on the larger MNCs and some large host country companies. Research on these companies lends itself to database and web searches, supplemented by traditional reference checks. Conducting due diligence on the local host country private sector becomes a bit more complex, can be more labor intensive, and involves primarily a range of traditional reference checks.

Ultimately, when conducting a due diligence investigation, remember that it is not feasible to be exhaustive. For small alliances particularly, too much due diligence can kill the transaction. See Appendix XI Due Diligence Guide and Appendix XVII FAQs: Mitigating Reputation Risk

WHAT DO YOU DO IF THE DUE DILIGENCE TURNS UP ISSUES?

Given the size and scale of the company or the economic environment in which these companies operate, it is likely that some issues will surface. At this point an analysis of the materiality of the issue must be undertaken, and in the end, a judgment call must be made. The GC/Washington or the mission's Regional Legal Advisor (RLA) can assist in advising decisions makers about using due diligence analysis in deciding whether to enter into an alliance, but ultimately the operating unit authorized to plan and implement activities weighs the risk against the benefits and decided whether to enter the alliance. In the case of alliances that result in MOUs, the USAID signatory of the MOU must make this determination. In the case of collaboration agreements, the agreement officer makes this determination.

WHAT DO YOU DO WITH THE DUE DILIGENCE RESULTS?

The technical office putting together the alliance must document the results in a written determination memorandum to the warranted obligating officer. Whether or not the company will be a recipient of USAID funds through a contracting instrument, the results of the due diligence exercise should go to the contracting/agreement officer. See Appendix XXIII Sample Due Diligence Review for an example of due diligence documentation.

SUBSCRIPTION AND WEB SEARCHES

To initiate the due diligence process, USAID staff can begin multiple searches, using both in-house USAID subscription services, and external web searches on the internet.

Dunn and Bradstreet and Lexis-Nexis. Dun & Bradstreet reports primarily on publicly traded companies, while coverage of private companies may be limited. The U.S. Securities and Exchange Commission (SEC) provides basic corporate and financial information on U.S. companies with more than $10 million in assets and at least 500 shareholders. A Lexis-Nexis search can be used for gathering news stories about a company within a specific timeframe. This may be a good place to start when researching private companies. *To order a report by Dun & Bradstreet or conduct a*

Lexis-Nexis search, contact the librarian at USAID's Center for Development Information and Evaluation.

The Dunn and Bradstreet database focus primarily on MNCs and does not include local private sector companies or NGOs.

The UN Global Compact. The Global Compact brings companies together with United Nations (UN) agencies, labor, and civil society to advance universal social and environmental principles. Hundreds of companies from all regions of the world and international labor and civil society organizations are engaged in the Global Compact, working to advance 10 universal principles in the areas of human rights, labor, the environment, and anti-corruption. Participating members of the Global Compact can be found on their website http://www.unglobalcompact.org/.

The Global Reporting Initiative (GRI). GRI is a multi-stakeholder process and independent institution whose mission is to develop and disseminate globally applicable Sustainability Reporting Guidelines. These Guidelines are for voluntary use by organizations for reporting on the economic, environmental, and social dimensions of their activities, products, and services. The GRI incorporates the active participation of representatives from business, accountancy, investment, environmental, human rights, research, and labor organizations from around the world. Started in 1997, GRI became independent in 2002, and is an official collaborating center of the UN Environment Programme and works in cooperation with UN Secretary-General Kofi Annan's Global Compact.

GDA database. The GDA offers an online database (http://inside.usaid.gov/GDA/) of more than 400 PPAs. Searches can be conducted using a variety of means, including alliance name, partner name, program objectives, sector, region, and country. This database is the most expeditious tool for identifying companies that already have an alliance relationship with USAID.

Company website. Visit the company website to access its most recent annual report and gather information on its public references to their CSR program.

Internet search engines. Search engines such as Google can be used as resource.

OTHER REFERENCES

Commercial and business affairs office in the U.S. Embassy. Contact the U.S. Embassy Commercial and Business Affairs offices in countries in which the company has substantial local activities. Seek information on the company's corporate image and reputation, its social responsibility profile, and its level of professionalism.

Past performance reviews. Request a reference list from company and carry out additional background analysis. This can most easily be accomplished through a questionnaire to the references. See the Sample Due Diligence Survey for an example of an assessment of performance completed by previous partners. Additionally, check the "debarred bidders list." Ask your contracting officer for a copy.

American and national chambers of commerce offices. Seek information on membership of the company and its corporate image and reputation.

Documentation provided by potential partner. Request documentation on the company, including information on ownership, board membership, financial statements, annual statements, and CSR activities.

Local media archives. Where available, check with local media archives for articles related to the company, its owners, or board members to assess their reputations in the community.

GETTING HELP

GDA serves as the Agency's technical office for PPAs by coordinating outreach to partners and providing technical assistance to operating units. Strategic alliances can be worldwide and involve dozens of strategic partners. They can also be highly focused and involve only a single country, activity, or pair of parties to the alliance. Accordingly, different types of technical assistance may be needed at different Agency levels.[8]

Through its concentration of work on alliances and CSR, GDA has met and networked with hundreds of organizations, from private sector companies to foundations. GDA may be a direct help in finding or contacting a potential partner.

As mentioned above, GDA subscribes to a commercial database that can search a company based on its social contributions, legal filings and public records, ethics standing, and performance. Once a partner is identified and alliance talks are underway, GDA strongly recommends that a search be conducted from this database as part of the due diligence work that should accompany alliance building. While the GDA can provide information on partners it has direct experience with and can run searches on the database on a request basis, it is the responsibility of the mission to design and conduct the due diligence exercise, identifying the sources of information required, gathering the information, and documenting the results.

While the GDA plays a central coordinating, outreach, and support role, bureau and mission officers can look to the GDA for assistance in their own alliance building efforts. Please contact the GDA with ongoing questions as well as inquiries regarding available technical assistance.

See the Alliance Resource List for a list of resources on non-USAID experience with and approaches to PPAs and CSR.

TOOLS

Thinking Strategically about Alliances: Identifying a Private Sector Resource Partner

Introduction to USAID for the Private Sector

Guidance Memorandum on Solicitations

Leveraging Guidelines for APS

Partner Analysis Worksheet

[8] Since FY 2004, GDA has deployed regional alliance builders in USAID/West Africa, USAID/East Africa, USAID/Southern Africa, the Regional Development Mission/Asia in Bangkok, the Office of Middle East Programs in Cairo, and the Caribbean to serve as GDA 'champions' and provide ongoing technical assistance and coordination support for alliance activities.

2007 GDA APS

GDA Language in Solicitations

Sample Solicitation Alliance Language: Mali

Due Diligence Guide

FAQs: Mitigating Reputation Risk

Sample Due Diligence Survey

Sample Due Diligence Review

Alliance Resource List

3. CONSTRUCTING AN ALLIANCE

Once a core group of prospective partners has been identified and the due diligence has been completed, the next phase in alliance building is the actual development, where appropriate, of an alliance. This entails ensuring that the most appropriate partners are “at the table” and that, ultimately, partners are willing to commit organizational resources to a partnership being constructed to resolve a jointly articulated development problem.

CONVENING PARTNERS

The first meeting of prospective alliance members is exploratory; generally, the partner that is initiating the alliance will organize this meeting. The goal is to build trust and commitment. When contemplating an initial meeting of potential partners, consider the following:

Who convenes? The convening individual or group must be highly regarded by and have credibility with all prospective alliance members.

Who attends? Those with appropriate organizational responsibility and position must attend the meetings. Often, such meetings require attendees possessing clear authority to speak on behalf of their organizations.

Where? For an initial few meetings, it may be best to identify neutral ground. This prevents the meeting from being perceived as being under one organization’s control. Some circumstances may require that participation by one of more members be by teleconference or electronic conferencing. The technology for electronic conferencing is readily available.

Who moderates? The convener often fills this role. If choosing a moderator for the initial meetings, find a facilitator who will allow alliance members to raise issues without getting bogged down in unproductive discussions.

What is discussed? An agenda for the first meeting might simply focus upon two things: personal and organizational introductions and a sharing of viewpoints about the common cause or issue that has brought the alliance together. If the organizations have not had a history of interaction, the meeting might appropriately end with only a summary of viewpoints written for distribution.

If the meeting members already know each other, they might move directly to determining their collective vision of the problem and its solution.

The Partner Analysis Worksheet provides a sample agenda for meetings with potential partners.

SETTING DIRECTION

Alliances often encourage looking at old problems in new ways, bringing energy and creativity along with shared solutions. This happens most easily if the alliance members begin with a shared understanding of the nature of the problem and ideas about possible solutions. Steps you might take together include:

Defining the Problem

Successful problem definition involves identifying a meaningful junction of the interests and needs of alliance members. Bringing representatives of all interested parties to the table is highly desirable.

Equally desirable is for the alliance members to seek out and bring to the discussion the positions and strengths of those who might oppose the work of the alliance so that issues can be addressed. Some questions to answer are:

What is the nature of the problem that this alliance might solve?

Why is it advantageous to organize an alliance to solve it?

How are the stakeholders affected by the problem?

Brainstorming Solutions

Noting the importance of having the beneficiaries' support, describe each member's stake in the problem and identify solutions to it (without getting bogged down in tasks, resources, personalities, and histories). This is the time to clarify the vision of the alliance, its goal, and its strategic objectives, and to establish a climate of hope and a willingness to work together. Some questions to answer are: To what extent are resources from different alliance members required? What skills and human and/or material resources does each member have that could help solve the problem? Is there another organization that should be brought into the alliance?

Identifying Local Allies

For mission-level alliances in particular, there are often local organizations already active in solving the problem. They may already be working in partnership with other public or private entities. In the public sector, different agencies at various levels of local government often collaborate to address a particular issue, based upon their mandate, interests, and resources. In business, joint ventures, trade associations, and federations are common. And in civil society, NGO coalitions are often formed around common issues or relationships to more effectively utilize resources. Some questions to answer are: What are the local organizations active in solving the problem (and who are the key actors in the organizations)? Among these, are there organizations with the capacity to become donor members of the alliance? Are there organizations with the capacity to become implementing partners?

ADVANCING THE ALLIANCE

In subsequent meetings, the prospective alliance partners can further develop goals and objectives. Key questions to consider are:

How should actions be implemented? Open lines of communication are vital, as are clearly defined planning rules (for example, something akin to a logical framework that helps the alliance set lower-order outcomes and outputs and roughly identify inputs and cost estimates). The implementation of major action plans may involve recruiting new alliance members (or implementing partners) that may not have been part of earlier problem-solving discussions.

How will resource allocation take place? Each member has distinct financial, human resource, and technological capabilities. This issue often becomes a sticking point during the implementation process. Alliance members must discuss resources continuously—who's providing what and when—to ensure that the issue remains well understood from the outset.

How can alliance members implement detailed plans in ways that respect their particular interests? Action planning may bring out further points of difference among the alliance members. It is important to respect these differences at all times. Differences exist in every alliance and accommodating them is a necessary component of successful alliances.

EXAMPLES OF JOINT PLANNING

One clear lesson learned from alliance experience to date is that private partners like to be involved from the ground up and, when they are, both the alliance design and the level of partner commitment are strengthened. Ideally, this involvement begins with defining what development problem the proposed alliance aims to address.

There is no formula for a successful joint planning process. Joint planning can take place on-site or off; it can involve all partners or only key partners; it can start with only the vaguest notion of what could be done, or with a well-articulated proposal developed by one or more potential partners. It can follow a systematic, structured process or evolve in a more ad hoc fashion. The crucial ingredients are a willingness to consider a range of ideas, a clear-eyed view of each partner's objectives, an ability to identify where there could be areas of overlapping interest, and time to allow for problem solving by and among partners as the process proceeds.

Five years of alliance building has yielded good examples of joint planning, such as:

USAID/Angola Strategy Development. USAID has been active in Angola since 1996 and implemented a program that was coming to an end in September 2006. One notable feature of this program has been the extent of collaboration through GDA with several private sector partners, including ChevronTexaco and Esso. Therefore, the Mission was charged with the development of a new three-year plan for the 2007–2010 period. USAID was anxious to begin its strategy process by listening to a wide range of voices within Angola; its closest partners—ChevronTexaco, Esso, and BP—expressed an interest in being part of this learning process. Together, the four organizations decided that their first step should be an ambitious series of focus groups with a wide array of stakeholders to help them better understand the environment in which they are operating, learn from lessons of the past, diagnose needs, and identify possibilities for future interventions.

West Africa Sustainable Tree Crop Program. This alliance originated from the cocoa industry's commitment to expand environmentally sustainable cocoa production. However, as a result of USAID and International Labour Foundation engagement in alliance planning, the alliance broadened to embrace the larger social concern for raising cocoa farmer incomes and reducing child labor. Planning for the alliance followed a stepped process, beginning with a workshop that brought together researchers from industry, academia, and the international research community to develop a broad programmatic framework of research and farmer training interventions. The workshop was followed by a conference that enlisted governments and donors as stakeholders. This approach represents a very deliberate and structured planning process of bringing in partners in successive stages—first to develop and then to operationalize a program strategy.

ORGANIZATIONAL CONFLICT OF INTEREST

Planning collaboratively with alliance partners, one or more of which may well become USAID's implementing partners or otherwise receive USAID funds, requires careful attention to OCI. The

Supplementary Reference to ADS 201 and 202, *Legal and Policy Considerations When Involving Partners and Customers on Strategic Objective Teams and Other Consultations*, discusses what constitutes OCI and what restrictions must be placed on partners to avoid it.

In brief, OCI rules from the FAR **do not technically apply** when outside organizations participate in:

Discussions regarding concepts, ideas, or strategies—in other words, the stage prior to identifying possible implementation instruments.

Discussions regarding ongoing and completed activities (whether under contracts or assistance instruments).

Matters involving only assistance (not contract) instruments, both during the competition stage and once the activity is in progress; however, operating units should work with agreement officers to mitigate potential advantages private sector and other partners may obtain through collaborative planning.

When discussion on activity design shifts to selection of the proper implementation instrument, USAID officers must also consider programming, procurement, financial considerations, and agreement documentation, as discussed below. Refer to the Legal FAQs, specifically Legal FAQ #3, as well as the Procurement FAQs.

MOUS AND THEIR ROLES

Public and private partners engaging in long-term planning and/or considering a type of collaboration under which each will be responsible for bringing its own resources to the alliance may wish to formalize agreement through a memorandum of understanding (MOU). An MOU is used for transparently engaging and negotiating with external partners to publicly formalize the commitment of partners to develop an alliance or to finalize and document the results of joint planning.

Essentially, an MOU is a signed **non-obligating** and legally **non-binding** document that describes the intentions of the alliance members to proceed with a given course of action to achieve the stated objectives. In some cases companies (and particularly their legal departments) may use the term MOU to refer to a legally binding document. In this situation it is best to change to term—from MOU to *letter of intent* or *partnership agreement*.

USAID does not have a standard format or template that specifically prescribes the content of an MOU; thus, the MOUs negotiated to date vary greatly in degree of specificity (see FAQ's: Legal #6). In an effort to bring more guidance to MOU development, the ANE Bureau, which frequently uses MOUs as an implementation planning document, has worked closely with the GC's Office to construct a checklist. See Webcast Training: ANE PowerPoint on MOUs, drafted with the GC office. The GDA also has several good examples that are available for guidance (see Appendix XXIV).

It is recommended that the following elements, which are part of the ANE Bureau's checklist, be considered as common to most or all MOUs that are used in this way:

Partner organization details: The name of each alliance partner, the contact person and contact details, and a brief description of the organization.

Goal and objectives: A description of the problem the alliance was formed to solve and why the alliance is a good way to address the problem; what the alliance's goal is in solving the problem; and what the alliance strategies are for reaching the goal.

Operating principles: A description of how the alliance will manage its program, including specification of:

- Any special administrative structure required by the alliance (including anticipated working groups and committees);
- How decisions will be made;
- How conflict will be resolved;
- How the agreement can be renewed, modified, or terminated; and
- The end date for the agreement.

Roles and responsibilities of alliance members: What each member gives to and gets from the alliance; a preliminary view of the resources that each member will commit—core resources, program and/or project resources (financial and non-financial); and the alliance's implementation timeline. In particular, the clarification of resource commitments becomes essential for aligning partner inputs and activities in parallel financing.

Accountability: Description of how the program performance of the alliance is expected to be measured, whether an independent audit of the alliance's financial arrangements will be undertaken, and how adjustments will be made to the alliance.

Finally, a pre-award MOU can guide the Agreement Officer in the proper execution of a legally binding assistance agreement once an obligation instrument has been chosen.

DISCLAIMER: The USAID GC has issued the following mandatory disclaimer to be included in all MOUs:

> "The purpose of this MOU is to set forth the understandings and intentions of the Parties with regard to these shared goals. The Parties are entering into this MOU while wishing to maintain their own separate and unique missions and mandates, and their own accountabilities. Nothing in this MOU shall be construed as superseding or interfering in any way with other agreements or contracts entered into between two or more of the parties, either prior to or subsequent to the signing of the MOU. The Parties further specifically acknowledge that this MOU is not an obligation of funds, nor does it constitute a legally binding commitment by any party."

PARTICIPATION AND SIGNATORIES

Who participates in the development and signing of an MOU is an important question. From a USAID procurement perspective, prior to an assistance agreement, <u>the least complicated MOU</u> only mentions and has as signatories partners:

Who contribute cash and/or in-kind resources, and

Who will <u>not</u> receive any funding from USAID

Thus, in cases where USAID has taken the lead in identifying the resource partners in the planned alliance, the preferred MOU would be negotiated and signed by USAID and the resource partners only; it would not include any implementing partners that will be recipients of USAID funds in order to avoid questions of unfair competition.

In terms of who signs on behalf of USAID, an MOU is usually signed at **no lower than** the Assistant Administrator level in USAID/Washington or Mission Director in the field. If circumstances warrant, this authority can be delegated to an appropriate USAID official. For alliances with more than one program bureau or of special significance, having the Administrator or Deputy Administrator directly involved should be seriously considered.

In addition to setting out the operational framework for the alliance, an agreement of this nature can be an important document because it conveys the objectives and intent of the alliance, may be used to explain the alliance to others and potentially leverage increased resources, or can be the focal point of a public relations/publicity event.

MOU DEVELOPMENT EXAMPLES

As stated previously, the content and scope of MOUs may vary to meet the needs of the individual alliances. In some cases, MOUs can characterize the agreement of partners at different stages of their collaboration. For instance, a $20 million partnership between Shell Oil[9] and USAID/Nigeria preceded activity design. Therefore, the MOU was essentially an “agreement to agree” whose purpose was to provide “a framework within which specific projects may be jointly developed and implemented in Niger Delta communities.”

The MOU further stated that subsequent activities would be documented by addendums; upon activity design three months later, an addendum was issued announcing the intention “to enhance economic opportunities in selected states in Nigeria by focusing on cassava production and processing capacity.”

A $20 million partnership with ChevronTexaco in Angola, by comparison, was documented in an MOU that followed detailed negotiations and consensus over planned activities. These activities followed activity design but preceded implementation, thus allowing for programmatic refinement in response to local conditions.

In considering and negotiating MOUs and similar agreements, there will of course be a need to prepare documents that meet the needs of a specific alliance. **GC or RLA assistance should be sought as early in the alliance-building process as possible in negotiating and drafting the MOU or similar document.** While an MOU itself is not an obligating document, it may contemplate or accompany a future grant or contract award by USAID. If this is the case, M/OP or Regional Contracting Officer (RCO) assistance should be sought with respect to the choice of instrument and the procedures to be followed. However there is no need for an MOU with a collaboration agreement: this procurement mechanism is a binding agreement with a resource partner(s) that should contain the same elements found in a normal MOU.

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[9] Specifically, the Shell Petroleum Development Company of Nigeria Limited (SPDC).

WORKING WITH USAID PROCUREMENT REQUIREMENTS

Because MOUs do not obligate USAID funds, USAID procurement instruments must still be used where USAID funding is required to carry out alliance activities. While PPAs may differ in some ways from traditional USAID procurements and implementation, the principles of competition, fairness, and transparency in procuring goods and services from implementation partners apply equally to both. In most situations, procurement instruments traditionally used by USAID can be used to support an alliance. In other cases, the conventional form of contract, grant, or cooperative agreement may not be appropriate. As always, the operating unit should work closely with legal counsel and procurement staff early on in planning and working out alliance details.

Contract:

The principal purpose of the instrument is the acquisition, by purchase, lease, or barter, of property or services for the direct benefit or use of USAID.

Cooperative Agreement:

- The principal purpose of the relationship is the transfer of money, property, services, or anything of value to the recipient in order to accomplish a public purpose of support or stimulation authorized by federal statute; and
- Substantial involvement is anticipated between USAID and the recipient during the performance of the proposed activity.

Grants:

- The principal purpose of the relationship is the transfer of money, property, services, or anything of value to the recipient in order to accomplish a public purpose of support or stimulation authorized by federal statute;
- The recipient is to have substantial freedom to pursue its stated program; and
- 3. Substantial involvement is not anticipated between USAID and the recipient during the performance of the proposed activity.

As can be seen above, an important consideration in deciding on the type of procurement instrument best suited to alliance implementation is the nature of the relationship that USAID wishes to have with the alliance partners, especially those to which USAID is providing funding. Typically, cooperative agreements are used to support a program where oversight is limited but joint planning and collaboration are important; they are thus well suited to partnership models such as PPAs.

NEW GDA OBLIGATING INSTRUMENT—THE PUBLIC-PRIVATE ALLIANCE COLLABORATION AGREEMENT

In the past, corporations that approached USAID often found the Agency’s funding mechanisms daunting. Traditional procurement instruments: 1) represent a “vendor” relationship as opposed to a partnership; 2) require contracting and accounting procedures that often act as significant obstacles to alliance building; and 3) inherently encourage participation by those familiar with government contracting as opposed to attracting new nontraditional and private-sector partners.

Obligating funds for PPAs through grants, cooperative agreements, and contracts requires competition of new solicitations, a waiver excepting the competition requirement, or modification of an existing agreement with a commensurate scope of work. Each of these options at times has proved cumbersome, and in some cases planned alliances could not go forward. The new funding mechanism provides an alternative.

To address the need for a new procurement tool, USAID created the collaboration agreement. This tool utilizes the Agency's other transactions authority, granted in the 1961 Foreign Assistance Act, which allows it to enter into "other transactions" beyond traditional contracts, grants, and cooperative agreements. Other transactions authority is also used by the Departments of Homeland Security and Defense to allow partner corporations to profit from innovations generated by the collaboration. Resource partners—including corporations and foundations—can offer expertise in research and development, marketing and distribution, market, and intellectual property.

In order to use the collaboration agreement, the following conditions must be met:

1. A nontraditional partner[10] will be receiving USAID funds directly;
2. The proposed alliance is within the GDA precepts and the alliance program is deemed appropriate under the terms of the APS or RFA;
3. There is a compelling reason for the government and nongovernmental funding resources to be jointly programmed; and
4. Other funding/implementing mechanisms have been considered and rejected as unfeasible or inappropriate

THE COLLABORATION AGREEMENT WILL NOT REPLACE STANDARD FUNDING MECHANISMS

USAID's other transactions authority permits creativity in crafting the alliance agreement to achieve relationships beyond that of a procurement or grant, but government oversight agencies will review the use of this authority to ensure that it was utilized to achieve results unable to be recognized through traditional instruments and not to avoid procurement requirements and restrictions.

See the AAPD 04-16 Public–Private Alliance and Collaboration Agreement for more specific guidance on the terms and use of the collaboration agreement.

PROCUREMENT SCENARIOS

The following scenarios illustrate ways in which procurement instruments may be used in alliance building. There are, of course, many possible variations on these. The FAQs: Procurement should be studied alongside this section.

RFA and Award Following USAID Agreement with Alliance Resource Partnerc

In the course of developing a new strategic plan, or a new activity under an established strategic plan, USAID and one or more resource partners decide to join forces to pursue common objectives. The partners may, but are not required to, negotiate their collaboration and define their alliance in a formal but nonbinding MOU identifying objectives, proposed resources, roles and responsibilities, and governance mechanisms, among other points. Note that in this case the MOU precedes procurement of specific activities under standard obligating instruments.

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[10] A nontraditional partner is a private organization that offers resources at a leveraged ratio in excess of one to one, whose principal business purpose is other than foreign development assistance or whose development assistance purpose was recently established, and that has not routinely received federal funding under traditional grants and cooperative agreements.

Assuming that implementation decisions include award of one or more cooperative agreements by USAID, the appropriate operating unit will then prepare a program description and other pre-obligation documentation and work with the responsible Agreement Officer to issue and process an RFA. The agreement between resource partners may then be adjusted by subsequent MOUs as the alliance matures to encompass activity design, reflective of additional understandings and possibly with a longer timeframe than the cooperative agreement resulting from the RFA.

While a cooperative agreement may be the most suitable existing procurement instrument by which to implement alliance activity, nothing prevents implementation through a contractual mechanism. However, given the joint decision-making and resource- and risk-sharing nature of PPAs, cooperative agreements fit the model well.

APS or RFA Issued by USAID to Identify Potential Alliance Partners

This approach to initiating PPAs involves issuing solicitations requesting applicants to submit alliance proposals that meet stated development objectives. GDA has issued an APS in each year since fiscal year 2003. USAID/Armenia issued an APS to engage local partners for fiscal year 2004. USAID/Mali issued broadly worded solicitation language in its RFAs and RFPs to attract alliances in all sectors of operation.

> Through a joint strategic planning process, USAID/Angola and Chevron Corporation decided to work in partnership to address development challenges in municipal development and agriculture. USAID and Chevron jointly designed programs, issued RFAs for program proposals, and reviewed the proposals. These programs will also be jointly managed by USAID and Chevron.

Under this approach, implementation partners bring in resource partners, ideally after conducting due diligence (and in some cases after executing MOUs among themselves[11]). The winning applicant is then awarded a cooperative agreement or other instrument. Following the award to the implementing partner, it **is encouraged that** the most relevant USAID operating unit and resource partners prepare a formal MOU among them.

The advantage of an APS or other open solicitation instrument is that the burden of identifying resource partners and negotiating an initial alliance agreement falls on the applicant. The disadvantage is that some of the functions of the alliance convener may shift to an alliance partner, which can place resource partners at arm's length from USAID and negatively affect our ability to build new relationships with resource partners. It may also affect the resource partners' buy-in and commitment to the development activity.

A further consideration is that a large number of programmatic and strategic decisions will already have been made by USAID before a winning partnership is selected. This may mean that USAID's ability to listen and respond to a partner's needs and core business interests by negotiating and adjusting objectives is limited. There is also the possibility that the bidding competition may turn into a contest for dollars leveraged rather than for quality of program offered, which may adversely affect development impact.

[11] Though not as common, it is also possible for resource partners to respond by enlisting implementing partners as solicitors.

Modification or Follow-on of Existing Award

In many cases, existing activities have evolved into fully leveraged alliances by modifying the obligating instrument or adding a follow-on agreement in order to accommodate new resource partners.

The new resource partners might deliver their contributions directly through parallel financing, or channel resources through established implementing partners. The latter approach uses ADS Chapter 303 Procedures and Standard Provisions. The business and programmatic risks are therefore equivalent to the risks normally encountered in obligating agreements and the process by which they are awarded.

USAID can look internally at our existing programs and put those forward as leverage for new private sector partners' resources.

In the event of outside contribution, the funding partner and recipient would independently negotiate an agreement that, if needed, could then be incorporated into the USAID obligating instrument via modification. Monies or other in-kind resources received from the partner would then be reflected as cost share and managed according to the provisions of 22 CFR 226.

USAID also has the authority to accept gifts and donations, as either cash or in-kind gifts, for carrying out its official functions. Section 635(d) of the Foreign Assistance Act of 1961, as amended (FAA), the Agency's principal gift acceptance authority, provides that the Agency with the authorization to "accept and use in furtherance of [the FAA], money, funds, property, and services of any kind made available by gift, devise, bequest, grant or otherwise for such purpose." See FAQs: Gifts and Donations.

Unsolicited Applications/Proposals

Unsolicited applications for alliances should be managed under normal procedures, as articulated in ADS 303.5: "Awards may be made … without the benefit of competition where the application clearly demonstrates a unique, innovative, or proprietary capability, represents appropriate use of USAID funds to support or stimulate a public purpose, and fits within an existing strategic objective. To qualify as an unsolicited application, it must be submitted to USAID solely on the applicant's initiative without prior formal or informal solicitation from USAID." An exception may not be needed if the application falls within the scope of an APS. The GDA issues an APS at the beginning of each fiscal year that covers all assistance or procurement requirements for new alliances. Applicants/offerors who have sent in unsolicited application/proposals to USAID should be encouraged to amend their application/proposals to fit under the guidelines of the APS.

OTHER PROCUREMENT CONSIDERATIONS

Grants to For-Profit Partners

Unless USAID is pooling resources in an effort to capitalize a fund, most grants are cost reimbursement grants allowing for periodic advances rather than immediate disbursement of the total grant amount once the grant is signed. In some instances, alliances need immediate start-up capital to proceed. See Financial Arrangements below.

Advance payments are usually reserved for nonprofits but may be made available to for-profit entities on a limited basis. A for-profit will be granted advance payments only if it meets one of the following criteria: delivery and/or performance requires the contractor and/or recipient to have large amounts of working capital and it does not possess such amounts; the for-profit is providing advances to grantees; or it is a rare exceptional case.[12]

If a for-profit decides after a grant agreement is already settled that advance payments are necessary, an agreement modification must be executed. This process can take up to 45 days and there is no certainty of issuance.

Public Notice

As discussed, requirements for providing public notice of pending procurements can be met by issuing an APS or other open solicitation. This provides blanket coverage for the public notice requirement, while allowing potential partners room to generate concepts on their own timeline.

Exceptions to Competition

Alliance builders are encouraged to use the exceptions to competition to the extent they are necessary to facilitate the formation of an alliance. If deviations or exceptions are required, established procedures must be followed, per ADS 303.5.d. Relevant exceptions include amendment and follow-on and predominant or exclusive capability. In all instances, any envisioned noncompetitive approach should be coordinated with the Agreement Officer early in the planning phase.

USAID as a Non-Financial Alliance Partner

If a potential alliance does not involve the obligation of USAID funds, competition is not a factor, and outreach can proceed without restrictions or requirements under an APS or RFA. The following provide a few examples of cases in which USAID is a non-financial alliance partner:

- A private sector entity wishes to provide parallel support to a USAID-supported effort, via a grant to the same or a related recipient. The private sector entity is not requesting that USAID provide it a direct award of funds.
- A private sector entity wishes to provide assistance directly to a host country government or private entity. The entity has limited experience working with host country governments/entities, and wishes USAID to serve as a liaison in negotiating the terms and logistics of providing that assistance.

RESOURCE LEVERAGING

A key characteristic of PPAs is the leveraging of significant resources defined as follows in ADS 200.6:

> Leveraging significant resources may include financial resources, in-kind contributions and intellectual property.

Significant resources are considered at least or greater than a dollar for dollar or 1:1 match of partner to USAID resources.

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[12] For nonprofits, if an advance is allowed, funds may only be made available for 30-day periods. A grantee may receive multiple 30-day advances but must liquidate all funds; penalties and interest apply when U.S. Government monies are held. See Payment Structures: Lessons from Building Alliances for an extended treatment of this issue.

By harnessing or leveraging resources via partner relationships, development activities can leverage deeper development results and eventually have greater lasting impact. To date, rough estimates indicate that USAID has achieved greater than 3:1 partner to USAID resource leverage. The GDA's database of alliances shows that since fiscal year 2002/2003, $1.4 billion in USAID resources leveraged over $4.6 billion in total partner assets.

While leveraged resources are a necessary condition for the GDA APS and PPAs, they by no means constitute the most important or only condition. Mature alliances will include joint planning and decision making, innovative approaches and/or nontraditional partners, and sharing of resources, risks, and development results. It is true that only PPAs that meet the APS requirements of a 1:1 leverage and 25% private resource threshold are counted as GDAs. It is, however, important to note that any public private alliance that contributes to development objectives is important and encouraged, even when it does not meet the GDA APS leverage requirement.

In evaluating a proposed alliance activity for impact, the amount of resources leveraged is both a technical and a cost criterion. However, the amount of resources leveraged is only one factor governing development impact. Therefore, higher leverage does not necessarily mean greater development impact relative to a lower resource leverage. It may, however, reflect greater partner commitment, which can translate into greater sustainability.

In addition to the 1:1 leverage ratio, in 2003 GDA established a requirement that non-public resources should be no less than 25 percent of the USAID contribution, whether in cash or in kind. For example, an NGO proposes an alliance and requests $1 million in USAID funds, to be matched by a $2 million contribution sourced from the World Bank, another bilateral donor such as the U.K. Department for International Development (DFID), or another U.S. Government agency or department. In this case, the collaboration would be considered donor coordination. To be considered a PPA, at least 25 percent of the requested USAID funds, in this case $250,000, would have to come from private **resources.** Private resources could come from corporations, foundations, or NGO resources tapped from the private sector, such as private fundraising. The Leveraging Guidelines for APS, as drafted by the USAID GC's office and the USAID Office of Procurement (OP), is included in this section's Tools for additional insight into the concept of leveraging resources.

Some operating units exceed the 1:1 leverage. The ANE Bureau has continually raised the stakes since first promoting alliances. In fiscal year 2003, missions were encouraged to leverage 2:1 in partner resources. In fiscal year 2004, that figure was raised to 3:1 for the Bureau's education alliance.

DIFFERENCE BETWEEN LEVERAGING AND COST SHARE

Cost Share/Match: Cost sharing or match refers to that portion of project or program costs not borne by the federal government. Cost share or match is normally associated with contributions from the same prime and subrecipient sources that also receive USAID funds (also known as implementing partners). Cost share must be verifiable from the recipient's records, is subject to the requirements of 22 CFR 226.23, and is subject to audit. A recipient's failure to meet its cost share requirement can result in questioned costs.

Leveraging. In the context of PPAs, the concept of leveraging becomes an additional way that costs for a program may be shared. While, like cost share/match, it refers to a portion of a project or program costs not borne by the federal government, it also frequently involves one or more partners proposing contributions that will be spent in parallel to the USAID funded activity, but not expended by the recipient or its sub-awardees. It should be noted that program income (funds raised through activity implementation) should not be counted as cost share or leverage. The difference between Costs Share/Match and Leveraging is that leveraging is not subject to the requirements of 22 CFR 226.23 and subject to audit. A resource partner's failure to meet its leveraging commitment is not subject to questioned costs. Essentially, USAID has little recourse in situations where promised leveraged funds are not brought forth. Leverage is considered a "moral commitment."

USAID's GC advises that USAID officials may seek contributions from individuals, corporations, and foundations for USAID projects and activities, or for the projects and activities of other organizations. However, a number of conditions must be met in order to avoid potential conflict of interest problems. GC has prepared guidance that outlines procedures for officers who wish to undertake solicitations for contributions to USAID's or other organizations' projects and activities. Note that these procedures do not apply to donor coordination efforts or requests for cost-share contributions, and, in general, do not apply to instances in which USAID does not initiate the fundraising activity. See Guidance Memorandum on Solicitations.

If USAID officers actively solicit outside contributions toward an implementing organization's cost-share requirement, there are some important issues to consider:

- Potential resource/funding partners must be committed to the alliance;
- The potential recipient organization must have already agreed to participate;
- The alliance activity should be aligned with the existing program scope; and
- Potential funding partners must demonstrate strategic congruence with USAID.

FINANCIAL ARRANGEMENTS

The funding arrangements for an alliance can be sorted into four categories: 1) parallel financing, 2) pooled resources, 3) gift funds, and 4) collaboration agreements.

PARALLEL FINANCING

Under this approach, each partner establishes its own mechanism to provide resources—in cash or in kind—to support the alliance's work. Funds are tracked separately. The parallel financing approach makes up the majority of the Agency's alliances.

USAID will generally award a grant or cooperative agreement to an implementing partner, although there are situations where issuing a task order under an indefinite quantity contract may be expeditious and appropriate. A corporate resource partner, in addition to awarding an implementation contract or grant to a third party, has the option of providing resources in kind directly, through its internal structure. This option has been followed by partners in a number of the education alliances to provide computer hardware as well as software licenses. For example, the USAID/Vietnam partnerships with Microsoft, QUALCOMM, and Hewlett-Packard—the Training Online Partnership in Information Technology for Communities (TOPIC-64)—leverages in-kind resources of computers, software, and localized curriculum.

POOLED FINANCING

Where alliances include major international donors and foundations operating on a global scale, pooled resource funding has most commonly been used. Pooled resource alliances can be arranged in several different ways, and include the following:

> **Global Alliance to Improve Nutrition (GAIN)**
>
> GAIN, an example of a pooled resources alliance, seeks to improve health through the elimination of vitamin and mineral deficiencies. GAIN administers grants to developing countries in support of food fortification and other sustainable micronutrient interventions in order to save lives and improve health. Partners include USAID, the Bill & Melinda Gates Foundation, the Canadian International Development Agency, the World Bank, UNICEF, WHO, private food companies, and other NGOs/private voluntary organizations. The World Bank received a PIO grant and acts as fiduciary agent over the pooled funds.

a) Collaboration with a public international organization (PIO), such as the United Nations Children's Fund (UNICEF), the World Health Organization (WHO), or the World Bank, to manage a multidonor program initiative. Typically, this approach has involved only donor government funding, but could include private contributions as well. In this case, the alliance is essentially a financing mechanism for a special PIO program, rather than an independent collaborative effort that relies on a PIO's financial and administrative services. Under this approach, USAID's grant is made to the PIO following ADS Chapter 308 direction. Deviations may need to be approved, depending on the details of the individual alliance.

b) Collaboration with a PIO or established financial institution to manage the alliance's resources as a trustee or fiduciary agent.

c) Formation of a new legal entity, such as a U.S. NGO that secures 501(c)(3) status under the Internal Revenue Code to facilitate tax-advantaged private contributions.

For options b and c, USAID support typically takes the form of a grant to the NGO established by the alliance, or to the PIO or financial institution that serves as trustee for the alliance's resources. When managed by a PIO, USAID grant funds may be commingled with the funds of other contributors and managed collectively.

USAID will use a tailor-made and generally streamlined form of grant agreement that requires an approved exception to the general requirement of competition, as well as deviations under ADS Chapters 303 and 308.

In making a decision among these options, bear in mind that, in addition to the grant agreement, substantial effort may be required in negotiating the alliance's corporate charter, by-laws, trust agreement, operating procedures and other documents necessary to establish its governance structure. In complex, multi-partner, multi-country alliances a Board of Directors and a supporting technical expert committee and/or secretariat may be called for. Or the alliance members may agree to operate as an informal partnership to direct the policies and programs of the alliance. See the Managing an Alliance section for a fuller discussion on governance.

GIFT FUNDS

USAID may receive cash donations and gifts, either on a *conditional* (donations made for a specific purpose or with conditions) or *unconditional* basis (gifts made with no conditions on their use, which therefore can be used for any purpose authorized in the FAA), to carry out the Agency's official functions. (Note that contributions to the U.S. Government by individual taxpayers and for profit corporations are considered to be tax-deductible charitable contributions under Section 170 of the Internal Revenue Code and may be exempt from gift taxes under 26 U.S.C. 2522(a)). Under this approach, USAID serves as trustee for the management of contributions by other alliance members. Agency guidance regarding receipt of donated funds can be found in ADS Chapter 628, *Gifts and Donations and Dollar Trust Fund Management*.

In its simplest form, this approach might involve the donation by a single company to USAID to increase the funding for an already-awarded assistance instrument. USAID and alliance members also could use this approach to jointly design and fund a new grant, cooperative agreement, or contract to implement the alliance activity.

This approach is atypical in that the alliance triggers USAID gift acceptance authority, and the resources pooled are absorbed by USAID and are recorded centrally and allotted to the relevant operating unit without commensurate loss of budget by that unit. Examples of alliances that follow this approach include an alliance in Angola between USAID, ChevronTexaco, and other partners; MARS and Chevron's donations for tsunami relief; Exxon Mobil's grant to USAID/Kazakhstan; and Equatorial Guinea's donation of $10 million to USAID for programming in that country. While this method is not common, GC and RLA offices and financial management staff can provide advice on this mechanism as needed.

Under certain circumstances specified in ADS 628, USAID can agree to conditions imposed by a donor on a gift. It is up to the official with authority to accept the gift to determine whether the conditions can be agreed to given the type of conditions, administrative burden, donor, size of donation, and other considerations. Conditions regarding memberships on boards of directors of private entities raise special considerations and should be reviewed with extreme care. For conditional gifts, a gift offer letter from the donating organization or individual taxpayer announcing its intention to make a conditional gift should be sent to USAID. An appropriate response, thanking the donor and articulating USAID's understanding of the conditions, should be sent from USAID to the donor. For detailed information, see the FAQs: Gifts and Donations, including sample letters for conditional gifts.

COLLABORATION AGREEMENTS

You can find information on this mechanism in the section on Working with USAID Procurement Requirements. See the AAPD 04-16 Public–Private Alliance and Collaboration Agreement for more specific guidance on the terms and use of the collaboration agreement.

Balkan Trust for Democracy

The Balkan Trust for Democracy, an alliance between USAID, the German Marshall Fund (GMF), the Charles Stewart Mott Foundation, and others, established a diminishing endowment to finance grants for democracy activities in the region over a 10-year period. The institutional commitment of the key partners to strengthening local democracy sustained their interest during a time-consuming period of consultation, competition, and negotiation under keen U.S. congressional scrutiny.

Grant proposals are reviewed by a committee composed of GMF staff and officials from selected partner institutions, and grant decisions are made monthly. The endowment is managed from GMF headquarters in Washington, D.C.; the board of directors provides official oversight. While this alliance is considered a pooled financing approach due to the presence of other donors in the endowment, regulations specify that oversight of funds is still required. Two USAID representatives sit as nonvoting board members and exercise grant management as well as programmatic oversight over USAID's €10 million contribution. (See Appendix I.)

A WORD ABOUT ENDOWMENTS

USAID has, in the past, been able to award endowment grants. However, amendments made since 2003 to the Foreign Operations, Export Financing and Related Programs Appropriations Acts, PLs 108-7 and 108-199, respectively, removed the specific authority on which USAID relied when obligating funds to endowments.[13] See FAQ's: Legal #5 for more information. This authority had been included in prior-year legislation and, to the extent that such funds remain available for obligation, they are legally unaffected by this change in the law. However, there are political concerns that should be addressed with the Bureau for Legislative and Public Affairs (LPA) before going forward using prior-year funds because of congressional reticence to allow what is perceived as a loosening of control over U.S. Government funds.

Although other authorities may be legally adequate for this purpose, USAID interprets the 2003 amendment as expressing the intent of Congress to curtail the use of appropriated funds for endowments**. Non-appropriated funds** such as local currency, however, are **not** constrained to the same extent. Any use of non-appropriated funds in an endowment would be explicitly reported to Congress, but there is no a priori presumption that Congress intends generally that such funds would not be placed in an endowment.

The case of the Balkan Trust for Democracy (see textbox) is one example of an endowment. In such cases, grants have been made to NGOs to capitalize a fund for NGO long-term activities consistent with the alliance purpose. USAID funds become pooled in the sense that they are consolidated in the grantee's endowment fund. However, policy requires that USAID grant funds must still be accounted for separately. See Lessons Learned for Design of USAID-Funded Endowments for Bureau for Europe and Eurasia experience with endowments.

[13] Beginning in FY 2003, Section 528 of the Foreign Operations, Export Financing, and Related Programs Appropriations Act of 2003 (PL 108-7) ended the Agency's endowment authority by removing the phrase "including endowments," which had been featured in previous years' appropriations acts.

COMMITMENT: MANAGING PARTNER EXPECTATIONS

To this day, business deals around the world are still carried out with a simple handshake or the outlines of a contract scribbled on the back of a cocktail napkin after a round of golf. These informal agreements are taken as binding and the reputation of those involved is made or lost by their actions in following through on their word and keeping up their end of the bargain.

In the complex world of the U.S. Agency for International Development, we are often subject to changing foreign policy priorities and natural or manmade disasters, which require shifts in resources and focus that can result in our inability to complete previously laid plans. Often, these shifts result in USAID contracts or grants not being able to be funded for their original intended length of time or anticipated level of funding. Contractors and grantees understand that our agreements are subject to limitation of funds, but nontraditional partners may not.

USAID staff must understand, when entering into a PPA, that the private sector views commitments as solid and binding. When developing the MOU forming an alliance, USAID staff must take special care to ensure that they explain how USAID incrementally funds implementing instruments and that the "subject to availability of funds" clause works to protect USAID in case there is a shift in budget allocations or priorities. They must also explain that this is an unfortunate imperfection in the Agency's reality.

Additionally, the MOU should clearly state that it is USAID's intended purpose to fully fund its part of the alliance but that circumstances beyond the control of the operating unit may result in its inability to accomplish that purpose. Not only is this a "self-covering" clause that can get USAID out of a bind, but it also should be understood by our partners and accepted as a cost of doing business with the U.S. Government. Many of our private sector partners do not have experiences with the U.S. Government or with USAID in particular and may be confounded by the idea that we would agree to a five-year grant with an NGO only to pull out after three years due to "unforeseen shifts in priorities."

OTHER STATUTORY AND POLICY REQUIREMENTS

USAID statutory and policy requirements apply to all USAID-funded and -managed programs. For example, questions were recently raised regarding the applicability of USAID's environmental requirements. See FAQs: Environmental Procedures for further discussion.

TOOLS

FAQs: Legal

Webcast Training: ANE PowerPoint on MOUs

FAQs: Procurement

FAQs: Gifts and Donations

Leveraging Guidelines For APS

Payment Structures: Lessons from Building Alliances

4. MANAGING AN ALLIANCE

Each activity is managed by the operating unit responsible for achieving the development objectives of the particular activity. This unit could be a field mission or an office within one of the regional or technical bureaus with operational responsibilities. GDA generally does not directly manage alliances, but does provide limited oversight and support. In all cases, attention must be paid to governance, monitoring and evaluation, and reporting.

GOVERNANCE STRUCTURES

Management of an alliance will be greatly facilitated when the basic governance structure established by the MOU and/or procurement instrument is clearly defined. It can be assumed that the partners have achieved a high level of trust and have a shared commitment to achieving results. They can maintain openness and accountability to one another by establishing clear agreements on governance procedures. At a minimum, it is desirable to address the following areas:

> **Global Alliance to Improve Nutrition (GAIN)**
>
> GAIN is a 501(c)(3) organization with a Secretariat consisting of a Board of Directors, Executive Director, and ad hoc technical committees.

Specific roles and responsibilities of alliance partners, as well as of their relevant supporting units (e.g., USAID/Washington and State or other U.S. Government departments, if appropriate);

Key elements of governance, such as, frequency of meetings, decision-making processes, participants, need for working groups, outreach to stakeholders/beneficiaries, monitoring systems, etc.; and

How to resolve differences, should these arise.

Addressing governance issues in writing, at the outset of an alliance, will prove invaluable as partner personnel rotate during the life of the alliance, or as new partners are brought in. The document created might be equivalent to a Mission Order, though it does not need to be as formal. It should be a living document, to be amplified or modified as the parties gain more experience working together.[14] See FAQs: Legal #5.

ROLES AND RESPONSIBILITIES

Clarity of Authority: Who are the **principal players**? Who is authorized to make decisions, convene meetings, address implementation issues, and provide substantive technical information? It is a good idea to provide a formal list of names, contact information, and level of authority to all relevant participants.

Representation: Who has a **supportive role**, and how should they be kept in the loop (and by whom)? Geographic or central USAID bureaus as well as, in some cases, other USG agencies, may be

[14] In alliances where the governance structure calls for an advisory committee, provisions of the Federal Advisory Committee Act (FACA), which regulate the operations of such committees, should be reviewed.

relevant, as well as partner headquarters organizations. Decisions should be made on the mode and frequency of participation in—or information on—alliance issues.

Transparency and Accountability: Partners should agree on and practice direct **communication** on all aspects of alliance implementation, at executive and working levels. It may be important to **inform** each other on the relevant internal processes of each partner, and any changes therein. USAID support offices that find themselves communicating regularly with non-USAID partners involved in alliances should recognize their responsibility to inform the USAID partners of such contacts.

GOVERNANCE STRUCTURE AND OPERATIONS

Clear "rules of the game" make it easier for alliance partners to focus on their role in implementation. Alliances comprised of many partners, or regional alliances serving as funding sources for sub-alliances or grants (e.g., Balkan Trust for Democracy, Global Alliance for Improved Nutrition, Sustainable Tree Crop [Cocoa] Program) may require the preparation of formal by-laws and the establishment of working committees, while less complex alliances can operate on a more informal basis. Where alliances include a number of corporate partners who may be competitors and used to keeping at arm's length of each other (as in the Philippines Clean Fuels alliance), provisions need to be made to keep essential information flowing smoothly.

Questions that could be addressed include:

What is the frequency of **meetings** of the principal governing body of the alliance? Are teleconference meetings acceptable?

Who **convenes** and who **participates** (actively, or with observer status) in meetings? Should there be working committees (if so, what are their specific responsibilities)? Should periodic open meetings be convened for information sharing and gathering purposes with parties relevant to alliance progress (including beneficiaries)?

> **Sustainable Tree Crops (Cocoa) Program (STCP) Governance**
>
> The STCP governance structure offers a promising model for multicountry programs: it defines clear and distinct responsibilities between the global, regional, and national levels; it provides a voice for all resource partners on the Advisory Board which sets policy direction and approves national plans; and it incorporates a means for program clients (farmers' groups) to participate in decisionmaking at the national level.

Who is empowered to **make binding decisions**? Will decisions be made by consensus by vote?

Who is responsible for setting the **agenda**, preparing **minutes,** and circulating them? Should minutes be signed by the principals?

In alliances where partners are pooling their funding, what is the process for **making funds available**? The level and timing of funding needs should be discussed, as well as the likely burn rate of the activity.

How will alliances work with **beneficiaries, host governments, and potential new partners**? To what extent will partners inform each other when they have separate contacts with such groups? The Sierra Leone Peace Diamonds Alliance includes miners, dealers, community leaders, and other stakeholders. A voluntary Code of Conduct is one way alliance partners signal commitment to alliance precepts.

What kind of **public outreach** is relevant, given the host country situation? Should the alliance develop a joint approach? Does each partner prefer to publicize its efforts separately? Should outreach be aimed at informing, garnering public support, satisfying host government concerns? In some countries, and for some alliances, outreach may need to be aimed at preventing misinformation by others.

How will partners **monitor and report** alliance progress? Is there a limited set of performance indicators, or "metrics," that all partners are willing to adopt and use, notwithstanding any additional indicators that they may wish to identify and track? Do partners have reporting requirements that the alliance can help them meet?

RESOLVING DIFFERENCES

Conflicts among partners in an alliance must be anticipated. In the interest of good governance it is appropriate to address the issue and identify, at a minimum, principles that should be followed in the event of disagreement.

Such principles include:

Always proceeding with respect for the other party;

Clarifying underlying issues;

Identifying options for resolving the disagreement;

Being inclusive, not exclusive, of stakeholders who might be able to propose solutions;

Agreeing at the outset on a procedure for resolving the disagreement; and

Agreeing on time limits within which the problem should be resolved.

Information on resolving differences can be found at http://www.crinfo.org.

> **Air Pollution Reduction Alliance**
>
> Since the alliance includes such a diverse group of stakeholders, representing environmental organizations as well as the private sector, serious disagreements over issues can arise from time to time. The World Bank, an initial donor and supporter, dropped out of the alliance because the Bank had differences with the government of Sri Lanka regarding how to implement the project.
>
> However, while partners acknowledge these differences of opinion and interests, they view the process of working through disagreements as fundamentally important in learning to work together and recognize that it will prove beneficial in the long run.

MONITORING AND EVALUATION

Monitoring and evaluation (M&E) for alliances should be guided by ADS Section 203, which applies to alliances just as it does to any other development activity involving USAID program funds. However, M&E in the context of PPAs introduces some special considerations that should be taken into account in M&E system design.

First, input-level monitoring has a particular importance in a PPA. Alliances rely on resources leveraged from multiple partners, and in many cases these will not be documented in a legally binding obligating agreement, as they are for USAID funding for traditional projects. It will be important to build in a system to track the level of resources committed and disbursed to the alliance by each resource partner, whether these are dollars, volunteer hours, or other types of in-kind support. This information is needed to provide assurance to all partners that each individual partner is meeting its responsibilities and there is an adequate flow of resources for meeting alliance objectives. See this section's *Tools* for an illustrative reporting format, excerpted from a recent quarterly report on the Sustainable Forest Products Global Alliance (SFPGA).

Second, output-level monitoring is more challenging in an alliance due to the need to separately track activities being carried out by each implementation partner and to develop common measures for similar activities being carried out by different partners to allow for a "summing up" of the accomplishments of the alliance as a whole. This is being done in the SFPGA by means of a matrix that lists each activity-level output along with the implementation partner responsible for its accomplishment and performance measures for each partner.

Where an alliance is operating through parallel financing arrangements, it may be possible to do output-level monitoring for each separate funding instrument, although it will be important to coordinate the selection of performance measures across all the funding instruments so that the outputs of individual grants or cooperative agreements can be added together to capture the sum total of alliance accomplishments.

Third, assessing the intermediate results and development impact of an alliance is uniquely challenging. For one thing, rarely will alliance objectives completely overlap with the objectives of a USAID Strategic Plan. Therefore, it may require the development of a separate results framework or similar analysis to clearly define and describe how the sum of alliance *outputs* will lead to the achievement of expected intermediate results and development impact.

Also, different partners may define alliance *success* in different ways and hence be interested in tracking different alliance "results." In the SFPGA, for example, IKEA and Home Depot will be most concerned about the levels of green timber production that can be achieved at a given input cost; the World Wildlife Foundation and The Nature Conservancy will be more concerned with measuring the decline in illegal logging; USAID and other development agencies will want to see the impact on farmer income and, in turn, on the health and education achievement of rural families. All of these are legitimate measures of alliance "success" that need to be incorporated in order to determine whether an alliance is meeting the distinctive objectives of each alliance partner. The challenge is to knit these differing measures of success into an analytical framework that integrates each one into the strategic logic of the alliance as a whole.

As always in designing any M&E system, there is the need to strike a balance between the value of the information collected and the costs in time and dollars to collect it. The key consideration is what information is needed to:

- Effectively manage alliance resources, ensuring that alliance managers can get information they need to make mid-course corrections as appropriate;
- Properly account for use of taxpayer and shareholder funds; and
- Meet high-priority information needs of other stakeholder groups, such as host government or other donor officials engaged in related development programs, additional partners who may be sought in the future to sustain or expand the alliance, or others.

Determining what information is needed by whom and with what frequency and rigor will drive the design of any M&E system. Doing this in the context of an alliance requires intensive consultation with all partners. Once the scope of the desired system is defined, alliance managers then must agree on how M&E activities will be funded, who will manage them, and how widely the data and analyses will be shared.

Participation by the private sector partner in the design of an alliance M&E plan may introduce new approaches and create learning opportunities for all parties. Performance management practices are well known to corporate and NGO managers but may be widely different from those applied in USAID. There will be differences in terminology (e.g., metrics vs. performance indicators), as well as possible concerns about proprietary methodologies (e.g., collection and interpretation of pricing data). Corporate and business sector partners will offer expertise on cost-effective data collection on pricing and marketing, while USAID and its traditional partners can contribute expertise on measuring development impact.

It should be noted that some private sector firms tend to measure the "impact" of their public-private partnerships in terms of their CSR objectives (namely the firm's reputation and/or employee satisfaction) rather than in terms of the results achieved by the programs they support (although this is beginning to change in some of the CSR "thought" leaders). This approach is less likely to be taken in those alliances where the private sector participation is linked to its core business interests; in these alliances, the private sector resource partners will naturally have a greater interest in and commitment to measuring program results.

The mid-term assessment of the GDA model found that many alliances had not yet developed effective alliance-wide M&E systems. Where such systems were in place, they were typically carried out by an independent contractor or other third party funded under the alliance specifically to carry out alliance M&E. The Indonesia Timber Alliance provides an example of this approach. Following a suggestion by DFID, a potential partner, to build in a bigger M&E component from the beginning, USAID increased the budget for that purpose. The implementing partners then contracted a research institute to handle M&E (referred to by the implementing partners as "Lessons Learning") for the alliance. The system is set up so that each alliance activity is tracked separately and each partner's resource contribution is linked to the activity it is funding. For example, each partner can learn how much of its contribution is going toward timber tracking and the specific amount of wood saved. Giving each partner a clear idea of what its resources are accomplishing is not just a matter of accountability, but a good way to build commitment and sustainability into an alliance. Other alliances have plans to carry out both process and impact-level evaluations at various points in alliance implementation.

Finally, it is worth underscoring the value of identifying and sharing lessons learned about the GDA model of public-private partnerships and its effectiveness as a development tool. GDA is a relatively new, and challenging, business model for USAID and can be expected to evolve and improve as the Agency and its partners gain experience in applying it to development problems in the real world of developing countries. This process will be richly enhanced and accelerated if alliance managers throughout the Agency share their experience and lessons learned widely so they can be reflected in Agency-wide practices, policies, and procedures relating to GDA. GDA has a key role in disseminating and mainstreaming lessons learned through its training activities (workshops and the Learning Stories series), its periodic revisions of the ADS as needed, and its updates of this document, *Tools for Alliance Builders*. Alliance managers are encouraged, though not required, to conduct mid-term assessments to identify what's working and what's not, and to share these lessons with the GDA for broad dissemination to other alliance managers in USAID and to USAID's many alliance partners.

REPORTING

From June 2004 through January 2005, the Inspector General (IG) conducted audits of GDA activities in the Zambia, Peru, Nigeria, South Africa, and India mission offices. The audits were conducted to determine whether alliances were included in mission activity planning, reported accurately and completely, and achieving their intended results.

The July 2005 final report found that USAID did not always report its alliances accurately and completely, and that some alliances had not developed performance indicators. Based on these findings, the report recommended that GDA:

1. Provide field missions with specific data documentation standards for GDA information reported to USAID/Washington through the mission Annual Report system; and
2. Issue a policy reminder on developing performance indicators and targets for each alliance, periodically determining if they are realistic and valid, and appropriately reporting progress against these indicators and targets, as required by Agency policy.

GDA guidance follows:

Data documentation standards for GDA information are reported through the Annual Report. All Agency operating units are requested to document PPAs as a means of gauging: (i) the extent to which PPAs are being used in ongoing Agency programs; (ii) the range of alliance partners and partner types currently participating in Agency-funded alliances; and (iii) the nature and amount of partner contributions that are being leveraged in support of USAID program objectives. Such data are routinely requested by various external audiences and are also needed for internal assessment of the Agency's progress in mainstreaming the GDA business model.

For the FY 2005 Annual Report, all operating units are required to fill out the GDA Template (found on the Annual Report home page) for each alliance that it manages in which funding was obligated in FY 2005. Templates have been pre-populated with data from FY 2002, FY 2003, and FY 2004 where the GDA Secretariat has information.

To be reported in the GDA database, an activity must meet the following threshold criteria:

It must be a PPA in which the total of USAID resources (from all sources) committed over the life of the alliance activity is leveraging at least an equal or greater amount of total partner resources; and

Beginning in FY 2003, this partner contribution must include private funds (see definition below) at least equal to 25 percent of the value of the expected USAID resources.

In addition to these leveraging criteria, PPAs should also exhibit the following characteristics:

Joint planning and problem definition;

Shared risks and responsibilities; and

Ideally, though not necessarily, new partners and/or innovative approaches.

The resource contributions expected from GDA partners may include both public and private funds, and may be provided in cash or in-kind contributions. Public resources contributed to an alliance may come from other U.S. Government agencies, state and local governments or governmental agencies, bilateral and multilateral institutions, and foreign governments or governmental agencies. Private resources would include contributions from private companies, foundations, universities, NGOs (if raised from non-public sources), private individuals, and any other non-public source.

Please see Description of GDA Reporting from Annual Report for a listing of the information fields in the GDA database.

PUBLIC-PRIVATE ALLIANCE INDICATORS AND TARGETS

In populating the Strategic Objective-Level Narrative Checklist during the annual reporting process, all Agency operating units are requested to discuss PPAs they are currently participating in. Discussion areas include identifying the key partners participating in the alliance and the inputs of cash and/or in-kind resources contributed by the partners. Alliance results should also be discussed, including their relationship to the Strategic Objective-level performance indicators and intermediate results statements pertaining to any and all Strategic Objective(s) the alliance addresses.

GDA recognizes that performance measurement of an alliance can be more challenging when alliances operate through parallel funding arrangements, and when success metrics among all partners may not fully fit within the performance measurement framework of the funding instrument through which USAID provides its resource contribution. In these cases, it is important to properly track and report performance measures across all funding instruments and/or establish and track performance measures that properly balance the success metrics of each partner. To the extent feasible, common measures based on the managing unit’s applicable Strategic Objectives and results framework should be developed for similar activities being carried out by different partners to allow for a “summing up” of the accomplishments of the alliance as a whole.

Performance reporting on alliance follows standard Agency practice. M&E criteria and benchmarks should be established with the alliance partners, as discussed in the previous section, and alliance managers are encouraged to set expectations up front. If USAID funding is involved in the alliance, those funds would be managed and reported on their use as with any activity (that is, the Strategic Objective Team would continue to measure strategic objective results achievement with its agreed-upon indicators). The principal management differences come in the way in which alliance progress is monitored and reported.

ALLIANCE PUBLIC RELATIONS AND PUBLICITY

Disseminating information about alliance progress and impact is as important externally as it is internally. Raising awareness about the development program may help bring additional, helpful stakeholders to the table; further raise USAID and CSR to the consciousness of private business; and highlight innovative approaches of government to key USAID constituents. This is an important aspect to alliance building that is often overlooked.

An excellent opportunity to publicize an alliance may include a signing ceremony at alliance formation. A signing ceremony is also appropriate to formally inaugurate an alliance even when joint planning has already developed into joint action. LPA can help produce a press release, press conference, or other materials such as a fact sheet, questions and answers, or brochure. Many alliances have created websites or homepages on USAID’s website to publish the story and progress of the alliance. Alliance reporting will help bear out key points regarding impact, including the additional development impact affected by the collaborative nature of the activity. Regardless of the approach, it is important to coordinate at all times with alliance partners. They may be able to bring significant resources to the table in the form of public relations staff, media relationships, photographs, market research, publications, and so on.

In instances of negative press, it is more important than ever to tell the correct story of the alliance. No organization is immune from negative press. Anticipate any issues in advance and account for them in your materials. The due diligence process reduces the risk of significant negative press due to a partner's record, but cannot eliminate it. Operating units should work with LPA and GDA in creating a public relations plan that should include, at a minimum, offices at Post and Washington that should be notified when negative public relations events occur.

MODEL FOR PRESS RELEASES

Following a model for draft press releases and case studies may help the story stand on solid ground and reduce public relations risks. Be sure to always work with LPA. In order to develop a release, case study, success story, or other communication, remember to:

- Define the development problem;
- Describe how the alliance addresses that problem;
- Define partners and their contributions; and
- Define the anticipated development impact.

See www.usaid.gov for a list of most recent press releases. A GDA-specific release on Kraft and cashew sector development in Guinea is available below.

Two tools that may assist alliance builders, either as background material in publicizing an alliance or in outreach to potential partners, are GDA's publications of alliance case studies found in the 2005 GDA Brochure and the 2006 GDA Report titled, *The Global Development Alliance: Public-Private Alliances for Transformational Development*. These compilations of alliances may be used as marketing tools as well. GDA can make copies available upon request; or .pdf files are available on the GDA homepage at www.usaid.gov/gda.

TOOLS

- Overview of the Federal Advisory Committee Act (FACA)
- SFPGA Quarterly Report with sample M&E tables
- Description of GDA Reporting from Annual Report
- Sample press release: Kraft and cashew sector development in Guinea
- GDA Brochure
- GDA Report

ABOUT GDA

In testimony before Congress in May 2001, former Secretary of State Colin Powell introduced the GDA business model by saying, “The Bush Administration intends to address the new development assistance demands of a globalizing world by concentrating USAID resources and capabilities in a more effective method of delivery. We are calling this new approach the Global Development Alliance.” A Secretariat was thus established to propagate the new concept in USAID. By December 2005, the Secretariat became the Office of Global Development Alliances, an independent office in USAID. The mandate of the GDA Office is to support USAID offices and missions in their efforts to create and develop new alliances, disseminate best practices and lessons learned across operating units, and perform the outreach functions needed to alert private sector actors to the possibility of partnership with USAID. The GDA Office offers a one-stop shop and entry point for interest in alliances through its worldwide solicitation mechanism called the APS. The ultimate success of these efforts is measured in the ability of USAID to perform these functions as a part of everyday business practice.

In FY 2004, USAID conducted an assessment of the GDA business model to gauge success at midpoint. In line with these assessment findings and the success of the GDA business model, GDA established and met significant priorities over its lifetime to continue the mainstreaming process. These innovations include:

Creation of a dedicated obligating instrument, the PPA collaboration agreement, tailored specifically to the mechanics of a public private alliance. The PPA collaboration agreement is intended for use with nontraditional partners, specifically resource partners.

Alliance Builders, both regional and country in scope, for each USAID geographic region delivering targeted GDA support functions to bilateral and regional missions.

Scale-up of dedicated GDA training to accommodate the needs of existing staff and prepare new staff with the skills to foster alliance building.

Expanded USAID development impact by assisting the Agency in its creation of over 400 alliances that leverage roughly $3 in partner resources for every $1 of U.S. taxpayer money. To date, USAID has invested approximately $1.4 billion into PPA efforts while leveraging $4.6 billion in total partner resources.

In December 2005, recognizing GDA’s significant advances in mainstreaming their innovative, award winning business model within the Agency, the once temporary GDA Secretariat was converted into a permanent, independent office. The GDA Office continues to assist missions and offices in Washington in their efforts to reach out to the private sector, to mainstream the PPA model, and to manage relationships with private sector partners.

You can be a part of this important and pioneering effort to change the way USAID does business. Alliances are not always appropriate in every sector or as an answer to every development challenge. But they can and do serve as crucial adjuncts to existing mission and bureau portfolios that connect USAID officers and programs to a wealth of additional resources found in the private sector.

APPENDIX I: ILLUSTRATIVE CASE STUDY: BALKAN TRUST FOR DEMOCRACY[15] HOMEGROWN EFFORTS BUILD PEACE

GOVERNMENTS AND FOUNDATIONS COME TOGETHER TO FUND LOCAL AND REGIONAL INITIATIVES TO BUILD PEACE, DEMOCRACY, AND REGIONAL COOPERATION IN THE BALKANS.

"The activists danced, drank, and then got up in the morning for earnest arguments about knowledge proliferation, flash mobs, Foucault, the value of logos and corporate branding, political marketing, the meaning of politics…"—*The Guardian* (June 6, 2005), observing the "Civic Activism and Beyond" festival hosted by the Albanian youth movement MJAFT! (Enough!), a Balkan Trust grantee.

Purpose

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

Context:

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

Alliance Members

U.S. Agency for International Development

German Marshall Fund of the United States

Charles Stewart Mott Foundation

Accomplishments and Outcomes

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

Funding Arrangement (amounts are approximate)

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

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

Charles Stewart Mott Foundation: $5 million

Other resource partners:
Government of Greece: $970,000
Kingdom of the Netherlands: $650,000
Swedish Agency for International Development Cooperation: $900,000
Rockefeller Brothers Fund: $150,000

With the collapse of communism, the Balkan region descended into ethnic and sectarian conflict. It soon was in acute need of assistance. In 1996, the U.S. Agency for International Development (USAID) Bosnia-Herzegovina Country Mission established an emergency lending program to promote economic

[15] The Balkan Trust case study is one of 22 highlighted in the 2006 GDA report *The Global Development Alliance: Public-Private Alliances for Transformational Development*. The full report can be found at **http://www.usaid.gov/gda**.

growth by helping enterprises expand production and create employment opportunities for the general population—including 1.2 million refugees and 200,000 demobilized soldiers—while generating income for families and communities. The program targeted large and medium-sized private enterprises; loans covered forestry, manufacturing, agribusiness, and construction.

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

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

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

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

HARNESSING INTERNATIONAL INTEREST

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

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

In the USAID solicitation, the German Marshall Fund recognized an opportunity to further its own objectives and leverage its resources. With $15 million between them, the German Marshall Fund and the Charles Stewart Mott Foundation had assembled sufficient resources to act without USAID, but they chose to be patient and submit a proposal in answer to the solicitation. Both saw the value of a long-term alliance with USAID, which was worth the time and effort to comply with agency protocols.[16]

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

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

Inventing a New Alliance Model

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

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

LEAN, RESPONSIVE OPERATIONS

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

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

An informal advisory board of experts from Southeastern Europe and key international organizations oversees the Balkan Trust's strategic development. The partners commit themselves to letting the Balkan Trust work, but they all play a role in planning and setting strategy, defining problems and possible solutions, and leveraging their strengths to reach optimal solutions. This close relationship demonstrates

[16] Previous collaborations had not ended as successfully. In the case of the Trust for Civil Society in Central and Eastern Europe, USAID was heavily involved in project design with other potential funding partners and expected to contribute to the endowment. Unfortunately, USAID found itself slowed by its own bureaucratic safeguards and congressional scrutiny of the transaction, and could not participate.

[17] Resource leverage is both a cost and a technical criterion in awarding a solicitation, but secondary to the technical review.

the principles and goals of GDA: to maximize the potential of established relationships among donors, to deepen those relationships, and to facilitate new ones through association and shared action.

Roles of Members of the Balkan Trust for Democracy

USAID developed the conceptual framework for programming €10 million in "reflow" funding for the Balkans

The German Marshall Fund developed the Balkan foundation concept and executes and manages grants

The Charles Stewart Mott Foundation joined the German Marshall Fund's efforts as a resource and cooperating partner

USAID's alliance coordinator joins semi-annually in policy discussions regarding the endowment and monitors activities to ensure that the goals of the endowment are met. Grant proposals are reviewed by a committee composed of German Marshall Fund staff and officials from partner institutions. Representatives from USAID and the Mott Foundation sit as nonvoting participants,[18] together with a panel of reviewers from the region. Proposals are accepted on a rolling basis, and decisions are made monthly. Both the advisory and grant-making committees must ensure that programs funded by the endowment are effective, responsive to local needs, and complementary to other initiatives supported by the international community. The German Marshall Fund submits an annual report listing all grants as well as the specific USAID contributions.

SINKING FUNDS VS. PERPETUAL ENDOWMENT

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

USAID's Europe and Eurasia Bureau has extensive experience with endowments due to the series of enterprise funds established by Congress in 1989, many of which were transformed into legacy mechanisms as a part of their liquidation. Based in part on the lessons gained in this process, USAID's 10-year funding horizon in the Balkan Trust is recognized by some as the proper balance of longer-term development planning while still allowing for shifts in donor need, priority, or approach.[19]

REGIONAL REFORM AND RECONCILIATION

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

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[18] To prevent conflicts of interest, U.S. Government employees may not exercise fiduciary responsibility in outside organizations.

[19] In a diminishing endowment, a 10-year planning horizon can be achieved by investing $7 to $8 for every $1 disbursed in grants. For a perpetual endowment, the necessary investment is $20. And it is more difficult to change tack with perpetual endowments: parties must seek a change in charter or bylaws, or withdraw funds. In the Balkan Trust for Democracy, the contributions of the German Marshall Fund and the Mott Foundation are expected to be drawn down at a slower rate than those of USAID, allowing the organizations to retain an equity position at the end of 10 years and to shift directions if indicated.

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

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

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

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

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

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

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

FROM DARK MOMENTS TO A BRIGHT FUTURE

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

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

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

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

The experience has borne many lessons. USAID assistance to democratic reform is not an obvious candidate for a public-private alliance.[20] However, through the valued intercession of the German Marshall Fund, a strong partnership developed in furtherance of the Euro-Atlantic partnership.

[20] In its four years, the GDA model has proved a good fit with enterprise and agribusiness development and health activities, while democracy-building alliances remain largely uncharted terrain. Should the Balkan Trust enlist long-term support from for-profit entities, the alliance will be truly groundbreaking.

APPENDIX II: PRECONDITIONS FOR SUCCESS: AN ALLIANCE CHECKLIST

Common cause: The issue to be addressed by the alliance is important to prospective alliance members. It is clear why forming an alliance is advantageous as a way to treat the issue.

Belief in alliances as a strategy: Prospective alliance members believe that this approach can solve problems better than working independently. Alliance members are willing to treat each other as equal partners.

Presence of a convener: At least one prospective alliance member has the standing to call the other alliance members to the table. The convener could be from USAID or from a partner group.

Principled behavior: It is critical that USAID aligns itself with those private entities whose interests are compatible with USAID's and whose business practices do not pose reputation risks for the alliance or for USAID. Look for evidence that the proposed partners' operational practices incorporate, for instance, commitment to human rights, decent work conditions, environmental protection, and community involvement.

Resources: Financial and human resources to support the alliance are available. Each member is willing to commit the particular resources that it is able to share.

Willingness to explore opportunities: Alliance members are willing to take risks together that individually they might not be willing to take; and they're willing to work creatively together in doing so.

Don't feel that you have to work in isolation as you complete the checklist. Many other organizations—other donors, nongovernmental organizations, companies, as well as other units in USAID—already have a wealth of experience in establishing and using alliances.

APPENDIX III: LEVERAGING GUIDELINES FOR APS

THE FOLLOWING LANGUAGE, DRAFTED BY THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) GENERAL COUNSEL AND OFFICE OF PROCUREMENT, PROVIDES ADDITIONAL INSIGHT INTO THE LEVERAGE CONCEPT.

The Office of Global Development Alliances (GDA) Annual Program Statement (APS) provides that in order “to qualify for USAID funding under this APS, an alliance must demonstrate that partners are able and willing to collectively contribute significant resources to the proposed program that are at least equal to the level of resources sought from USAID.” The purpose of this qualifier is to bring significant resources to international development issues.

The decision to fund a particular activity is partially based on the collective resources that constitute a minimum of 1:1 leveraging.

USAID traditionally uses “cost share” to ensure the commitment of pledged resources. Cost share is defined as the portion of the program costs not borne by the federal government. Cost share is legally binding under the cooperative agreement and might be appropriate in some instances.

In public-private alliances, there are alternative ways to demonstrate that commitment of resources. For example, a letter of intent or memorandum of understanding may be more appropriate depending upon the respective and/or collective situations of the alliance members.

The decision as to whether the collective resources will be treated as cost share and/or leveraging as pledged by letters of intent or memoranda of understanding will be discussed among the alliance members including the cognizant mission/pillar that intends to manage the activity prior to finalizing the award.

Nongovernmental organization (NGO) resources are most often treated as cost share, while resource partner resources are counted as leverage. Implementing partners, such as NGOs, cannot be legally responsible for resource partners’ proposed funding of an alliance.

In some cases, cost share may not be appropriate at all, given the manner in which the alliance develops; in some cases, a split between binding cost share and intended-but-not-binding leverage may be appropriate; in some instances most or all of the contributions may be treated as cost share.

GDA requests that the GDA representative in the cognizant mission/pillar coordinate GDA’s review of leveraging decisions for the first few alliances established in each mission/pillar in an effort to facilitate the understanding of the leveraging qualification.

[3/4/03 revision of draft prepared by Office of the General Counsel, as amended by Office of Acquisition and Assistance, and cleared by GDA.]

APPENDIX IV: DEVELOPMENT CREDIT AUTHORITY AND ALLIANCES

USAID's Development Credit Authority (DCA) is a broad financing authority that allows USAID to use partial credit guarantees to encourage local private lenders/investors to finance development activities. Under DCA guarantees, USAID shares some of the risk of loss on an underlying loan or bond with a private sector lender. By sharing risk, USAID is able to stimulate lending for creditworthy but underserved sectors and markets such as infrastructure, microfinance, small and medium enterprises, housing and agriculture.

DCA guarantees have mobilized over $1 billion in available capital for development projects. Many of these projects have a powerful demonstration effect on local financial markets – the profitability of the USAID supported loans encourages greater participation by the financial sector in the targeted sectors.

USAID Field Missions identify prospective alliance partners for DCA projects and design appropriate activities based on their development objectives. USAID's Office of Development Credit assists Missions in the design of the projects and determines the budget cost for each DCA guarantee. The budget cost is equal to the expected claims under the guarantee. Typically the budget cost to USAID Field Missions to issue DCA guarantees is between 2% to 7% of the facility amount – this results in substantial leveraging of USAID funds. On average for every dollar expended by USAID there is roughly $27 in private sector lending.

More information on DCA can be found at:
www.usaid.gov/our_work/economic_growth_and_trade/development_credit

EXAMPLES

1. Loan Portfolio Guarantee

Panama: Student Loan Program This alliance initiates a pilot student loan program to students of Universidad Interamericana de Panama (UIP). This alliance is led by Laureate Education, a global leader of accredited campus-based and online universities. Under the pilot program, USAID has partnered with a local Panamanian bank, Banvivienda, to facilitate student loans by guaranteeing 50% of the principal through a DCA. The terms of the student loan include a grace period while the student is in school, a longer maturity, and a more affordable interest rate. This pilot program guarantees up to a $5 million loan portfolio, with a facility term of 10 years. Expected development impacts of this guarantee are: to increase access to financing for university-level education for middle- to low-income students; to demonstrate to the Panamanian banking sector the viability of lending to students; and to help Panama maximize its comparative advantage under the anticipated bilateral free trade agreement with the United States by facilitating private-public alliances that invest in professional training for the fastest growing demographic group in Panama. Overall, students who have attained a higher level of education will be better equipped to contribute to USAID/Panama's Strategic Objective of promoting economic freedom through an open, diversified, and expanding economy.

2. Loan Guarantee

South Africa: Microfinance. USAID provided a DCA guarantee on the first loan ever made to Capitec Bank, a newly created bank focused on offering a wide range of financial services for the poor and "under-banked". The DCA guarantee helped Capitec secure an $8.3 million loan from Futuregrowth Asset Management; the proceeds from the loan enabled Capitec to open new branches, provide more ATMs, and offer a new, longer-term debt instrument to its customers. In the first few years after the DCA guarantee was signed, Capitec expanded its number of banking clients from 18,104 to 60,856 and grew its loan book by 20%. The success of the loan has demonstrated the viability of lending to commercial financial service providers targeting the low-income market in South Africa. Capitec has subsequently been able to borrow from local financial markets on favorable terms without any donor guarantees. It now has over 260 branches across South Africa and over 375,000 banking clients.

3. Bond Guarantee

India: Tamil Nadu Water and Sanitation Pooled Fund. USAID provided a DCA partial bond guarantee and technical assistance through the Financial Institutions Reform and Expansion (FIRE) to support the establishment of the Water and Sanitation Pooled Fund (WSPF). The State of Tamil Nadu created the WSPF to serve as a financial intermediary that facilitates pooled financings for small to medium municipalities, similar to State Bond Banks in the U.S. The WSPF issued $6.4 million in bonds and on-lent the proceeds to several urban local bodies for small-scale municipal water and sanitation projects that would have otherwise not obtained financing. The USAID partial credit guarantee allowed the bonds to receive a strong "AA" investment grade rating. This pooled-financing structure has been replicated in the Indian State of Karnataka. Other countries in Asia are working to introduce similar structures with the support of USAID.

APPENDIX V: THINKING STRATEGICALLY ABOUT ALLIANCES—IDENTIFYING A PRIVATE SECTOR RESOURCE PARTNER

For each of the development sectors being considered in the mission's strategic plan, consider whether the private sector is or could be a significant, long-term stakeholder.

There are different ways to look at the private sector as a stakeholder in the mission's development program:

1. **Direct business interests**: What private sector actors stand to gain if this sector grows and prospers? Conversely, what private sector actors stand to lose if it does not?
2. **Indirect business interests**: What private sector actors have a long-term financial or reputational investment in this country or sector?
3. **Philanthropic interests**: What foundations and other actors in the private nonprofit sector have interests in this country or sector?
4. **Critical assets**: What private sector actors might be a critical part of the solution to the development challenges in this sector?

IDENTIFYING POTENTIAL PARTNERS WITH DIRECT BUSINESS INTERESTS (CATEGORY #1)

Stakeholders falling into category #1 are typically private for-profit businesses or service providers and are good candidates to approach as resource partners because they would expect to reap business benefits from a successful alliance with the U.S. Agency for International Development (USAID).

In identifying private sector actors in this category, consider each of the roles the private sector plays and its links to USAID's development priorities:

As an employer, a private business may have interests in primary healthcare, HIV/AIDS prevention, health policy, basic education, skills training, information technology (IT) training, labor policy, and pension and social security policy.

As an investor, a private business may have interests in accessing essential raw materials in a sustainable way through responsible economic and environmental management; in being assured of an adequate supply of healthy and productive workers through cost-effective healthcare and skills training; in efficient marketing of its product through market systems and transportation infrastructure development; and in a stable and predictable economic management regime with protection for foreign and local private investment.

As a vendor and supplier of inputs, a private business may have interests in growing the markets for its products and services through agricultural and small and medium-sized enterprise development, promotion of ecotourism, skills training programs, improved financing or credit access for buyers of goods and services, and a stable and predictable trade and economic management regime.

A purchaser may have interests in ensuring price stability and quality of product through agribusiness development, market development, and supply chain integration.

Most of the private sector resource partners (although not the biggest in terms of contributions) found in the GDA portfolio fall into this broad category. They cluster around the following development activities:

Supply chain integration:

Nestle, Mars, and various European chocolate industries in West Africa Sustainable Tree Crop (Cocoa) and SUCCESS Asia Cocoa Alliances

Starbucks and Green Mountain Roasters in Central American Regional Coffee Program

Finta (Zambian) Dairy Ltd and local dairy farmers in Zambia Milk Collection Centers Alliance

IKEA and Home Depot in Worldwide Certified Forests Alliance

Royal Ahold in Ghana Food Industry Development Alliance

Agribusiness development:

Shaffer in Mali Markala Sugar

Fresh & Green in Nigeria Cassava Competitiveness

ChevronTexaco in Cabinda Agribusiness Development

Livestock health and market development:

Private animal health service providers in Horn of Africa Livestock Trade Commission Alliance

Intervet in Southern Africa Regional Heartwater Vaccine Development Alliance

Nontraditional export development:

Various private buyers in Agribusiness in Sustainable Natural Plant Products

AVEDA in Nepal Non-timber Forest Products

Liz Claiborne in Mozlink’s textile component

Information technology development:

Sun Microsystems, IBM, and Cisco Systems in Information Technology Training for Youth Alliance in Brazil

Marketing efficiency:

SHENI Agricultural Supplies and smallholder farmers in Zambia Warehouse Receipts Alliance

Policy reform:

Pfizer in South African Alliance on Intellectual Property Rights

Worker productivity:

Local companies in Colombia seeking IT-trained employees in the Latin America and Caribbean Bureau's entra 21 alliance with the Inter-American Development Bank and the International Youth Foundation

Banco do Brasil in Information Technology Training for Youth in Brazil

Sustainable resource development:

QIT Minerals in Madagascar Minerals Alliance

BP in Papua Birdshead Alliance

Since these partners will have core business interests at stake in their alliance with USAID, they will likely seek a more active role in the alliance, their senior management will be more engaged in its planning and management, and they may be prepared to make a longer-term and more substantial commitment if the alliance shows signs of early success.

IDENTIFYING POTENTIAL PARTNERS WITH INDIRECT BUSINESS INTERESTS (CATEGORY #2)

Stakeholders falling into category #2 are also good candidates for resource partners, and are typically U.S. or multinational companies that have, or seek, a long-term presence in the country and/or are identified with policy issues that could negatively affect their public image. Businesses in this category often have, or are receptive to having, corporate social responsibility (CSR) programs as tangible evidence of their interest in being good corporate citizens. Examples in the GDA database are: Unilever and Ben & Jerry's in Mali Child Welfare, De Beers Group in Sierra Leone Peace Diamonds, and Mirant in AMORE Renewable Energy Alliance in the Philippines. An additional example is the fiscal year 2003 ChevronTexaco (CT) alliance in Angola, which is motivated by CT's interest in being a "good citizen" in Angola more than by a direct business interest that the alliance might serve (in contrast to the Cabinda Agribusiness Development alliance cited above, which is designed to promote growth of businesses that could supply CT's operations in Angola, thus meeting an immediate business interest). Another example is the bednet vouchering scheme being developed in West Africa where oil companies have expressed interest in donating to the treated bednet distribution program in return for having their logo show on the discount coupons distributed to rural householders.

Additional examples in the GDA portfolio include:

Monsanto in Philippines

Sesame Street in Egypt and India

Royal Ahold in Ghana

Intervet in Southern Africa Heartwater Vaccine Commercialization

This approach requires USAID to be more proactive in the strategic planning stages in identifying potential resource partners and may be less well-suited to an "opportunistic" alliance-building strategy. These are cases where the business interest in the alliance may not have been immediately evident to the partner without USAID undertaking extensive discussions and leading the partner to a broader understanding of the opportunities its participation in such an alliance might offer (for example, the evolution of the Royal Ahold alliance, where intensive discussion by USAID staff and contractors with Royal Ahold representatives redirected Royal Ahold's earlier interest in a "one-off," CSR-inspired investment to an investment that directly supported mission and government development objectives and to which Royal Ahold could offer a unique, and critical, asset.)

GDA: 5/17/04.

APPENDIX VI: INTRODUCTION TO USAID FOR THE PRIVATE SECTOR

Dear Potential Alliance Partner:

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 approximately 85 percent of the resource flows to the developing world, compared to just 30 percent 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 400 alliances have been formed in 100 countries, with $1.4 billion of USAID resources leveraging over $4.6 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, energy, information technology, education, healthcare, and agriculture.

USAID is headquartered in Washington, D.C., and is headed by an Administrator who is appointed by the President and confirmed by the Senate. Ambassador Randall L. Tobias is the current Administrator. The Agency is composed of regional bureaus:

Sub-Saharan Africa;

Asia and the Near East;

Latin America and the Caribbean; and

Europe and Eurasia.

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

Global Health;

Economic Growth, Agriculture, and Trade; and

Democracy, Conflict, and Humanitarian Assistance.

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; USAID currently has relationships with more than 3,500 U.S. companies and 300 private voluntary organizations.

What Is a Public-Private Alliance?

In May 2001, former Secretary of State Colin Powell announced an initiative to develop 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 (GDA) was created in USAID's Washington, D.C., headquarters to serve as a facilitator among potential partners in alliance-building activities. GDA 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 GDA's office, the Washington, D.C., 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; PPAs create a unique synergy in 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 products and provide training to local populations to both enhance a country's IT capacity and to improve workforce skills.

Developing 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 increasingly active in sponsoring development projects and are donating substantial resources, skills, and personnel to such efforts. It is commonly recognized that this effort 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 foreign direct investment. Although alliances are not intended to promote a company's position or entry in 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 responsibilities of each partner. These agreements often result in non-binding memoranda of understanding, 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 follows. 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, please visit our website at www.usaid.gov/gda or contact the GDA office at 202-712-4418.

ILLUSTRATIVE PRIVATE SECTOR PARTNERS

Private Businesses	Private Businesses	Foundations
Abbott Laboratories	Java City	Aga Khan Foundation
AlphaSmart	Johnson and Johnson (J&J)	Amy Biehl Foundation Trust
American Express	Kraft Foods	Bill & Melinda Gates Foundation
Amiran Ltd.	Levis Jeans	Case Foundation
Archers Daniel Midland	Liz Claiborne	Charles Stewart Mott Foundation
Aveda	Lucent Technologies	Conrad N. Hilton Foundation (CNHF)
Aventis	M&M/Mars	David and Lucile Packard Foundation
Bajaj Auto Limited (BAL)	Masterfoods	Elizabeth Glaser Pediatric AIDS Foundation
Barry-Callebaut	Maxygen Inc.	Eurasia Foundation
BASF	McKinsey & Company	Ford Foundation
Bayer	Merck & Co.	GE Fund
Becton, Dickinson, & Co.	Microsoft Corporation	German Marshall Fund of the United States
Boyd Coffee Company	Millstone	Gillette Foundation
British Petroleum (BP)	Mirant	Henry J. Kaiser Family Foundation
Cadbury Schweppes	Monsanto	Humane Society of the US
Caja Popular Mexicana	Morton Salt Company	International Youth Foundation (IYF)
CALTEX Philippines	Motorola	J.M. Kaplan Fund
Cargill	MTV International	John D. and Catherine T. MacArthur Foundation
Cascadia Forest Goods	Nestle	Kellogg Foundation
Caterpillar International	Neumann Kaffee Gruppe	Levi Strauss Foundation
Chevron Corporation	Nokia	Lincy Foundation
Chiquita	North American Wood Products	Lions Club International Foundation
Cisco Systems	Oderbrecht	Robert Wood Johnson Foundation
Citigroup	Orange	Rockefeller Foundation
Coca Cola	PADCO	Rotary International
Colgate-Palmolive	Pfizer	Soros Foundation
Covington and Burling	Procter & Gamble	Wellcome Foundation
D&S Gelfuel Limited	Roche Vitamins	William and Flora Hewlett Foundation
DeBeers	Royal Ahold, Inc.	**Trade Associations**
ECOM	Royal Cup	American Forest and Paper Association
Edelman Worldwide	Schaffer and Associates	Chocolate Manufacturers Association
Egyptian Natural Gas Holding Company	Schering-Plough	Colombian Chamber of Commerce
Energy Conversion Devices (ECD)	Scimedx Corporation	Confederation of Indian Industry
Ernst & Young	Shell Petroleum Development Company of Nigeria, Ltd.	Confederation of Mozambique Business Associations
Evensen Dodge International	Starbucks	Guinea Chamber of Mines
Exportimo/South Cone Trading	STIHL Brazil	Indian Chamber of Commerce
Felton International	Sun Microsystems	Information Technology Association of America
Fitch Rating	Tata Iron & Steel Company Limited	International Private Water Association
General Mills	The Bank of Brazil	The International Textile, Garment and Leather Workers' Federation
Gibson	The Gap	The World Information Technology and Services Alliance
GlaxoSmithKline	The Home Depot	Uganda Coffee Trade Federation
Goldman Sachs	Timberland	US Halal Chamber of Commerce
Good Coffee Company	Trojan	World Chlorine Council
Green Mountain Coffee Roasters	Uganda Pharmaceutical Manufacturers	World Cocoa Foundation
Heinz	Unilever	World Council of Credit Unions
Hershey Foods	Viacom	
Hewlett Packard	Visa International	
Honest Tea	Westwood One Radio Network	
IBM	Wyeth	
IKEA	Yahoo	
International Specialties, Inc.	Young and Rubicam	
Intervet International		

APPENDIX VII: GUIDANCE MEMORANDUM ON SOLICITATION CAMPAIGNS SEEKING CONTRIBUTIONS

MEMORANDUM

TO: Deputy GC

FROM: GC/LP, GC/G

SUBJECT: USAID Solicitation Campaigns for Agency Programs or the Foreign Assistance Programs of Other Entities

ISSUE: Whether it is permissible for USAID officials to engage in solicitation campaigns seeking contributions to USAID or other organizations for development projects or activities from individuals, foundations and U.S. based corporations.

CONCLUSION: Such solicitation campaigns are permissible, but only if a number of conditions are met. In the absence of a specific USAID procedure for solicitation campaigns, we advise that USAID officials take certain steps to avoid potential conflict of interest problems.

This memorandum provides initial guidance regarding solicitation campaigns from a legal perspective, but ideally ADS guidance would be developed to reflect both legal requirements and USAID policy considerations.

EXCLUSIONS: This memorandum does not apply to donor coordination[21] or requests for cost share or matching fund contributions[22], and in general does not apply to instances where USAID does not initiate the fundraising activity.

USAID employees would not need to follow the procedures outlined in this memorandum if they are coordinating assistance or contributions of goods and services with other donors, both governmental and private. For example, a health officer in the field could coordinate with other donors for the provision of commodities to a health clinic without following the procedures outlined herein.

In general, this memorandum does not apply to instances where a USAID employee is contacted by a potential donor about contributing to a USAID program or asks for USAID's guidance on how to spend its funds in a particular country or region. Rather, this memorandum addresses situations in which a USAID official plans to contact potential donors in a solicitation campaign. There may be instances where it is difficult to ascertain whether USAID or another donor initiated the fundraising efforts. Questions regarding the applicability of this memorandum to a particular situation should be directed to GC.

DISCUSSION: As a general rule, specific authority is needed for government officials to solicit funds. This is reflected in the government-wide Standards of Conduct for Employees of the Executive

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[21] See Donor Coordination Strategies, **http://www.usaid.gov/policy/ads/200/200sad.pdf**.

[22] See ADS 303.5.10, E303.5.10, 303.5.10a and E303.5.10a and PVO Cost Sharing Policy, http://www.usaid.gov/pubs/ads/200/updates/iu2-3.pdf.

Branch that permit fundraising in an official capacity if, in accordance with statute, Executive Order, regulation or otherwise as determined by the agency, the employee is authorized to engage in fundraising as part of his or her official duties. [23] For government officials to solicit contributions for a particular project or activity, the agency must determine whether it has the authority to do so and whether such fundraising activities are appropriate. Once these points are confirmed and it is clear that the fundraising is part of the government employee's official duties, we recommend that such activities be formally approved by the Agency pursuant to the procedures outlined below.

USAID has the authority to solicit contributions on its own behalf under its gift authorities, Section 635(d) of the Foreign Assistance Act of 1961, as amended ("FAA"), and Section 25 of the Department of State Basic Authorities Act of 1956, as amended, 22 U.S.C. Section 2697.[24] In addition, USAID officials have the authority to engage in fundraising for USAID or others under certain provisions of the FAA which establish U.S. policy to encourage the participation of the private sector in the development process.[25]

There are a number of conditions on such fundraising. They include: (a) the agency may not solicit contributions for the travel expenses of Government employees; (b) a solicitation must be for funds to be used in connection with the agency's authority (e.g., funds solicited under the FAA must be used for agency programs or the foreign assistance programs of other organizations); (c) <u>a solicitation must be structured to avoid any appearance that a contributor will receive preferential treatment in its dealings with USAID (or would face any kind of discriminatory treatment if it declines to contribute)</u>; and (d) the solicitation must not include covert or deceptive activities (emphasis added).[26]

In order to meet these conditions, especially (c), we recommend that USAID officials take certain steps to avoid potential conflict of interest problems. The State Department procedures described in Attachment A provide a basis for such steps. However, the State Department procedures have been modified because USAID, unlike State, has business relationships with a large number of entities through USAID's acquisition and assistance programs and because the Agency actively seeks to promote private sector involvement in development through the Global Development Alliance.

GENERAL GUIDANCE AND SUGGESTED ACTIONS FOR USAID OFFICIALS UNDERTAKING SOLICITATION CAMPAIGNS

(i) Potential donors

Participation should be as inclusive as possible and offered to a large number of entities in a given category to avoid showing preference to one or more firms. Any solicitation should note the effort to gather support from a broad number of firms, institutions, or persons.

(ii) Types of donors

Foundations. As a general matter, foundations are part of the donor community. Therefore, solicitations of foundations are not problematic from a conflicts perspective because of the nature of

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[23] 5 C.F.R. 2635.808 (b).

[24] <u>See</u> ADS 628.5.1 and E628.5.1.

[25] <u>See</u> FAA Sections 102(a), 102(b)(8) and (9), and 601(a); and GC Opinions: FAA Section 635, No. 78 (GC/LP, Miller, April 7, 1997) and GG/Archives (GC/EPA, Miller, October 9, 1991).

[26] GG/Archives (GC/EPA, Miller, October 9, 1991).

their work and the fact that a typical foundation is not seeking any business, benefit, or assistance from the USG. In many cases we are already working with certain foundations as partners on development projects.

However, certain foundations may be related to companies or other entities, and that relationship may pose conflicts issues. For those foundations, a review should be made to ascertain how the foundations are structured and how decisions to fund certain projects are made in order to assess possible conflicts.

Fortune 500 Companies. To the extent that USAID does business with these companies, more than likely it accounts for only a small percentage of their income. For that reason, from a conflicts perspective, solicitations of these companies are not generally problematic if a basic conflicts analysis is completed prior to the solicitation and the solicitation is made to a wide number of companies. Companies in a particular sector may require additional analysis because of the direct connection between the activity for which funds are being raised, USAID's activities in a particular area, and these companies. For example, if USAID were soliciting contributions for an HIV/AIDS activity, pharmaceutical companies would require additional conflicts analysis due to their direct connection with USAID's HIV/AIDS activities.

Other USAID Contractors and Recipients. If solicitations are made to this group, a significant conflicts analysis must take place to insure that there is no appearance that the gift is offered with the expectation of obtaining advantage or preference in dealing with USAID, especially for firms and non-profits who receive substantial USAID funding (i.e., when USAID is a major customer or donor).

(iii) The Soliciting Official

In addition to avoiding organizational conflicts at the Agency level, care should be taken, when conducting solicitation campaigns, to avoid creating conflicts for individual employees between their solicitation activities and other official duties. To avoid an appearance of conflict, USAID officials engaged in fund-raising campaigns should not solicit contributions from persons or organizations that have financial interests that may be substantially affected by the performance or non-performance of the soliciting official's other duties. An employee's other duties should be taken into account as part of a decision to assign the individual to a fund-raising campaign. Any potential conflicts should be noted in the action memorandum along with measures taken to eliminate or mitigate them.

Similar conflict issues can also arise in situations where the Agency engages a contractor to conduct a solicitation campaign. Agency officials engaging a contractor to handle a fund-raising campaign should consider the potential for conflicting roles that may create appearance problems and take steps to mitigate such conflict. It is recommended that such contract include the standard AIDAR Clause 752.209-71.

(iv) Approval of the Solicitation

For all solicitations, we advise that an action memorandum be prepared to document the decision to solicit funds from certain entities. The action memorandum should include information on the following: (1) amount of money to be raised; (2) who will receive the money (USAID or another entity); (3) potential donors; (4) methods of raising money (e.g., mail, telephone calls); (5) who will do the soliciting; (6) availability of alternative funding sources; (7) the importance to the USG of the proposed project; and (8) the planned text of the fundraising "pitch," if available (the "fundraising script”). At either the time of approval of the action memorandum or initiation of the campaign, the text of the fundraising script should be finalized with LPA and GC approval.

It is an Agency policy decision to identify the level at which approval of such action memoranda should be made. Given the potential risks involved, we would advise that it be done at the AA level. In addition, given the public affairs aspect of a solicitation campaign and the potential conflicts issues, we also would advise that the memorandum be cleared at appropriate levels by LPA and GC. In addition, we would advise that when clearing or approving the action memorandum, each Agency official should employ a test balancing the policy interests in favor of fundraising against the potential risks to the Agency.

(v) Maximum Amount of Donation from A Single Donor

The State Department does not usually accept more than $200,000 from a single donor for a specific campaign. In some circumstances, it may be appropriate to consider a maximum contribution that will be sought from a single donor. Because of the policy interests involved in furthering the Global Development Alliance, however, we do not propose a maximum contribution limit.

(vi) Implementation and Oversight

Once a solicitation campaign has been approved, the implementing office must ensure that the solicitation campaign is implemented in accordance with the action memorandum. The implementing office also should continue to consult with LPA and GC on public affairs and legal issues, including reviewing any conditions to donations (discussed below), and determining the appropriateness of the institution to receive funds and the type of financial instruments that will be used.

(vii) Conditions on Donations

Donors may seek to impose conditions on their donations, and USAID can accept conditional gifts. However, it is difficult to anticipate these conditions when beginning a solicitation. It is up to the official with authority to accept the gift to determine whether the conditions can be agreed to given the type of conditions, administrative burden, donor, size of donation, and other considerations.[27]

The accepting official should document the decision as to whether USAID accepts the conditions and inform the donor. There also will be responsibility to implement procedures to ensure the conditions are respected. Conditions regarding memberships on boards of directors of private entities raise special considerations and should be reviewed with extreme care.

(viii) Receipt of Donations

Donations for USAID must be received by USAID for deposit in the USAID donation trust account. Such funds are subject to apportionment in the budget process. USAID cannot contract for an agent to receive funds on USAID’s behalf.

(ix) Solicitations for Entities other than USAID

For solicitations of donations to entities other than USAID or alliances of entities, the action memorandum described above in “Approval of the solicitation” should include additional information

[27] See ADS 628.5.1.

to assist the clearance/approving officials in determining whether it is appropriate for USAID officials to solicit donations on behalf of such entity. For example, we recommend that detailed information be included about the entity, along with an explanation of why it is appropriate for USAID to seek contributions on the entity’s behalf, or on behalf of an alliance. USAID may need to develop disclaimers when soliciting contributions on behalf of other entities so that contributors do not view USAID as guaranteeing proper operation of the recipient entity.

APPENDIX VIII: 2007 GDA APS[28]

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

ANNUAL PROGRAM STATEMENT

APS NO: M/OAA/GRO/EGAS-07-063

PUBLIC PRIVATE ALLIANCES

IN:

A) AGRICULTURE

B) ANTI-CORRUPTION/GOVERNANCE/CIVIL SOCIETY STRENGTHENING

C) AVIAN INFLUENZA

D) CONFLICT/ RELIEF AND HUMANITARIAN ASSISTANCE

E) DISASTER ASSISTANCE

F) ECONOMIC GROWTH AND TRADE CAPACITY BUILDING

G) EDUCATION

H) ENVIRONMENT/ENERGY

I) FOOD SECURITY

J) HEALTH

K) INFORMATION TECHNOLOGY

L) MALARIA

M) URBAN PROGRAMS

[28] The full 2006 GDA APS can be viewed at **the GDA website**.

Issuance Date: October 25, 2006

Closing Date: September 30, 2007

CFDA #: 98.011

This program is authorized in accordance with Part I of the Foreign Assistance Act of 1961 as amended.

Ladies/Gentlemen:

The Office of Global Development Alliances (GDA) of the United States Agency for International Development (USAID) invites interest from prospective partner organizations to form public-private alliances to carry out activities in support of USAID’s international development objectives. Alliance partners are expected to bring significant new resources, ideas, technologies, and/or partners to address development problems in countries where USAID is currently working. Partners could include a wide range of organizations such as foundations, U.S. and non-U.S. non-governmental organizations (NGOs), U.S. and non-U.S. private businesses, business and trade associations, international organizations, U.S. and non-U.S. colleges and universities, U.S. cities and states, other U.S. Government agencies, civic groups, other donor governments, host country governments, regional organizations, host country parastatals, philanthropic leaders including venture capitalists, public figures, advocacy groups, pension funds and employee-welfare plans, etc. Successful proposals will bring at least a 1:1 resource leveraging to focus on priority development activities within USAID’s manageable interest. However, proposals with greater resource leverage ratios (generally 2:1 or more) are more competitive.

B. PROGRAM ELIGIBILITY CRITERIA

To be considered for funding under this APS, proposed programs must meet the following requirements:

1. Alliance proposals must have clearly-defined objectives that have been agreed to by the partners.
2. Alliance proposals are expected to demonstrate significant new, non-public resources – whether money, ideas, technologies, experience or expertise – to address international development problems (see Leverage criteria).
3. Alliance proposals must address the development needs of one or more countries in which USAID is currently working (see Annex A) as defined in the Mission/Washington operating unit strategy. Alliances that operate in countries where USAID has field presence will be given priority. However, consideration may be given to alliances that seek to operate in countries where USAID does not have a field mission.
4. Alliance proposals must contribute to one or more of the Agency’s/Mission’s high priority sectoral and programmatic objectives.
5. Alliance proposals must offer promise of significant development impact, as measured, for example, by the number of direct and indirect beneficiaries of the program, and/or by the potential for replication or scaling-up over time.

6. Alliance proposals must appear feasible from a technical, economic, financial, and social perspective.

It is expected that programs may last from 12 to 60 months. Priority will be given to proposals that can be launched rapidly. USAID will not provide funds under this APS for products and services that would be purchased through a contract.

C. LEVERAGE[29]

GDA alliances are expected to bring significant new, non-public resources – whether money, ideas, technologies, experience or expertise – to address international development problems. ***To qualify for USAID funding under this APS, an alliance must demonstrate that partners are able and willing to collectively contribute significant resources to the proposed program that are at least equal to the level of resources sought from USAID: A minimum 1:1 leveraging is a minimum condition for concept/proposal consideration.*** At least some portion of the leveraging must be in cash.

Alliances in which non-USAID resources leveraged have a more clearly defined cash component are generally more competitive.

Further, it must be shown that these resources, in combination with the support sought from USAID, will provide the alliance with a comparative advantage in meeting the goals and objectives of the proposed program.

It is this expectation of significant leverage of non-public resources in combination with joint planning and of sharing risks and benefits, that defines the public-private alliances under the GDA as distinct and different from those activities USAID has previously supported.

III. APPLICATION INSTRUCTIONS, REVIEW PROCESS, AND EVALUATION CRITERIA

A. Overview of the Application Process

Applicants are required to submit short concept papers (see below for instructions) to Missions or operating units. Applicants will then receive instructions on whether or not to proceed with a full proposal. Technical comments provided on the concept paper should guide the submission of the full proposal. Any concepts or applications submitted late in the fiscal year may be held over by the Mission or operating unit for consideration for funding in the following fiscal year.

Concept papers may be submitted throughout the fiscal year, though it is highly recommended that applicants submit concept papers to USAID by December 29, 2006. This will allow USAID to

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[29] USAID traditionally defines cash or in-kind resource contributions as "cost-share or matching." A definition of items that constitute "cost share or matching" can be found at 22 CFR 226.23 (see <**http://a257.g.akamaitech.net/7/257/2422/14mar20010800/edocket.access.gpo.gov/cfr_2002/aprqtr/22cfr226.23.htm**>) . Cost-share or matching is reported on a periodic basis on payment forms, and USAID has the right to reduce its share of funding if the cost-share reported is less than the agreed upon percentage or amount contained in the award. Finally, if a difference remains after an award has expired; the difference shall be refunded to USAID. The contributions being proposed in an application do not have to be proposed under the above "cost-share or matching" definition and provision; they can be proposed as "leveraging," as discussed above. Applicants should indicate whether they are proposing the contributions as "cost-share or matching" or as "leveraging." If proposing as "leveraging," applicants should be prepared to provide annual benchmarks that include proposed results to be accomplished with USAID funds and the additional leveraging, and should be prepared to provide annual timelines that include percentages or amounts. The benchmarks and timelines will be included in the terms of any agreement awarded under this solicitation.

consider these concepts early in the fiscal year, prioritizing alliance funding and allowing sufficient time for resource allocation.

USAID Missions and Washington operating units will be responsible for the application review process and management of the award process. Issuance of this APS does not constitute an award or commitment on the part of the U.S. Government, nor does it commit the U.S. Government to pay for costs incurred in the preparation and submission of an application.

The GDA Office is responsible for this solicitation and any questions concerning this APS can be submitted by e-mail to gda@usaid.gov or by phone to 202-712-4418. A summary of frequently asked questions will be posted on the web at http://www.usaid.gov/gda

B. Concept Paper Instructions

All applications must be made by completing the items below, including the attachments where requested. Not to exceed 5 pages in total.

The concept paper shall include:

Cover Page/Introduction:

1. Name and address of organization;
2. Type of organization (e.g., for-profit, non-profit, university, etc.);
3. Contact point (lead contact name; relevant telephone, fax and e-mail information). Regional or multi-country applications should provide the name of at least one local partner for each country targeted in the program;
4. Names of other organizations (federal and non-federal as well as any other USAID offices) to whom you are/have submitted the application and/or are funding the proposed activity; and
5. Signature of authorized representative of the applicant.

Technical Information:

1. Concise title and objective of proposed activity;
2. Discussion of the objectives, the method of approach, the amount of effort to be employed, the anticipated results, and how the work will help accomplish USAID's as well as the field Mission's specific strategic results; and
3. Type of support the applicant requests from USAID (e.g., funds, facilities, equipment, materials, personnel resources, etc.).

Supporting Information:

1. Proposed estimated cost;
2. Brief cost breakdown (e.g., salaries, travel, etc.);
3. Proposed amount of the applicant's financial as well as in-kind participation;
4. Proposed amount of prospective or existing partner(s) financial as well as in-kind participation;

5. Information showing the relationship between all potential partner organizations involved and their commitment to the alliance;
6. Proposed duration of the activity; and
7. Brief description of applicant's, as well as prospective or existing partner(s') previous work and experience.

All concept papers must be in English. Concept papers must be submitted electronically via email to the appropriate Mission or Washington operating unit contact.

C. Full Application Instructions

Missions/Washington operating units have the authority and ability to invite applicants to submit a full application based upon favorable reviews of concept papers. These instructions are illustrative. USAID Missions or operating units may request other information. Note page limits.

The length of the application should not exceed the following page limits:

Budget Information (Standard Form SF-424 and supporting narrative; see http://contacts.gsa.gov/webforms.nsf/0/B835648D66D1B8F985256A72004C58C2/$file/sf424.pdf): No limit

Executive Summary: 2 pages

Body of Application: 25 pages

All Attachments: 15 pages

The body of application should include the following information:

Table of Contents listing all page numbers and attachments

Executive Summary

Program Description

Goal and Objectives

Background/Problem Statement

Explanation of partners and their expected roles including partner and other resources brought to bear (leveraging).

Proposed Interventions/Technical Approach

Expected Impact

Duration of Activity

Role of USAID (e.g., facilities, equipment, material, or personnel resources)

Letters or other forms of communication (emails) demonstrating partner intent to participate

Detailed budget and financial plan with major line items, identification of funding source (i.e., by partner) for each, and a narrative description of what the resources will be used for

Relevant organizational experiences of recipient and key partner organizations

Implementation Schedule

In addition to the narrative described above, the application should include as attachments:

A draft letter of intent from resource partners

A Memorandum of Understanding, which describes roles, responsibilities and contributions of each alliance partner including USAID.

N.B.: The Mission or operating unit will determine whether a finalized MOU is or is not required prior to the award being made.

Curriculum vitae for key staff.

The annexes may also include relevant information about alliance partners. This can include documentation of intent to participate by other partners. ***Please note excessive documentation submitted under the annexes is neither necessary nor wanted.***

All concept papers must be in English. Concept papers must be submitted electronically via email to the appropriate Mission or Washington operating unit contact.

Missions or Washington operating units will instruct applicants to whom they are to send their proposals and when they are due. *Note: An invitation to submit a full proposal does not constitute an award; USAID may choose to not fund applications even after they have been requested.*

APPENDIX IX: GDA LANGUAGE IN SOLICITATIONS

PUBLIC-PRIVATE ALLIANCE SOLICITATIONS: ISSUES AND SOME INITIAL EXAMPLES

As noted in the Office of Acquisition and Assistance (M/OAA, previously M/OP) Frequently Asked Questions (FAQs), there is no set method for designing such solicitations, but there are a variety of items one should consider. First, one needs to determine whether a Request for Applications (RFA) or Request for Proposals (RFP) will be limited to only those that include alliances and whether there should be a set limit on the amount of leveraging to be included in applications/proposals. Second, one should indicate in the solicitation the type of information applicants/offerors need to submit in support of the alliance portion (e.g., signed memoranda of understanding from proposed alliance partners, information on the responsibility and reputation of alliance partners, etc.). Third, one needs to indicate the method in which potential alliances will be evaluated (e.g., feasibility of the alliance, broader programmatic impact with alliances, etc.). Finally, one needs to indicate the manner in which leveraging needs to be demonstrated (e.g., memoranda of understanding, a traditional cost-share/matching approach, inclusion in overall program budget with anticipated timeframes for leveraging inputs and programmatic impacts associated with leveraging, etc.). One also needs to be mindful of the revised guidance on cost-share/matching as found in AAPD 02-10. The above is not intended to be an exhaustive list, but rather contain examples of base information that should be in solicitations.

There have been various solicitations to seek applications with public-private alliances, such as the GDA Education Request for Application (RFA), the GDA Annual Program Statement (APS), and the Mali RFA. Please keep in mind that each of these was a first time attempt to incorporate public-private alliances into solicitations. We are still gathering lessons learned from these experiences, but are sharing the relevant portions of these early examples for operating units to build upon. When building upon these samples, it is important that one address the various points noted above. Sample portions from the GDA Education RFA, the GDA APS, and the Mali RFA are attached as building tools.

EXAMPLE A:

FY2002 GDA Education RFA

FY 2002: PUBLIC-PRIVATE ALLIANCE IN EDUCATION—GLOBAL DEVELOPMENT ALLIANCE

The United States Government, as represented by U.S. Agency for International Development (USAID), the Global Development Alliance(GDA), seeks applications from foundations, U.S. and non-U.S. nongovernmental organizations (NGOs), individual U.S. and non-U.S. (including multinational) private businesses, banks and other financial institutions, business and trade associations, international organizations (including international financial institutions), U.S. colleges and universities, U.S. cities and states, other U.S. Government agencies, civic groups, other donor governments, host country governments, regional organizations, host country parastatals, philanthropic leaders (including venture capitalists), public figures, advocacy groups, pension funds, and employee-welfare plans.

Applications are sought to address priority needs for education in less-developed countries. Sustainable programs that are built around critical education needs of less-developed countries, which demonstrate significant leveraging of non-federal resources and are presented jointly by more than one potential partner, will receive greatest attention. This RFA is issued under the authority of the Foreign Assistance Act of 1961, as amended. USAID plans to enter into a Cooperative Agreement with the selected partner(s) that meet the requirements of this RFA and that promise the greatest return on investment. The type of organization selected will impact the applicable regulations and policies to be used in the Cooperative Agreement award (i.e., for U.S. non-profit, 22 CFR 226 and USAID Standard Provisions will apply).

USAID reserves the right to fund any or none of the applications submitted in response to this RFA. The award will be made subject to the availability of funds.

All applications must address the items below, including attachments where requested. Reference to “Applicant” in this RFA is intended to mean the various organizations that constitute the proposed education alliance. The Evaluation Criteria in Section III may be used as a checklist to ensure that **ALL** criteria are covered in the application. Section D, below, provides more information on specific components.

(a) Required components for all education alliance applications:

Application Summary

Executive Summary

Overview of the Applicant

Program Description

- Situational Analysis
- Rationale for Program Approach
- Specific Program Objectives, Interventions, and Activities
- Performance Measurement

Program Management and Structure

- Organizational Structure
- Human Resources
- Contingency and Security Planning
- Financial Management
- External Program/Project Evaluations
- Workplan

Budget and narrative, including Standard forms 424 and 424A (forms can be downloaded from http://www.usaid.gov/business/)

(b) Required attachments:

Organigram with names and positions of program relevant staff or indicate “to be recruited” where applicable.

Brief resumes or bios of program relevant staff and position descriptions of staff to be recruited.

A draft Memorandum of Understanding (MOU) which lays out the proposed roles, obligations, resources, and responsibilities of each member of the alliance, including USAID.

List of all contracts, grants, or cooperative agreements involving similar or related programs over the past three years. This should include the location, current telephone numbers, points of contact, award numbers if available, and a brief description of the work performed.

III. EVALUATION CRITERIA

All applications that meet program requirement instructions and are prepared according to the instructions in the RFA will be evaluated based on the evaluation factors listed below. The Review Panel will be composed of GDA staff, other staff members from USAID offices with related interests and appropriate expertise, and possibly specialized technical reviewers from outside the Agency. Decisions are made based only on the information included in the application, with the exception of information obtained through USAID’s investigation of alliance partners to satisfy due diligence concerns and to consider past performance of the Applicant.

The following two factors (A. Program Planning, Feasibility, and Sustainability, and B. Partnership and Resource Leveraging) represent the evaluation criteria to be used in the evaluation of applications; these factors are equal in importance. Subfactors are provided for additional clarity, but are not listed in any order of priority.

While the amount of funds being leveraged and the strength of the alliance is a strong component of the GDA framework, the technical merit and sustainability of any program remains a vital consideration. Selection of the awardee (and alliance overall) will be based on the overall impact of the program.

A. Program Planning, Feasibility, and Sustainability

Situational analysis, problem statement, and rationale for technical interventions are clear and compelling.

Program objectives and proposed activities are clear, results-oriented, and attainable during the life of the program.

Technical approach/activities and assessment plans are sound.

Sustainability plans are viable. Plans include objectives and indicators.

The Applicant has the potential to reach a significant number of new beneficiaries with new or improved services.

The program has potential for replication or scale-up.

The program has the potential to generate tangible results by the end of the agreement and the results are verifiable, measurable, and consistent with the expected outcomes.

The program increases equitable access to and use of services by underserved and disadvantaged groups and segments of the population, including girls and women

B. Partnership and Resource Leveraging

The organization, with proposed alliance partners, has the potential capacity to take on an education program as detailed in the proposal.

The project has the potential to result in strengthening local partners and partnerships.

The approach draws on expertise, funding, and other resources from a wide array of organizations to ensure a well-rounded program with far-reaching results.

Draft MOU clearly delineates risks and contributions of all proposed alliance partners.

Proposed management structure is suitable for the implementation plan.

Partner(s)' past performance provides clear indication of knowledge and ability to succeed.

Substantial leveraging of non-federal resources.

Budget and/or narrative demonstrate partners' participation in planning.

Ability to secure non-federal resources well documented.

APPENDIX X: SAMPLE SOLICITATION ALLIANCE LANGUAGE: MALI

<u>In the "Letter to Applicants":</u>

In recognition of the many changes in today's development assistance environment, and in the context of USAID's new Global Development Alliance (GDA), USAID/Mali strongly encourages (but does not require) the formation of public-private alliances in the implementation of its programs. Official U.S. Government assistance now accounts for only a minority share of the flow of resources from the United States to developing countries. Foundations, private companies, nongovernmental organizations (NGOs), and other entities have become increasingly active in financing development efforts in West Africa and elsewhere, and they are often looking for synergies with other similar programs.

The U.S. Government believes the pending solicitation may offer just such an opportunity and is therefore specifically requesting comment on the feasibility of possible public-private partnerships for this activity.

Proposals that include "Public Private Alliances":

> Offer material and significant non-federal resources to more fully address the development challenges outlined in the solicitation.
>
> Aim for a one-to-one leverage of USAID resources with additional non-federal resources.
>
> Demonstrate an innovative use of non-federal resources. Resources can include cash and in-kind contributions as well as access to supply chains, expertise, employees, networks, brand recognition etc.
>
> Bring together non-traditional partners who jointly define the problem, situation and solution and leverage all partners' knowledge, skills and expertise.

More information about USAID's Global Development Alliance can be found at www.usaid.gov/gda and more about the specific USAID objectives in Mali may be found at http://mali.usaid.gov.

This Request for Application (RFA) in no way obligates USAID to award a contract, nor does it commit USAID to pay any cost incurred in the preparation and submission of an application. Notifications of receipt and questions concerning this RFA must be directed to the Agreement Officer via either the internet email address or facsimile numbers listed above.

<u>In the "Parameters for Technical Approach" section</u>

Global Development Alliance: The Global Development Alliance (GDA) provides a framework, lessons learned and examples of USAID-initiated activities that have succeeded in leveraging outside funds to reach shared objectives. The initiative is based on the notion that public-private and private-private partnerships will achieve significant results over time by harnessing non-traditional resources. There are many opportunities for innovative partnering with a wide range of groups not normally brought into the world of development assistance (e.g., volunteer groups, international NGOs, sector-linked manufacturing concerns, high-net-worth individuals, private or family foundations, multinationals, etc.). Promoting public-private and private-private partnerships is both an Agency and a USAID/Mali-specific priority.

USAID/Mali continued:

L.9 INSTRUCTIONS FOR THE PREPARATION OF THE COST PROPOSAL

(a) Each applicant shall provide a budget in the same format and content as stated in Section B. Supporting information should be provided in sufficient detail to allow a complete analysis of each of the costs proposed. This is to include a complete breakdown of the cost elements associated with any subcontract.

(b) If the applicant is a joint venture or partnership, the business management proposal must include a copy of the agreement between the parties to the joint venture/partnership. The agreement will include a full discussion of the relationship between the firms, including: which firm will have responsibility for negotiation of the award; which firm will have accounting responsibility; how work will be allocated, overhead calculated, and profit shared, and the express agreement of the principals thereto to be held jointly and severally liable for the acts or omissions of the other. (**NOTE re:** public-private partnerships-- A partnership is not simply an expression by an offeror of its intention to seek third-party partnerships that are not yet formed. Evidence of public-private partnership commitments and roles must be articulated in the form of agreement document(s) signed by authorized corporate agents/officers of all parties involved.)

COST SHARING. Cost-sharing means the application presents cash from non-U.S. federal sources that the offeror will use in the performance of the award. "Matching-Arrangement" means the application presents cash from non-U.S. federal sources that will be provided at a set ratio (e.g., for every 2 dollars USAID obligates, the recipient will provide 1 dollar). In-kind contribution means the donation of tangible property (such as computers, medical and lab equipment, intellectual property rights, technology transfer, but excluding real) or services (such as rent, utilities, etc.) provided by the recipient to the U.S. Government.

APPENDIX XI: DUE DILIGENCE GUIDE

DUE DILIGENCE FOR PRIVATE ENTERPRISE

Listed below are the four essential areas for investigation—corporate image, social responsibility, environmental accountability, and financial soundness—that comprise the minimum requirements for responsible due diligence. Since due diligence is such a crucial part of the partnering process, serious attention must be given to the topic before embarking on a strategic alliance. Therefore and where possible, it is recommended that a more comprehensive due diligence investigation be undertaken to enable the Agency to make the right decision on whether to partner with a particular firm.

Remember, though, that it may not be necessary to investigate every possible avenue of consideration. For most transactions you might consider, it would be too costly and too time consuming. Particularly for small alliances, too much due diligence can kill the transaction. This guide is meant as a menu of items to choose from. Use the menu to select what you want to investigate and what you will overlook. Make conscious and informed—not random—decisions of the possible lines of investigation. A way to do this is to develop a due diligence strategy considering the following factors:

1. What's important to the Agency? What isn't?
2. Which problems will be costly? Which ones will be minor?
3. Where are you likely to find problems? Where are you unlikely to find problems?
4. What is the type of transaction you are expecting? How large or small is the transaction? How complex? What will the investigation cost in time and in money?
5. What is the risk to the Agency if the unexpected causes the transaction to go bad?
6. How much time do you have? What do you have to lose by delay? What does the potential partner have to lose? How badly does the Agency need the alliance? How badly do the potential partners?

PRACTICAL TOOLS FOR OBTAINING DUE DILIGENCE INFORMATION

There are a number of business-oriented resources available that can help you find answers to the questions below. Dun & Bradstreet reports primarily on publicly-traded companies, while coverage of private companies may be limited. The SEC provides basic corporate and financial information on US companies with more than $10 million in assets and at least 500 shareholders. A Lexis-Nexis search can be used for gathering news stories about a company within a specific timeframe. This may be a good place to start when researching private companies.

To conduct a Lexis-Nexis search, contact the librarian at USAID's Center for Development Information and Evaluation (CDIE).

A number of "watchdog" organizations also provide information on companies. However, be aware that such information may reflect a particular point of view and require appropriate filtering. One group, CorpWatch, provides hyperlinks to other sites in a step-by-step guide to researching backgrounds of companies. Other groups include Corporate Watch (the UK's version of Corpwatch), the Public Information Network, Public Citizen, Corporate Governance, CSRWire, and Business Ethics.

In addition, there are a number of other organizations that charge a subscription fee for information that GDA or CDIE may be able to access.

Essential areas of investigation:

A. Corporate Image

1. What is the company's public image? Have there been any tensions between the community and the company?

2. Has there been anything in the media that would reflect negatively upon the company? If so, how has the company dealt with significant negative publicity?

3. Are there any pending lawsuits against the company?

4. Is the company looking *solely* for PR opportunities by aligning itself with USAID?

5. Is the company only or primarily looking for procurement opportunities or money from USAID?

6. Is the company willing to engage with USAID in a transparent manner without expecting an exclusive relationship (i.e., barring competitors)?

7. Is the company willing to accept limitations on the publicity (i.e., press and media coverage) of the alliance so as to ensure that USAID is not perceived to be endorsing the company or its products and services?

B. Social Responsibility

1. Is the company primarily involved in the manufacture or sale of firearms or narcotics, i.e., involvement in these activities constitutes a significant share of company's total portfolio?

2. Does the company have a good reputation (no serious red flag issue areas), especially in areas of corporate social responsibility (CSR)? In the case of new companies or companies with past CSR troubles, are they committed to instituting/improving a sound CSR policy?

3. Does the company have policies barring harmful child labor or forced labor?

4. Does the company have a non-discrimination policy governing the hiring and promotion of minorities, women?

5. Is the company accepting of unions or attempts to organize a union?

6. Does the company have a health and safety action plan for workers, including the handling of hazardous materials and the prevention of environmental accidents?

7. Does the company have a policy for codes of conduct, labor standards?

C. Environmental Accountability

1. Does the company collect and evaluate adequate and timely information regarding the environmental, health, and safety impacts of their activities?

2. Does the company set targets for improved environmental performance, and regularly monitor progress toward environmental, health, and safety targets?
3. Does the company assess, and address in decision making, the foreseeable environmental, health, and safety-related impacts associated with the processes, goods and services of the enterprise over their full life cycle? Does the company provide the public and employees with adequate and timely information on the potential environment, health and safety impacts of the activities of the enterprise?
4. Does the company maintain contingency plans for preventing, mitigating, and controlling serious environmental and health damage from their operations, including accidents and emergencies; and mechanisms for immediate reporting to the competent authorities?
5. Does the company continually seek to improve corporate environmental performance, by encouraging, where appropriate, the adoption of technologies and operating procedures in all parts of the enterprise that reflect environmental best practices? Are its products or services designed to have no undue environmental impacts, be safe in their intended use, and be efficient in their consumption of energy and natural resources? Can they be reused, recycled, or disposed of safely?
6. Does the company have a green audit for environmental performance?
7. Is the company ISO certified?
8. Does the company have a natural habitats policy? A forestry issues policy?
9. Is the company free from regulatory lawsuits?

D. Financial Soundness

1. Is the company a publicly traded company?
2. Does the company publish an annual report?
3. Does the company have audited financial statements?
4. Has the company been in business for several years?

DUE DILIGENCE GUIDE FOR NONPROFIT ORGANIZATIONS

Depending on the situation and potential partners, some of the questions pertaining to private enterprise may also apply to other partners, while other questions will not be so appropriate. Just as you would for other activities, when contemplating forming an alliance exercise common sense, good judgment, and follow established procedures and guidelines to avoid situations that may result in embarrassment to the Agency or ineffective development investments.

USAID has a long history of working with nonprofit partners, and has well-established due diligence procedures. The Office of Private and Voluntary Cooperation’s Registration Policy sets out the basic areas for you to explore. However, as with private companies and depending on the alliance and USAID’s history of working with the particular non-profit, you may need to undertake a more comprehensive due diligence investigation to enable the Agency to make the right decision on whether to partner with that organization.

APPENDIX XII: ALLIANCE RESOURCE LIST

RESOURCES AND WEB SITES ON CORPORATE SOCIAL RESPONSIBILITY

Business Ethics Corporate Social Responsibility Report: www.business-ethics.com

Business for Social Responsibility: www.bsr.org

Corporate Social Responsibility: www.csrwire.com

The Global Reporting Initiative: www.globalreporting.org

Global Ethics Monitor: www.globalethicsmonitor.com

Resources for Promoting Global Business Principles and Best Practices, Michael Kane, EPA: (sample is included on your CD) http://www.iucn.org/themes/business/Docs/businessdirectory.pdf

SustainAbility's searchable database: http://reporting.sustainability.com/

AccountAbility – institute of social and ethical accountability: http://www.accountability.org.uk/

INTERNATIONAL PROTOCOL/VOLUNTARY CSR INITIATIVES

Global Sullivan Principles of Social Responsibility: http://globalsullivanprinciples.org/principles.htm

United Nations Global Compact: http://www.unglobalcompact.org/

Voluntary Principles on Security and Human Rights: http://www.state.gov/g/drl/rls/2931.htm

Corporate Social Responsibility – News and Resources: http://www.mallenbaker.net/csr/CSRfiles/definition.html

From CSR to Social Commitment: A Project of the Italian Government for the EU Presidency: http://www.welfare.gov.it/NR/rdonlyres/ew5zwbqkgswdv7ojdwa6zxll5jrs77i7lpwxqmlklrlxuy5miija57akfwiisniqiixvejs6qmu5bv4aw7j52n6p4jh/dalcsralsocialen.pdf

BUSINESS COALITIONS AND ORGANIZATIONS

Global Business Coalition on HIV/AIDS: www.businessfightsaids.org

International Chamber of Commerce: http://www.iccwbo.org/

The Millennium Challenge Corporation: http://www.mcc.gov/

Prince of Wales International Business Leaders Forum: www.iblf.org

United Nations Development Program: www.undp.org

USAID DOCUMENTS

Automated Directives System (ADS) Chapters 200-203: http://www.usaid.gov/pubs/ads/

Guidance on consultation and avoidance of unfair competitive advantage, U.S. Agency for International Development: http://www.usaid.gov/pubs/npi/corerept/npi-anx5.htm

RECOMMENDED READINGS: SELECT BOOKS

The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits, C.K. Prahalad, 2005

"Corporate Social Responsibility: Implications for Small and Medium Enterprises in Developing Countries," Peter Raynard and Maya Forstater in cooperation with United Nations Industrial Development Organization.

George Soros on Globalization, George Soros

The Lexus and the Olive Tree, Thomas L. Friedman

The World is Flat, Thomas L. Friedman

The Guiding Hand: Brokering Partnerships for Sustainable Development, Ros Tennyson and Luke Wild, The Prince of Wales Business Leaders Forum and the United Nations Staff College

Everybody's Business: Global Perspectives on Corporate Social Responsibility, David Grayson and Adrian Hodges

People and Profits?: The Search for a Link Between a Company's Social and Financial Performance, Joshua Daniel Margolis and James Patrick Walsh

Business & Sustainable Development, edited by Richard Starkey and Richard Welford

Meeting the Collaboration Challenge: How Non-Profits and Businesses Succeed Through Strategic Alliances, James E. Austin (See Dr. Austin's Presentation at AID/W, CDIE Summer Seminar, October 8, 2002)

Developing Value: The Business Case for Sustainability in Emerging Markets, available at www.worldbank.org/publications

"Putting Partnering to Work," Business Partners for Development. 1998-2000, Tri-Sector Partnership Results and Recommendations.

"Business & Biodiversity: The Handbook for Corporate Action." World Business Council for Sustainable Development, 2002.

Empires of Profit: Commerce, Conquest and Corporate Responsibility, Daniel B. Litvin

Globalization and NGOs: Transforming Business, Government, and Society, Jonathan P. Doh, Hildy Teegen

Revolution of the Heart: A New Strategy for Creating Wealth and Meaningful Change, Billy Shore of Share Our Strength

OTHER READINGS:

"Business and the developing world need each other," *International Herald Tribune* Article, Mark Mallock Brown, http://www.iht.com/articles/2002/11/12/edbrown_ed3_.php

"International Development Assistance: Taking the Full Measure into the Future" and "America's Helping Hand," *Wall Street Journal* Articles – both by Carol Adelman, Hudson Institute

Address by Asst. Secretary of State for Democracy, Human Rights, and Labor, Lorne W. Craner on "Promoting Corporate Social Responsibility Abroad: The Human Rights and Democracy Perspective," http://www.state.gov/g/drl/rls/rm/11405.htm

"Serving the World's Poor, Profitably," *Harvard Business Review on Corporate Responsibility*, C.K. Prahalad and Allen Hammond

"The Competitive Advantage of Corporate Philanthropy," *Harvard Business Review on Corporate Responsibility*, Michael E. Porter and Mark R. Kramer

"What's a Business For?" *Harvard Business Review on Corporate Responsibility*, Charles Handy

"The Virtue Matrix: Calculating the Return on Corporate Responsibility," *Harvard Business Review on Corporate Responsibility*, Roger L. Martin

"The Path of Kyosei," *Harvard Business Review on Corporate Responsibility*, Ryuzaburo Kaku

"Can a Corporation Have a Conscience?" *Harvard Business Review on Corporate Responsibility*, Kenneth E. Goodpaster and John B. Matthews, Jr.

"The New Corporate Philanthropy," *Harvard Business Review on Corporate Responsibility*, Craig Smith

"From Spare Change to Real Change: The Social Sector as Beta Site for Business Innovation," *Harvard Business Review on Corporate Responsibility*, Rosabeth Moss Kanter

How to Make Development Partnerships Work; *OECD Observer* article by Dan Runde, http://www.oecdobserver.org/news/fullstory.php/aid/1859/

"Promoting International Worker Rights Through Private Voluntary Initiatives: Public Relations or Public Policy?" The University of Iowa Center for Human Rights, Elliot J. Schrage, http://www.cfr.org/content/publications/attachments/Schrage-DOS.pdf

APPENDIX XIII: FAQS–LEGAL

1. Do we need to follow a formal competitive process to do outreach to potential alliance partners?

No. Looking for alliance partners that will bring their own resources to the alliance (a "Resource Partner") is a different proposition than the processes USAID must follow to award Federal contracts or Federal assistance agreements to partners for the implementation of alliance-supported programs an "Implementing Partner"). However, USAID must adhere to competition requirements for any award of federal funding to implement alliance supported programs. While mere outreach, absent the award of funds, does not trigger competition requirements, fairness and transparency should be maintained. Exploration of possible alliances should take place in a transparent manner and generally should involve wide consultation with possible partners. Particularly in instances in which USAID initiates a proposed alliance, we must be certain that our planning identifies and reaches out to the full range of possible partners, taking into consideration the expected purpose and scope of the alliance. At the same time, we should remember that complexity increases with the number of partners and make every effort to agree on an alliance whose size and governance structure are manageable. In general, alliances that are expected to include one or more commercial firms should consider offering the opportunity for participation to additional interested commercial firms.

Note that when the plan is for an alliance, once formed, to implement activities of the alliance through a USAID-awarded contract or grant/cooperative agreement, USAID must follow AIDAR, acquisition (Federal Acquisition Regulation) or assistance (ADS 303) rules in connection with the making and administration of such awards.

2. Should a USAID employee who is trying to put together an alliance with private firms be concerned with the application of the Standards of Conduct concerning conflicting financial interests (18 USC 208) if that employee has a financial interest in one of the firms being considered for the alliance?

As is always the case in applying 18 USC 208 to a specific situation, the details are very important and the advice of the Office of the General Counsel (GC) or a Regional Legal Advisor (RLA) is required. RLA or GC should clear in order to protect USAID employees from conflict of interest violations. Conflict of interest and other prohibitions are usually triggered when there is an obligation of federal funds. The statute *prohibits an employee from participating personally and substantially in an official capacity in any particular matter in which, to his or her knowledge, he or she or any person whose interests are imputed to the employee has a financial interest, if the particular matter will have a direct and predictable effect on that interest.*

So, take the example of a Mission Director in Country X who is trying to facilitate the formation of an alliance among U.S. and local businesses to support youth training initiatives. The alliance will be of the "parallel financing" sort (see discussion below) and will be documented in a broadly stated non-obligating memorandum of understanding (MOU) which outlines and coordinates the individual contributions of the various alliance members. That is, while the alliance as a whole will have a coordinated discussion of the development results it is trying to achieve, each alliance member is responsible for spending its own resources for the portion of the alliance's work that it agrees to take on. If the Mission Director owns stock in one of the U.S. corporations that is a member of the alliance, does the Mission Director have a conflicting financial interest within the meaning of 18 USC 208? No. We would not consider the MOU to be a "particular matter" within the meaning of the statute because the nature of the MOU is a non-legally binding document that does not obligate USAID funds. Further, it is questionable whether the alliance reflected by the MOU, while being of general benefit to the U.S. corporation (otherwise it would not be a member of the alliance) could be deemed to have a "direct and predictable" effect on the financial interest of the corporation or the employee who owns stock in the corporation.

In a different alliance situation, this analysis might change. For example, if a USAID project officer in Country Y is helping put together an alliance with a single or small group of U.S. firms to help the firms commercialize their otherwise non-commercially viable health products, there might be issues under 18 USC 208 if the USAID officer owns stock in the U.S. firm. For instance, the MOU, rather than a broad umbrella document, might be more specifically focused on the workplan to achieve commercialization and might refer to USAID implementing instruments that will deliver specific assistance to the effort. Thus, the MOU and overall arrangements, even if the MOU itself is a non-obligating document, would need to be evaluated to reach a conclusion as to whether or not it is a "particular matter." Also, since the nature of the alliance is to promote the commercialization of products, the USAID officer's role in arranging assistance for the project would need to be reviewed to reach a conclusion as to whether it has a "direct and predictable effect" on the financial interests of the U.S. firm.

Please consult with GC or your RLA for further advice on this issue.

3. What about organizational conflicts of interest (OCI)?

OCI can occur in situations in which a firm or organization that is involved in the planning or design of a program also could be awarded a contract to implement the same program. Thus, OCI may be an issue when planning collaboratively with alliance partners if one or more of these partners also has the potential to be awarded a contract (rather than a grant or cooperative agreement) to carry out work under or related to the alliance. In brief, OCI rules from the FAR **do not technically apply** when outside organizations participate in:

- Discussions regarding concepts, ideas, or strategies—in other words, the stage prior to identifying possible implementation instruments.
- Discussions regarding ongoing and completed activities (whether under contracts or assistance instruments).
- Matters involving only assistance (not contract) instruments, both during the competition stage and once the activity is in progress; however, operating units should work with agreement officers to mitigate potential advantages private sector and other partners may obtain through collaborative planning.

In discussions regarding concepts, ideas, and strategies, the key question is the extent of association with a specific procurement—e.g., does the discussion of concepts, ideas, and strategies spill over into decisions about the implementation instrument to be used and/or details that will be written into the statement of work. OCI does not exist in the abstract. If one cannot identify a procurement that would be compromised by discussions with outside organizations, then there is no OCI under the Federal standard.

The overarching principle for both contracts and assistance is fundamental fairness. In contrast to the contract context (which is more heavily regulated by statutes and Agency policies), there are no specific legal or Agency-level restrictions on participation of outside organizations when only assistance instruments (grants and cooperative agreements) are involved. However, in view of the fairness concern, as well as to ensure that the Agency receives the best services or products available, USAID staff who are attempting to put together alliances are encouraged to review assistance competitions case-by-case to consider whether certain restrictions make sense under the circumstances.

GC and the Office of Acquisition & Assistance can provide additional guidance on this subject.

4. How creative can USAID staff be in putting together alliances?

Very creative. Many different alliances are described in the GDA Toolkit, many of which reflect real creativity. USAID staff who are attempting to put together an alliance are encouraged to think creatively about what the Agency wishes to achieve under the alliance, who are potential alliance partners, the best way to structure the alliance, and how USAID and alliance partner resources can be used to meet alliance objectives. It is important that USAID staff confer with GC or their RLA early in the design process to discuss viable frameworks and to identify applicable parameters.

5. What governance structure should an alliance have?

This will depend on the purpose of the alliance and decisions made by the members with respect to governance arrangements. We have generally discussed alliance structures in two broad categories: a) parallel financing; and b) pooled resources.

Parallel Financing

Under this approach, the alliance partners reach agreement on how to work together to address a development problem, with each partner establishing a separate mechanism (e.g., grant, contract) through which to provide resources to support the alliance's work (financial, human, and/or in-kind). The coordination and management of parties' inputs require negotiation of the respective roles and resource contributions of each party. In addition to each alliance member's own funding mechanism, this approach typically involves a memorandum of understanding (MOU), letter of intent, or similar document among the alliance partners that lays out the common agenda and the specific responsibilities of each party. Though not binding, this document sets forth the intent of the partners to work collaboratively in pursuit of a shared goal. As an MOU does not obligate funds, a bureau or mission official may sign the document. GC or the appropriate RLA should assist with the negotiation and drafting of the MOU. It will be especially important for USAID and the other parties to the MOU to understand—and to the extent possible clarify—the anticipated role and type of contribution of each party as well as the process for reaching implementation decisions. In some early stage alliances, the MOU will only generally address these matters. For other alliances that are further along in development, more specific working arrangements can be outlined. In addition, OAA also should be involved in the preparation of the MOU if you intend to award a grant or other instrument in support of the alliance. This will require your attention to the question of whether competition is appropriate or an exception to competitive procedures is called for.

In this type of alliance, USAID typically might award a grant or cooperative agreement to a nongovernmental organization (NGO) that is supporting or participating in the alliance. There will be situations in which USAID will award a contract for services or goods in support of an alliance (or issue a task order under an existing Indefinite Quantity Contract). Recently, some missions have been exploring how public-private alliance concepts might be incorporated into contract solicitations. However, in general, it is anticipated that USAID will rely significantly on grants and cooperative agreements to provide financial support to public-private alliances.

Perhaps the most common approach is when USAID makes an assistance award to an existing NGO, usually a traditional USAID implementing partner, that is also receiving and managing contributions from other parties. In this case, the USAID assistance agreement is accounted for in the same manner as typical USAID agreements under ADS Chapter 303 and 22 CFR Part 226, and USAID funds are kept separate from funds of other contributors; however, jointly planned activities of the partnership can be implemented through the same NGO.

Pooled Resources

Under this approach, USAID and its partners establish a formal alliance governance structure for the purpose of attracting resources and making joint program decisions. These alliances may involve fairly complex organizational structures and legal documentation. Alliances of this type may involve the formation of a new legal entity, such as a U.S. NGO that secures 501(c)(3) status under the Internal Revenue Code to facilitate tax-advantaged private contributions. Or the alliance members may agree to operate as an informal partnership to direct the policies and programs of the alliance. The structure may include a technical expert committee to support the board of directors of the alliance and the development of clear operating procedures for the alliance's program. Under this general approach, whether or not a new legal entity is established, the alliance enters into an agreement with a Public International Organization (PIO), such as UNICEF or the World Bank, to manage the alliance's resources as a trustee or fiduciary agent. In some circumstances it may be possible for other types of financial institutions to play this role. One or more additional agreements with existing organizations may be entered into to provide administrative and other services to the alliance program. The specific role(s) played by the PIO or other institution may vary from alliance to alliance.

For this type of alliance, USAID support typically takes the form of a grant to the NGO established by the alliance (if deemed grant-worthy), or to the PIO or other financial institution that serves as trustee for the alliance's resources. When managed by a PIO, USAID grant funds may be commingled with the funds of other contributors and managed collectively. USAID will use a tailor-made and generally streamlined form of grant agreement that requires an approved exception to the general requirement of competition, as well as deviations under ADS Chapters 303 and 308. In addition to the grant agreement, substantial effort generally will be required in connection with the negotiation of the alliance's corporate charter, by-laws, trust agreement, operating procedures, and other documents necessary to establish its operational structure. Among other things, it will be necessary to specifically address the manner in which USAID's interests will be represented in the alliance entity's governance structure. For instance, this may involve USAID (or in some instances other U.S. Government) representation on the entity's board of directors, donor advisory committee, and/or technical working groups. (Note that if it is proposed that a USAID official would serve on the board of directors, there are conflict of interest issues under 18 USC 208 that will need to be resolved.) GC or RLA advice should be sought early in the process of considering this type of alliance structure. Examples of this type of alliance include the Global Alliance for Vaccines and Immunization (GAVI) and the Global Alliance for Improved Nutrition (GAIN).

Additionally, in situations in which USAID receives a donation from an outside party (see question #9 below), the donated funds are accounted for separately from USAID appropriated funds but are "pooled" in the sense that they are managed by USAID in conjunction with appropriated funds for a designated program.

6. Is there a model MOU document?

There are useful examples, but no model. MOUs, however, at a minimum, *should always include language indicating that the parties specifically acknowledge that the MOU is not an obligation of funds, nor does it constitute a legally binding commitment by any party*. MOUs should further include language stating the parties are entering into this MOU while maintaining their own separate and unique missions and mandates, and their own accountabilities; and that nothing in the MOU shall be construed as superseding or interfering in any way with other agreements or contracts entered into between the parties, either prior to or subsequent to the signing of this MOU.

Note that GC is collecting copies of MOUs for existing alliances (and for alliances now under development) that are available for review. In considering and negotiating MOUs and similar agreements, you will of course need to prepare documents that meet the needs of your specific alliance. Topics covered in your alliance MOU may differ from those of other alliances. GC or RLA assistance should be sought in negotiating and drafting the MOU or similar document. While an MOU itself is not an obligating document, it may contemplate a future grant or contract award by USAID. If this is the case, assistance from OAA or the Regional Contracting Office should be sought with respect to the choice of instrument, the procedures to be followed, and issues regarding competition (or waivers of competition).

MOUs can be used at different stages of the process of building an alliance relationship with companies, foundations, or other institutions. An early stage MOU may serve the purpose of indicating the agreement of USAID and other parties to discuss and where possible collaborate on development issues of mutual interest. A more developed MOU might identify a specific focus for the alliance, establish a basic alliance decision-making structure, and discuss implementation understandings (to be undertaken by USAID and other alliance members through the award of separate contracts or grants). Thus, in all instances, care should be given to the preparation of MOUs, to be sure they accurately reflect the purpose of the document, the roles that the parties plan to undertake, the understandings that have been reached and the process for reaching any further agreements contemplated with respect to implementation.

Who can sign a non-obligating MOU of the sort described above? MOUs may be signed by Assistant Administrators and their designees in USAID/Washington and by Mission Directors and their designees in the field. Given that the MOU is a non-obligating document, the authority to sign is delegable to any level. *Who should sign them?* This is a judgment call for the head of the relevant operating unit, but in most cases alliance MOUs probably should be signed at no lower than the Assistant Administrator or Mission Director level. In some instances, for alliances that involve more than one program bureau or which are especially significant because of the subject matter of the alliance and/or the alliance partners involved, it will be appropriate to consider whether the Administrator or Deputy Administrator should sign for USAID.

7. What about “due diligence”?

A “due diligence” investigation is an inquiry about a prospective alliance partner that should be carried out prior to engaging in alliance negotiations. While a due diligence exploration can take many forms and range from quick and simple to long and complicated, its essence is to investigate what is often called the “triple bottom line”—i.e., is the prospective partner socially responsible, environmentally accountable, and financially sound. GDA can provide assistance by accessing certain corporate information databases and other resources. As you consider the type and extent of due diligence review that may be appropriate with respect to particular alliance opportunities, please keep the following in mind. Due diligence investigations must at a minimum address the triple bottom line and the so-called 'front page' test: i.e., does the proposed GDA partner raise any risk of unfavorable publicity that would undercut USAID's development goals? Beyond these 'minimum due diligence's requirements, additional due diligence should be proportionate to the resources involved . Note also that due diligence, once beyond an initial phase, *is an ongoing process*. Indeed, alliances take time to develop, implement, and manage. As a final point, note that it is not a requirement that a prospective alliance partner must have adopted any one or more of the several sets of international principles referred to in the guidance. Rather, a prospective partner's adoption of such principles is a factor for USAID to consider in making an informed decision about whether a company would be an appropriate alliance partner. The main point is that we should make conscious and informed, not random, decisions when conducting due diligence.

Please contact the GDA or see Appendix XI should you require further assistance or need additional information.

8. Can traditional grants and cooperative agreements be used to support alliances?

Yes, while some alliance arrangements may require deviations (which must be approved by OAA) from existing policy and new, streamlined forms of assistance documents, in many situations alliances may be supported with existing policy and traditional assistance mechanisms. The following summary is not exhaustive and all alliances should be considered individually with cognizant GC, OAA, and/or GDA assistance as needed.

The process of identifying partners and jointly defining problems and their resolution may be conducted as part of a competitive grant-making process. Alternatively, if multiple alliance ideas in a sector, region, or country are being informally discussed, but no formal ideas have been presented, you could consider holding a conference specifically to encourage and develop innovative ideas. Such a conference could be widely advertised to potential partners and posted on the GDA website (and/or others, as applicable). The result of this conference could form the basis for a Request for Applications (RFA) or Annual Program Statement (APS), incorporating some of the alliance ideas discussed at the conference, or it might stimulate the submission of applications to USAID.

Use of APS or RFA to Seek Innovative Approaches. Using either an RFA or APS, you can issue a solicitation that clearly identifies the resulting award as being made to support a public-private alliance. If alliance members agree, the solicitation can include the names of alliance partners and the resources that they will be supplying (money or in-kind support).

Another approach would be for your solicitation to challenge prospective applicants to identify and include new and unique resources (technical and/or financial) in their proposal. Applicants could be instructed to factor these resources into their application and overall program as part of their cost share. Technical evaluation criteria in the solicitation may include points for the best-proposed use or integration of alliance partners, whether those partners were identified in the solicitation or discovered and cultivated by the applicant.

In general when using competitive solicitations that will result in a grant or cooperative agreement award to NGOs or educational institutions for the purpose of supporting public-private alliances, the solicitation documents should specify that the recipient is required to independently negotiate appropriate agreement(s) with all proposed alliance partner(s). In cases where USAID enabled the relationship by identifying in the solicitation the alliance partner(s) to be used or by suggesting possible alliance partners, it also should specify that USAID has no direct relationship with such alliance partner(s).

Use of Exceptions to Competition. Exceptions to competition specified in ADS Chapter 303.5.5d are available to the extent necessary to facilitate the formation of an alliance. Some exceptions that might be particularly relevant to entering into and providing grant support to alliance relationships are: "Amendments and Follow-Ons," "Unsolicited Applications," or "Predominant or Exclusive Capability." In all instances, coordinate any envisioned non-competitive approach with your Cognizant Agreement Officer early in the planning phase. Also, while you are encouraged to use the available exceptions to competition where called for in order to meet development objectives, remember that the exceptions must still be documented and justified. *Note that if you approve and fund a proposed alliance under the framework of an APS, it is not necessary to rely upon an exception to competition – the APS process is a competitive one*.

9. Do USAID officers have the authority to engage in fundraising?

Yes. But first it is useful to distinguish traditional fundraising campaigns from the collaborative alliance-building efforts that are the main focus of GDA. In general, a fund-raising campaign suggests that the contributor of funds will have a passive role with respect to the organization or project it is supporting. The contributor does not help define the development problem and how it might be resolved; rather, the contributor donates money or property for an already defined purpose. On the other hand, in general, GDA's focus on public-private alliances emphasizes a collaborative alliance building effort in which USAID seeks to jointly define, with private alliance partners, development problems and appropriate interventions.

GC has prepared guidance that clarifies the conditions under which USAID officials may engage in traditional fundraising (i.e., solicit contributions from individuals, corporations, and foundations for USAID projects and activities, or for the projects and activities of other organizations). See Appendix VII. The guidance sets forth procedures to be followed to ensure potential conflict of interest problems are avoided and for USAID officials to receive Assistant Administrator-level approval before undertaking solicitations. A key requirement is that the solicitation must be structured to avoid any appearance that a contributor will receive preferential treatment in its dealings with USAID (or would receive any discriminatory treatment if it declines to contribute). The procedures do not apply to public and private donor coordination efforts, or requests for cost-share contributions, and in general do not apply to instances in which USAID does not initiate the fundraising activity. See Appendix XV, Question 9.

The collaborative efforts of USAID officials to jointly establish and fund alliances are more akin to donor coordination than they are to the traditional solicitation of funds. Thus, the procedures for approving the involvement of USAID officials in traditional solicitation campaigns need not be followed in connection with efforts by USAID officials to form public-private alliances. However, the basic concept behind that guidance also applies in the alliance-building context: USAID officials should conduct themselves in a way to avoid any appearance that a potential alliance partner, by joining an alliance, will receive preferential treatment in its other dealings with USAID (or would receive any discriminatory treatment if it declines to contribute). Also, note that in some situations, a collaboratively developed public-private alliance in which USAID participates also may have a traditional fundraising component, to which the procedures in the GC guidance memorandum would apply if USAID officials wish to engage in a solicitation campaign for the alliance.

Please contact GC or your RLA with any questions.

10. Does USAID have the authority to accept cash and in-kind donations from governments as well as private parties?

Yes. Section 635(d) of the Foreign Assistance Act provides USAID with the authority to accept gifts and donations. ADS Chapter 628 describes the procedures for accepting and accounting for donations. GC can provide examples of situations in which companies or other governments have chosen to contribute resources to USAID following these procedures. (Note that contributions to the U.S. Government by individuals taxpayers and for-profit corporations are considered to be tax-deductible charitable contributions under Section 170 of the Internal Revenue Code and may be exempt from gift taxed under 26 U.S.C.2522(a)). This approach would, in effect, have USAID serve as the trustee for the management of contributions by other alliance members, and thus amounts to a simpler version of the "pooled resources" structure discussed under question #4 above. In its simplest form, this approach might involve the donation by a single company to USAID to expand an existing USAID program (e.g., increasing the funding for an already-awarded assistance instrument). USAID and alliance members also could use this approach to jointly design and fund a new grant, cooperative agreement, or contract to implement an alliance’s program.

Note that a proposal to accept in-kind donations (for instance, equipment or other property) from outside parties will present special issues, including valuation, titling, and potential storage/delivery arrangements. Given these administrative requirements, USAID generally prefers not to receive in-kind donations directly. Rather, we typically have encouraged potential donors of property to work with NGOs that have established procedures for accepting such donations. See Appendix XV for more information

11. Do USAID’s usual legal and policy requirements apply to public-private alliances that USAID supports?

Yes. During the planning stages of a potential alliance, the normal list of statutory, regulatory, and policy requirements that apply to USAID-funded activities should be reviewed. For instance, USAID’s environmental review requirement will need to be addressed in accordance with USAID Reg. 16. In general, as with any activity, the items listed in the country and activity checklists that are updated annually by GC should be addressed and complied with. In addition to these checklists, you will need to consider the applicability of the Agency’s policy determinations and statements on various subjects that are included as references to the ADS 200 series. This of course assumes that USAID will be providing financing for the alliance. In some situations, USAID may simply play a matchmaker role or may provide in-kind resources rather than direct funding.

12. Do USAID’s branding and marking requirements apply to GDA?

Yes, USAID generally requires that GDA partnerships be 'cobranded', that is, marked with both USAID's and the GDA partner's logo or other identifying symbol, of an equal size and prominence. See ADS 320. USAID funding units have discretion to negotiate branding and marking requirements for individual GDA agreements. Please consult GC or your RLA for assistance in such negotiations.

Office of the General Counsel: drafted 11/15/02; revised 12/04/02; 01/03/03; revised 6/17/04; revised 1/4/07

APPENDIX XIV: FAQS–ACQUISITION AND ASSISTANCE

1. **How can bureaus and missions take advantage of the Agency-wide Public-Private Alliance (PPA) Annual Program Statement (APS)?**

The public-private alliance APS that is issued by GDA serves as an Agency-wide tool to approach potential alliance partners and to reduce the number of noncompetitive approaches to alliances. The announcement is unique in that it covers all Agency programmatic areas and can be utilized by any bureau or mission as a competitive means of considering alliance applications. The announcement may be used by missions and bureaus by referring potential applicants to submit under this announcement, and the applications can be sent directly to the mission or bureau for evaluation, negotiation, and award. Please visit the GDA website for the latest APS. Missions and bureaus may also issue separate announcements/solicitations for their particular alliance-building activities, if so desired, in accordance with traditional procedures provided in ADS 303.

2. **How should a bureau or mission design a solicitation to attract applications with alliance partners?**

There is no set method for designing such solicitations, but there are a variety of items one should consider in designs. First, one needs to determine whether a Request for Applications (RFA) or Request for Proposals (RFP) will be limited to only those that include alliances and whether there should be a set limit on the amount of leveraging to be included in applications/proposals. Second, one should indicate in the solicitation the type of information applicants/offerors need to submit in support of the alliance portion (e.g., signed memoranda of understanding from proposed alliance partners, information on the responsibility and reputation of alliance partners, etc.) Third, one needs to indicate the method in which potential alliances will be evaluated (e.g., feasibility of the alliance, broader programmatic impact with alliances, etc.). Finally, one needs to indicate the manner in which matching/leveraging needs to be demonstrated (e.g., memoranda of understanding, a traditional cost-share/matching approach, inclusion in overall program budget with anticipated timeframes for leveraging inputs and programmatic impacts associated with leveraging, etc.). One also needs to be mindful of the revised guidance on cost-share/matching as found in AAPD 02-10. The above is not intended to be an exhaustive list, but rather examples of base information that should be in solicitations.

3. **How do matched and/or leveraged contributions from alliance partners become incorporated in USAID assistance awards?**

The AAPD 04-16 widely addresses the issues associated with matched and/or leveraged contributions as described below.

Cost Share/Match: Cost sharing or match refers to that portion of a project or program costs not borne by the Federal Government. Cost share or match is normally associated with contributions from the same prime and sub-recipient sources that also receive USAID funds. Cost share must be verifiable from the recipient's records and is subject to the requirements of 22 CFR 226.23 (http://a257.g.akamaitech.net/7/257/2422/14mar20010800/edocket.access.gpo.gov/cfr_2002/aprqtr/22cfr226.23.htm). It is also subject to audit. A recipient's failure to meet its cost share requirement can result in questioned costs.

Leveraging: In the context of PPAs, the concept of leveraging becomes an additional way that costs for a program may be shared. While, leveraging, like cost share/match, refers to a portion of a project or program costs not borne by the Federal Government, it also frequently involves one or more partners proposing contributions that will be spent in parallel to the USAID-funded activity, but not expended by the recipient or its sub-awardees. Leveraging may come in the form of the entity's ability to get other supporters to provide their own form of assistance directly to the same end-users.

A contribution is also often categorized as leveraging in situations where USAID does not determine it reasonable to designate a contribution as "cost share or match" (for which the partner would be held accountable for shortfalls) because of the nature of the proposed contribution. An example of such a circumstance is where the proposed partner is dependent upon uncertain market demands or conditions to ensure the proposed level of contribution.

The Strategic Objective/Results Package (SO/RP) Team must advise the Agreement Officer whether the contributions under the PPA should be treated as cost-share or match and/or leveraging consistent with agency policy on determining appropriate cost share/match. Cost sharing becomes a condition of the award when it is made part of the approved award budget.

Solicitation/Application Language: The solicitation must specify whether cost-share or match and/or leveraging, are allowed/required, and require that the applicant clearly indicate whether contributions are being proposed as cost-share or match and/or leveraging. To the extent that the contributions are being proposed as leveraging, the solicitation must require that the applicant provide: 1) annual benchmarks that include proposed results to be accomplished with the USAID funds and the additional leveraging; and 2) annual timelines that include percentages or amounts.

The benchmarks and timelines must be included in the terms of the award. The solicitation and award must also include a discussion of the consequences that will result if the proposed leveraging does not materialize.

It is important that one weigh the choices among the two approaches and consider which one or combination of them is the most appropriate for the particular alliance program. Public-private alliances are being emphasized by the Agency in recognition of the greater amount of resources the private sector is contributing to developing countries, and we are creating different approaches to bring about more effective implementation of foreign assistance programs from a combination of resources.

4. Can alliances be solicited and structured in contractual mechanisms?

We currently have very limited experience with alliances in the contracting arena. One can envision parallel types of situations in which a potential alliance entity desires to fund or support a particular development activity and the Agency wants to contract with some separate entity to implement a related aspect of the development activity. This is more akin to donor coordination, as USAID is planning to fund one aspect of an activity and the alliance entity is funding another aspect with no binding relationship between USAID and the alliance entity. There may be some existing contract vehicle (e.g., an indefinite quantity contract [IQC] within the Agency or the General Services Administration [GSA]) in which USAID contracts for the specific services it is supporting while the alliance entity separately supports another aspect of the activity.

It is possible for the Agency to design a solicitation/contract in which the alliance entity is party to the contract, but there are a number of factors to consider in such a design. The Federal Acquisition

Regulation has provisions for a cost-share type contract, but these are traditionally utilized in research and development programs in which the contractor does not charge a fee and accounts for its contributions under the contract. The situation usually involves the design of some product in which the contractor is willing to cost-share the contract in hopes that it would have certain rights with the final product that could bring it separate revenue after the contract is completed. This is not the typical alliance situation we have been considering. However, there still may be alliance entities that want to support programs for corporate/social responsibility purposes. One must consider whether a cost-share type contract is desirable and plausible under the circumstances. If one pursues a cost-share contract approach, the information offerors need to address, the manner in which it will be evaluated, and the means it will be structured into the contract should be worked out in the solicitation. If one considers a memorandum of understanding (MOU) approach in a contractual arena, greater scrutiny must be applied, given the non-binding nature of MOUs. Further consultations with OAA and GC or your RLA should be pursued under contractual approaches.

5. Are due diligence considerations for alliance partners part of the Grant/ Agreement Officer's responsibility determination?

AAPD 04-16 addresses the concept of due diligence as described below.

The concept of due diligence was developed for the purpose of checking and reviewing available information on the proposed private sector contributors to an alliance; that is, the organizations contributing additional resources and <u>not</u> receiving USAID funds. A due diligence investigation is a well thought-out inquiry of a prospective partner that must be carried out **prior to engaging in alliance negotiations**. Its essence is to investigate what is often called the triple bottom line, (i.e., is the prospective partner socially responsible, environmentally accountable, and financially sound?). The SO/RP Teams normally take the lead in working with the GDA and its information systems to review information on proposed contributors to ensure that the track record, objectives, and reputations of **all** alliance partners (including the proposed recipient) are examined to protect the interest of all parties. The SO/RP Team must share all the information obtained (i.e., positive, questionable, and/or negative) from these searches with the Agreement Officer, or submit a memorandum for documentation purposes if there is adequate information on hand to provide an affirmative finding in the due diligence process. **The Agreement Officer is ultimately responsible for making any final award determination, based on the information obtained relating to due diligence and responsibility.**

While "responsibility determinations" involve review of the <u>primary applicant's</u> systems for management, accounting, and audit noted above, "due diligence" typically involves review of the proposed alliance partner's (i.e., the additional organization(s) participating in the alliance, but not the direct recipient of USAID funds) social/corporate responsibility through various resources and websites of the nature contained within <u>Tools for Alliance Builders</u>. Other resources, such as Dunn & Bradstreet reports, may also be used.

6. **When should one consider deviating from standard provisions?**

One should review closely the particular nature and structure of an alliance when considering deviations from standard provisions. Deviations are not the norm in designing public-private alliances, but some structures tend to gravitate towards deviations. One such structure is when USAID funds are being given to a nonprofit organization, but those funds are subsequently being directed to a trust fund or other arrangement overseen by a Public International Organization (PIO) (e.g., the World Bank, United Nations, World Health Organization, etc.). Under this type of arrangement, deviations have been approved in which the standard provisions for PIO grants have been applied even though the award is not directly to a PIO. The rationale for approving such deviations has been that the program is ultimately being implemented under the auspices of the PIO in its role to oversee the particular trust fund or other arrangement. One may wonder why USAID is going through a nonprofit organization when it can undertake awards directly to PIOs. In the situations to date, award through the nonprofit has been desirable either because of the additional resources the nonprofit contributes (e.g. United Nations Foundation match) or because it encourages other donor contributions and fosters support for the particular nonprofit program (e.g., Vaccine Fund). Please refer to OP/Policy on the deviations that have been approved to date in public-private alliances.

7. **What amount of substantial involvement/collaboration should be anticipated in public-private alliances?**

The amount of involvement varies with the nature of the alliance, the track record of the partners, and the stage of the alliance relationship. Substantial involvement should be limited to the extent necessary under Cooperative Agreements. Cooperative Agreements differ from contracts and should not involve the level of management control/oversight associated with contracts. Thus, one needs to be mindful about the level of involvement. On the other hand, substantial involvement may be an appropriate means to document the partnership arrangement, the fact that all partners bring something of value to the relationship, and the extent of each member’s willingness to share risks, responsibilities, and rewards. The risks associated with the particular alliance and the stage of the alliance formulation at the time of award are factors to consider in gauging the amount of involvement needed. These factors may call for greater substantial involvement/collaboration beyond the traditional “low end” of involvement (review of implementation plans and key personnel). While USAID’s direct relationship is with the prime awardee, the award in part should foster collaboration among all partners (USAID, the awardee, and other alliance members).

Office of Acquisition and Assistance: drafted 12/05/02; revised (awaiting further comment) 7/23/04.

APPENDIX XV: FAQS–GIFTS AND DONATIONS

1. Can the Agency accept gifts and donations as an alliance partner's contribution to a GDA alliance?

Yes. USAID has the authority to accept gifts and donations, as either cash or in-kind gifts, for carrying out its official functions. Section 635(d) of the Foreign Assistance Act of 1961, as amended (FAA), the Agency's principal gift authority, provides the Agency with the authority to "accept and use in furtherance of [the FAA], money, funds, property, and services of any kind made available by gift, devise, bequest, grant or otherwise for such purpose."

Under the Agency's Automated Directive System (ADS) Glossary, the term "Gifts" is defined as nonreciprocal, voluntary transfers of assets from foreign governments, private organizations, individuals, or others to USAID, and the term "Donations" is defined as monies and materials given by private persons and organizations to USAID without receiving anything in exchange. The term "donation" is used interchangeably with the term "gift" for the purposes of ADS Chapter 628 (Gifts and Donations and Dollar Trust Fund Management) and in this document.

Gifts can only be accepted by Agency officials who have been delegated the authority to accept them. See ADS Chapter 103 (Delegations of Authority) for the list of officials authorized to accept gifts on behalf of the Agency. Such officials are responsible for ensuring, prior to acceptance of a gift, that it will be used in furtherance of the purposes of the FAA, that acceptance of the gift will not result in, or create the appearance of, a conflict of interest, and that other criteria applicable to its acceptance have been met. See question 2 below for information regarding the Agency policy and procedures for accepting gifts.

2. What is the Agency procedure for accepting gifts and donations?

ADS Chapter 628 sets forth the Agency policy and procedures for acceptance of gifts and donations, including the criteria that must be satisfied prior to their acceptance, as well as the financial management rules and procedures that apply to gifts. ADS 628 also includes a sample gift acceptance letter and a suggested format for receipt of in-kind gifts.

For questions regarding a specific gift, please consult with your RLA or GC. For questions related to the financial management rules and procedures applicable to gifts, please contact the Financial Management Office, Central Accounting and Reporting, Accountant for Gifts and Donations account.

3. How does the Agency define or categorize gifts?

ADS 628 divides gifts into the following three broad categories and sets forth the criteria for accepting each type of gift. Briefly summarized, the categories include:

Conditional gifts: gifts made for a specific purpose or with conditions on their use. Before accepting a conditional gift, the Agency official delegated to accept the gift must ensure that that the gift will be used in furtherance of the FAA, that acceptance of the gift will not result in, or create the appearance of, a conflict of interest and that the other criteria set forth in question 4 below for accepting the gift have been met.

Unconditional gifts: gifts made with no conditions on their use, which therefore can be used for any purpose authorized in the FAA. Before accepting an unconditional gift, the Agency official delegated to accept the gift must ensure not only that the gift will be used in furtherance of the FAA, but that acceptance of the gift will not result in, or create the appearance of, a conflict of interest.

In-kind gifts: gifts of property or materials other than cash may be conditional or unconditional. Before accepting an in-kind gift, the Agency official delegated to accept the gift must ensure that the criteria for accepting the gift—as set forth in the bullets above of this Section 3—have been met. The Agency official delegated to accept the gift must determine its fair market value (FMV) and report the value to the Office of Financial Management, Central Accounting and Reporting, Accountant for Gifts and Donations account. (Note that a proposal to accept in-kind donations (for instance equipment or other property) from outside parties will present special issues, including valuation, titling, and potential storage/delivery arrangements. Given these administrative requirements, USAID generally prefers not to receive in-kind donations directly. Rather, USAID typically encourages potential donors of property to work with nongovernmental organizations that have established procedures for accepting such donations.

4. Can a donor impose conditions on the Agency for use of its gift or donation and can the Agency agree to such conditions?

Yes to both. A donor may impose conditions on its gift to the Agency, which conditions may be accepted by the Agency if the Agency official delegated authority to accept the gift determines that the Agency can comply with the conditions of the gift in a reasonable and cost efficient manner that furthers the purposes of the FAA. Acceptance of conditional gifts imposes a fiduciary responsibility on the Agency to ensure that the funds are used for the purpose(s) for which they were given. Therefore, before accepting a conditional gift, an Agency official delegated authority to accept it must ensure that the gift can be obligated (if a gift of cash) and will be used in accordance with the terms and conditions of the gift and must certify that the following criteria have been met:

The Agency can comply with conditions of the gift and still use the gift in furtherance of the FAA;

The Agency can comply with conditions of the gift in a reasonable and cost-efficient manner; and

Acceptance of the gift will not result in, or create the appearance of, a conflict of interest.

The accepting official should document the decision as to whether USAID accepts the conditions and inform the donor in writing of the decision.

See ADS Chapter 628 for specific guidance on conditional gifts and contact your RLA or legal backstop in GC for guidance regarding a specific gift.

5. Are cash gifts and donations subject to apportionment?

Yes. Cash gifts and donations are subject to apportionment under Office of Management and Budget (OMB) Circular A-34. However, each fiscal year, the Office of Financial Management, Central Accounting and Reporting, seeks advance approval of a level of anticipated collections of cash gifts and donations. As a result, it may be possible for the gift funds to be available the same day as, or shortly after, the date on which the gift acceptance letter is processed, depending on how quickly the level of approved anticipated collections is used up in the course of the fiscal year. As soon as you become aware of a pending cash gift or donation to the Agency, please contact the Office of Financial Management, Central Accounting and Reporting, Accountant for Gifts and Donations account, to ascertain, at any time, whether the remaining level of approved anticipated collections is sufficient to cover the anticipated cash gift or donation. If such level is insufficient, the Office of Financial Management, Central Accounting and Reporting, may be able to make a supplemental request of OMB, seeking additional levels of anticipated collections that would be sufficient to cover the deficiency and avoid unnecessary, undue delay in processing the gift acceptance. Moreover, such cash gifts are not appropriated funds and therefore are not subject to the legislative and regulatory requirements applicable to appropriated funds.

6. What effect do gifts and donations have on a mission's appropriated operating year budget (OYB)?

None. As noted in question 5, above, cash gifts and donations are not appropriated funds and therefore are not subject to the legislative and regulatory requirements applicable to appropriated funds. More specifically, gifts and donations do not offset appropriated funds, are not subject to the OMB “scoring,” and do not impact a mission’s OYB.

7. Are gifts and donations to the Agency tax deductible by their donors?

Gifts and donations to the Agency by individuals taxpayers and for profit corporations are considered to be tax-deductible charitable contributions under Section 170 of the Internal Revenue Code and may be exempt from gift taxes under 26 U.S.C. § 2522(a). Please note that donors are solely responsible for determining the tax consequences of their cash gifts and donations to the Agency and for claiming any tax benefit available under the Internal Revenue Code for making a gift or donation.

8. Have gifts and donations been used as an alliance partner’s contribution under GDA or other Agency alliances?

Yes. Here are two examples.

Under the ChevronTexaco (CT)-USAID Enterprise Development Alliance in Angola, CT endeavors to contribute up to $10 million to the alliance through the donation of conditional gifts to the Agency that will support the implementation of specific activities in Angola. The first alliance activity, the Development Relief Activity (DRA), seeks to assist at least 150,000 families that have been affected by the civil war (demobilized soldiers and internally displaced persons) to increase agricultural production in the provinces of Benguela, Bie, Huambo, Huila, Malanje, and Kwanza. DRA will also expand rural household incomes and develop small and medium-sized productive enterprises. CT has donated $2 million of a planned $4 million gift to the Agency as a conditional gift to support DRA.

British Petroleum (BP) donated $1.5 million to the Agency as a conditional gift to support USAID/Georgia’s Winter Heat Assistance Program. The program provides a stipend to low-income Georgians to assist them in paying their electricity bills and in part to offset increased prices resulting from USAID-sponsored privatization. The program, implemented through a USAID-funded instrument to which BP has donated, identifies qualifying Georgian citizens, verifies that they have received service and in what amount, and then computes the service charges which are payable to the service provider under the program.

9. Can the Agency solicit gifts or donations to support alliances?

Yes. Based on the express authority of USAID to accepts gifts pursuant to Section 635(d) of the FAA, and under Section 25 of the Department of State Basic Authorities Act of 1956, as amended, 22 U.S.C. § 2697, USAID has the implied authority to solicit contributions on its own behalf under such gift acceptance authority. In addition, subject to the restrictions set forth below, Agency officials have the authority to engage in fundraising for USAID or others under certain provisions of the FAA which establish U.S. policy to encourage the participation of the private sector in the development process:

The Agency may not solicit contributions for the travel expenses of U.S. Government employees;

Solicitations must be for funds to be used in connection with the Agency’s authority (e.g., funds solicited under the FAA must be used for Agency programs or the foreign assistance programs of other organizations);

Solicitations must be structured to avoid any appearance that a contributor will receive preferential treatment in its dealings with USAID (or would face any kind of discriminatory treatment if it declines to contribute); and

The solicitation must not include covert or deceptive activities.

GC has issued an opinion dated October 4, 2001 on soliciting funds entitled "USAID Solicitations for Agency Programs or the Foreign Assistance Programs of Other Entities" which provides a detailed explanation of the legal parameters for soliciting gifts.[30] This opinion is included as Appendix VII. It is *strongly recommended* that you consult with your RLA or GC for advice and counsel regarding specific situations, or to answer any questions you may have regarding the referenced legal opinion.

Revised 1/4/07.

[30] See Office of Legal Counsel, U.S. Department of Justice, "Authority to Solicit Gifts," 2001 WL 34054423 (Jan. 19, 2001).

[DATE]

ACTION MEMORANDUM

TO: [Bureau Assistant Administrator][Mission Director]

FROM: Operating Unit

SUBJECT: Acceptance of Cash and In-Kind Gifts to USAID from [DONORS 1 AND 2]

ISSUE FOR DECISION

Whether in connection with [DESCRIBE PURPOSE OF GIFT] to accept the following unsolicited gifts (as more fully described in "Essential Factors" below) from the following corresponding donors:

1. [DONOR 1]: $[SPECIFY AMOUNT] in cash to be applied towards costs incurred by USAID in connection with [DESCRIBE PURPOSE].

2. [DONOR 2]: In-kind gifts valued at an aggregate amount of approximately $[AGGREGATE AMOUNT], consisting of (i) $[DOLLAR AMOUNT] for [PURPOSE 1] and (ii) $[DOLLAR AMOUNT] for [PURPOSE].

ESSENTIAL FACTORS

USAID has agreed to [DESCRIBE CONDITION OF GIFT]. In this connection, the following entities are expected to give the following cash and in-kind gifts to the Agency:

1. DONOR 1: $[SPECIFY AMOUNT] in cash to be applied towards [DESCRIBE CONDITION OR PURPOSE].

2. DONOR 2: In-kind gifts valued at an aggregate amount of approximately $[AGGREGATE AMOUNT], consisting of (i) $[DOLLAR AMOUNT] for [PURPOSE 1] and (ii) $[DOLLAR AMOUNT] for [PURPOSE].

As a condition, these gifts must be used in connection with USAID's [SPECIFY CONDITION]. The executed gift letters from [DONOR 1] and [DONOR 2] are attached hereto as Tabs 1 and 2 respectively.

ADS 628.3.2(a) permits USAID to accept conditional gifts when you, as the USAID official with authority to accept the gift on behalf of the Agency, determine that (a) USAID (i) will use each of the gifts in furtherance of the purposes of the Foreign Assistance Act of 1961, as amended (FAA); (ii) can comply with the conditions of each of the gifts in a reasonable and cost efficient manner; and that (b) acceptance of each of the gifts will not result in, or create the appearance of, a conflict of interest.

The [OPERATING UNIT] confirms that each of the gifts is in furtherance of the FAA, as [DESCRIBE BASIS FOR CONFIRMATION].

Moreover, the [OPERATING UNIT] confirms that acceptance of any of the gifts will not result in, or create the appearance of, a conflict of interest, in reliance upon the inquiries initiated by [NAME], an OAA/[BUREAU] Contract Specialist, in emails dated [DATE] and distributed to OAA Operations containing the notices attached respectively behind Tab 3. That inquiry was made to determine whether any of [DONOR 1] or [DONOR 2] and/or [NAME OF PRINCIPAL(S) OF DONORS 1 AND 2] has any pending proposals or applications for consideration by the Agency as either a prime or as a subcontractor. [CONTRACT SPECIALIST] requested that OAA/Operations employees respond directly to GC attorney [NAME] by [DATE]. As of the date of this memorandum, no contracting professional has identified any pending proposal or application submitted by any of the above-referenced persons and entities.

Furthermore, [DONOR 1] and [DONOR 2] has each confirmed in its respective gift offer letter that none of them currently has a pending application or proposal for an assistance or contract award before the Agency as a prime or sub-awardee.

If you approve the acceptance of each of these gifts, they will each be used in connection with [SPECIFY PURPOSE] in reasonable and cost-efficient compliance with the condition of each of the gifts. You will find a proposed Determination Memorandum with respect to all [two] (2) gifts for your signature at Tab 4.

At Tabs 5 and 6, you will find the proposed gift acceptance letters to [DONOR 1] and [DONOR 2] respectively. Moreover, included within the proposed gift acceptance letter to [DONOR 1] are the wire transfer instructions needed by [DONOR 1] to carry out the transfer of [DONOR 1]'s cash gift to the Agency.

AUTHORITY

Pursuant to ADS 103.3.8.5, the Administrator has delegated to Assistant Administrators, for their respective areas of responsibility, the authority to accept and use gifts to the Agency. Accordingly, you have the same authority as the Administrator to accept gifts on behalf of the Agency under Section 635(d) of the Foreign Assistance Act of 1961, as amended, and Section 7(d)(3) of the U.S. Department of State Delegation of Authority 293: Organization, functions, and authority delegations: Director of Foreign Assistance, et al., dated June 2, 2006.

RECOMMENDATION

That you on the date you indicate below (i) approve the Agency's acceptance of these conditional gifts by signing below with respect to each gift, (ii) sign the attached Determination Memorandum as attached hereto behind Tab 4 and (iii) sign each of the proposed gift acceptance letters as attached hereto behind Tabs 5 and 6.

1. Cash Gift from [DONOR 1]

Approve: _________________ Disapprove: ________________________

2. In-Kind Gifts from [DONOR 2]

Approve: _________________ Disapprove: ________________________

Date: ____________________

Attachments:

Tab 1 - [DONOR 1] Letter of Conditional Gift
Tab 2 - [DONOR 2] Letter of Conditional Gift
Tab 3 - Conflicts of Interest Inquiry Dated ________
Tab 4 - Determination Memorandum
Tab 5 - Proposed Acceptance Letter to [DONOR 1]
Tab 6 - Proposed Acceptance Letter to [DONOR 2]

CLEARANCE PAGE FOR ACTION MEMORANDUM requesting signature on replies to:

1. [AUTHORIZED REPRESENTATIVE OF DONOR 1]'s letter of [DATE] regarding offering a cash gift to USAID, [OPERATING UNIT]

2. [AUTHORIZED REPRESENTATIVE OF DONOR 2]'s letter of [DATE] regarding offering in-kind gifts to USAID, [OPERATING UNIT].

Clearances:

GC/[Operating Unit]:	[SPECIFY]	____________________	Date ________________________
GC/EA:	[SPECIFY]	____________________	Date ________________________
M/CFO/CAR:	[SPECIFY]	____________________	Date ________________________
[Operating Unit]:	[SPECIFY]	____________________	Date ________________________

[DONOR 1 LETTERHEAD]

[DATE]

[OFFICIAL DELEGATED GIFT ACCEPTANCE AUTHORITY]

[TITLE],

[OPERATING UNIT]

U.S. Agency for International Development

1300 Pennsylvania Avenue, N.W.

Washington, D.C. 20523

Dear [AUTHORIZED REPRESENTATIVE]:

This letter is to inform you that [DONOR 1] plans to make a cash gift to the U.S. Agency for International Development ("USAID") in connection with [SPECIFY PURPOSE]. [DONOR 1's] gift of $[SPECIFY AMOUNT] in cash is to be applied towards [SPECIFY CONDITIONS]. [DONOR 1] understands that, after the purpose of the gift has been fulfilled, USAID shall treat any residual amount remaining in the account as an unconditional gift, which will be used to support a program of a similar nature for which USAID is responsible.

In USAID's consideration of whether to accept this gift, [DONOR 1] confirms in good faith that it currently has no pending application or proposal for an assistance or contract award before USAID as either a prime or sub-awardee.

[DONOR 1] will await USAID's formal acceptance and acknowledgement of [DONOR 1's] gift.

Respectfully,

[AUTHORIZED REPRESENTATIVE OF DONOR 1]

[TITLE]

[DONOR 2 LETTERHEAD]

[DATE]

[OFFICIAL DELEGATED GIFT ACCEPTANCE AUTHORITY]
[TITLE],
[OPERATING UNIT]
U.S. Agency for International Development
1300 Pennsylvania Avenue, N.W.
Washington, D.C. 20523

Dear [OFFICIAL DELEGATED GIFT ACCEPTANCE AUTHORITY]:

This letter is to inform you that [DONOR 2] plans to make in-kind gifts to the U.S. Agency for International Development ("USAID") in the forms described below in connection with [SPECIFY CONDITION].

Through [DONOR 2's] gift, and in connection with [SPECIFY CONDITION], [DONOR 2] will provide USAID with:

(i) [SPECIFY SERVICES OR PROPERTY]; and

(ii) [SPECIFY SERVICES OR PROPERTY].

[DONOR 2] estimates in good faith that the fair market value of its entire in-kind gift to USAID is approximately [$INSERT VALUE OF IN-KIND GIFTS] based on (i) [$______] in [STATE BASIS OF VALUATION], and (ii) [$_______] in [STATE BASIS OF VALUATION].

In USAID's consideration of whether to accept this gift, [DONOR 2] confirms in good faith that it currently has no pending application or proposal for an assistance or contract award before USAID as either a prime or sub-awardee.

[DONOR 2] will await USAID's formal acceptance and acknowledgement of [DONOR 2]'s gift.

Respectfully,

[PRINTED NAME OF AUTHORIZED REPRESENTATIVE]

[TITLE OF AUTHORIZED REPRESENTATIVE]

cc: [Specify]

[CONFLICTS OF INTEREST INQUIRY]

From: [NAME OF CONTRACT SPECIALIST]
To: M.OAA.PS OP DISTRIBUTION (USAID)
Subject: New Conflict of Interest Check

OAA Staff,

The Office of General Counsel is conducting a new conflict of interest check. Please review all pending applications and proposals (not yet awarded) under your designation and reply if the following organization is a proposed prime or subcontractor. Please e-mail only affirmative responses to [NAME OF ATTORNEY] at ([EMAIL]), indicating the type of award pending and the estimated dollar amount of the award. If you know of no such pending application or proposal, no response is necessary. Please provide this information by [TIME] on [DATE].

- [DONOR 1]
- [DONOR 2]

Thank you for your cooperation,

[NAME OF CONTRACT SPECIALIST]

This communication may contain procurement sensitive information that is protected from disclosure by the Procurement Integrity Act and other applicable federal laws, as well as communications that fall within USAID's attorney-client and deliberative process privileges. Procurement sensitive information cannot be disclosed, and the attorney client and deliberative process privileges cannot be waived or otherwise relinquished, without consultation with a USAID lawyer, and approval by the Director of the client office, OAA.

DETERMINATION MEMORANDUM

Under section 635(d) of the Foreign Assistance Act of 1961, as amended (FAA), and pursuant to the gift acceptance and use authority delegated by the Administrator under ADS section 103.3.8.5, I hereby accept in the undersigned capacity the unsolicited gifts proposed by [DONOR 1] and [DONOR 2], in each case, as evidenced by their respective acceptance letters attached to this document.

In accordance with ADS 628.3.2 and based upon a review of the documents and issues, the following criteria have been met:

1. The Agency can comply with conditions of the gift and still use the gift in furtherance of the purposes of the FAA;

2. The Agency can comply with conditions of the gift in a reasonable and cost efficient manner; and

3. Acceptance of the gift will not result in, or create the appearance of, a conflict of interest.

SUMMARY OF GIFTS:

1. <u>Aggregate Amount of [DONOR 1]</u>: $[SPECIFY AMOUNT] in cash to be applied towards costs incurred by USAID in connection with [SPECIFY CONDITION OR PURPOSE].

2. <u>Aggregate Amount of [DONOR 2]</u>: In-kind gifts valued at an aggregate amount of approximately $[SPECIFY AMOUNT], consisting of (i) [SPECIFY SERVICE OR PROPERTY] valued at $[SPECIFY AMOUNT] and (ii) $[SPECIFY AMOUNT] valued at $[SPECIFY AMOUNT].

Purpose for which Gifts are Available:

These gifts will be used by the [OPERATING UNIT] to [PURPOSE].

____________________ ____________________

[AUTHORIZED PERSON] Date

Attachments: [DONOR 1] Gift Acceptance Letter

purpose for which Gifts are Available:

[DONOR 2] Gift Acceptance Letter

Conflict of Interest Inquiry Dated [DATE]

Conflict of Interest Inquiry:

By emails dated [DATE], [NAME] Contract Specialist, distributed to OAA Operations the attached notices of inquiry to determine whether [DONOR 1], [DONOR 2] and/or [PRINCIPALS OF DONOR 1 AND 2] have any pending proposals or applications for consideration by the Agency as either a prime or as a subcontractor. [CONTRACT SPECIALIST] requested that OAA/Operations employees respond directly to GC attorney [NAME] by [DATE]. As of date of the accompanying action memorandum, no contracting professional has identified any pending proposals or applications submitted by any of the above-referenced persons and entities. [DONOR 1] and [DONOR 2] have each confirmed in their respective gift offer letters that none of them currently has a pending application or proposal for an assistance or contract award before the Agency as a prime or sub-awardee.

SAMPLE CASH GIFT ACCEPTANCE LETTER

Mr./Mrs./Ms. (insert name)

Dear Mr./Mrs./Ms. (insert name),

USAID is delighted to be forging a partnership with Company X. Our productive meeting of January 12, 2006 demonstrated our respective organizations' commitment to improving the lives of the people in Country X by addressing electrification needs. We welcome the opportunity to work with Company X and, as promised, have attached a draft Memorandum of Understanding for your review. The following paragraphs outline our acceptance process for your generous contribution to this collaborative effort.

Pursuant to Section 635(d) of the Foreign Assistance Act (FAA), I am extremely pleased to accept Company X's gift to the United States Agency for International Development (USAID) of XX Hundred Thousand United States Dollars ($X00,000) per year for X years, to support electrification programs in Country X. Our partnership will facilitate community education and participation and provide targeted technical assistance to national utility companies aiming to increase energy access for underserved populations of the selected municipalities.

In accepting the gift, USAID agrees that funds provided through the gift will not be expended until USAID and Company X have a signed Memorandum of Understanding. USAID also agrees that all activities supported with funds made available through the gift will be jointly agreed in writing by Company X and USAID. We shall treat any residual amount remaining in the account as an unconditional gift to be used to support a program of a similar nature for which USAID is responsible.

USAID also confirms that:

1) USAID can comply with these conditions and will use the funds in furtherance of the USAID/Country program and the purposes of the FAA;

2) USAID can comply with the conditions of the funding in a reasonable and cost-efficient manner; and

3) USAID acceptance of the funds will not result in, or create the appearance of, a conflict of interest.

[Following applicable federal law, any gift accepted by USAID will be considered a gift to and for the use of the United States for the purposes of federal income, gift, and estate taxes (22 USC Sec. 2697). Your gift may be exempt from gift taxes (26 USC Sec 2522(a)) and may be a deductible contribution for income tax purposes (26 USC Sec. 170(c)).

You should discuss with your tax advisors the valuation of your gift and the procedures to be followed in whether to claim any benefit under the statutes to which I have referred.]

The gift can be sent via wire transfer in accordance with the instructions which are attached.

Please also include a reference to "USAID- Company X" in the transfer documents. If you have any questions or need additional information regarding the mechanics of the transfer, please contact Mr./Mrs./Ms. X, Chief, M/CFO/CAR at 202-712-xxxx in Washington, D.C., or via email at x@usaid.gov.

We are deeply grateful for your gift and look forward to working with Company X in improving energy access to underserved populations in Country X.

Sincerely, Mission Director

[USAID Letterhead]

[AUTHORIZED REPRESENTATIVE]
[TITLE]
[DONOR 2]
[ADDRESS]

Dear [AUTHORIZED REPRESENTATIVE]:

It is my honor to accept, on behalf of the United States Agency for International Development (USAID), the in-kind gifts valued, in the aggregate, at $[SPECIFY AMOUNT] from [DONOR 2] for purposes of [SPECIFY CONDITION], and consisting of the following:

(i) [SPECIFY SERVICE OR PROPERTY] valued at $[SPECIFY AMOUNT]; and

(iii) [SPECIFY SERVICE OR PROPERTY] valued at $[SPECIFY AMOUNT].

In keeping with the purpose of your in-kind gifts, the [OPERATING UNIT] expects to use your gift in [SPECIFY CONDITION].

[Following applicable federal law, any gift accepted by USAID will be considered a gift to and for the use of the United States for the purposes of federal income, gift, and estate taxes (22 USC Sec. 2697). Your gift may be exempt from gift taxes (26 USC Sec 2522(a)) and may be a deductible contribution for income tax purposes (26 USC Sec. 170(c)).

You should discuss with your tax advisors the valuation of your gift and the procedures to be followed in whether to claim any benefit under the statutes to which I have referred.]

We are honored to have received these gifts and look forward to [SPECIFY CONDITION].

Very truly yours,

[OFFICIAL DELEGATED GIFT ACCEPTANCE AUTHORITY]
[TITLE]
[OPERATING UNIT]

cc: [NAME], [OPERATING UNIT]
[NAME], M/CFO/WFS
[NAME], M/CFO/CAR

APPENDIX XVI: FAQS–REMITTANCES

1. What are remittances?

"Remittances are the money that foreign-born workers send to their relatives and/or communities abroad. They are not tax exempt and are only sent after all payroll taxes have been collected." (*Immigrant Remittances*, Jeffrey Hsu, 2002)

2. What are the scale and scope of remittances?

Most development professionals are now aware that remittances represent a significant resource flow to developing countries. One author reported that worldwide the flow of remittances exceeds $100 billion per year, with more than 60 percent going to developing countries. Many experts posit that these estimates under-represent the scale of remittances since many countries have inadequate processes for estimating or reporting on the funds remitted by foreign workers.

USAID staff estimate that personal remittances in 2000 from ethnic diasporas in the United States back to Part I and Part II countries (as defined by the Development Assistance Committee) amounted to more than $18 billion compared to $12.4 billion in official development assistance from the U.S. to those same countries. In other words, personal remittances are a large resource flow and have been overlooked in the past.

3. How are remittances used?

Focus groups in Latin America revealed that remittances are primarily used for consumption goods (82-85 percent of remittances were used for this); however, some remittances have been and more could be used for investment purposes in developing countries (5-6 percent of remittance flows). If we assume that 5 percent of the $18 billion sent from the United States back to home countries in 2000 was used for investment purposes, we are presuming almost $1 billion in investment capital for small and medium-sized enterprises. In addition, remittances are also used for children's health and education (4-8 percent).

In general, remittances account for 15 percent of a permanent emigrant's salary and 50 percent of a temporary emigrant's salary.

4. Why are remittances important to USAID?

Previously, governments paid little attention to remittances as a tool for economic development. This has recently changed because rapid social and economic transformations associated with globalization have led to a growth in remittances.

In the past, researchers did not take a positive view of remittances: they associated remittances primarily with consumption goods. Current research, however, indicates that remittances have an important role to play in the development of communities. This is demonstrated by the creation of hometown associations and collectives.

5. How can USAID create development interventions around remittances?

Remittances are a personal decision with monies sent from one family member to another. Some promising policy interventions include:

Reduce the transaction costs of remittances

Channel remittances to development objectives

Support alternative delivery methods

Increase the volume of remittance flows

Because USAID assistance in facilitating remittances may involve financial transactions, USAID legal requirements, particularly those concerning anti-terrorist financing provisions, are applicable to all obligations of USAID funding.

6. What is the size of U.S.-originating remittances by selected country of origin?

The summary data below show remittances originating in the United States by receiving country. From the table below, one can conclude that the United States sends a large portion of remittances to Latin America, especially to Mexico. *(Note: the data below is only a partial list of countries and does not equal USAID's estimates.)*

Selected Annual Remittances From the US to Immigrant Countries

(Remittances values for the year 2000, US$ billions)

Receiving Country	Sent from the US
China	0.1
Colombia	1.4
Cuba	0.8
Dominican Republic	1.5
El Salvador	1.5
India	1.2
Mexico	6
Philippines	3.2
Vietnam	1.5
Total:	**17.2**

Source data: Hsu, 2002

7. What methods are used to send remittances?

Traditionally, remittances have been hand-delivered or sent by transfer companies like Western Union, in which case transaction costs are high. Many migrants still use the informal sector to send money home because they fear fraud. Recently, bank and credit unions have solved some of the problems associated with remittances by somewhat reducing the high transaction costs and allowing for better measurement of these funds. Most Latino immigrants send family remittances through international money transfer companies such as Western Union and MoneyGram. *(Source: MIF Survey of Remittance Senders)* Overall, countries have varying preferences about how to transmit remittances. *(Meyers 1998, p.3).*

METHODS OF SENDING REMITTANCES

Methods of Sending Remittances	% Respondents
Western Union	30%
People Traveling	15%
Mail & Money Orders	14%
Bank	14%
MoneyGram	11%
Credit Union	6%

Source data: IDB's MIF Survey of Remittance Senders: US to Latin America Nov/Dec 2001 (Administered by B&A, Bendixen & Associates)

8. How has USAID used remittances to date?

A. Pan-American Development Foundation: working with trusted intermediaries—hometown associations

USAID is supporting hometown associations (HTA) through a public-private alliance sponsored by the Bureau for Latin America and the Caribbean (LAC) in collaboration with the Pan-American Development Foundation (PADF). The LAC Bureau contributes $300,000 to activities taking place in Haiti, Mexico, and El Salvador. The alliance activity consists of an innovative set of pilot projects to be implemented with migrant associations, more commonly known as HTAs. HTAs raise funds from members for local development projects in their communities of origin. This phenomenon, called collective remittances, has received little attention by donor agencies and host governments to date. USAID has previously funded research in this area but the proposed program is the first of its kind for the Agency.

The activity consists of an 18-month program to transfer capacity to three immigrant groups in the United States: the National Organization for the Advancement of Haitians (NOAH), Comunidades Unidas Salvadorenas (CUS), and the Federación Oaxaqueña de Comunidades y Organizaciones Indígenas de California. These immigrant groups will implement three pilot community economic development activities—one each in Haiti, El Salvador, and Mexico—and will engage in a series of training sessions and monitoring trips with PADF. The three groups and PADF will also partner with in-country nongovernmental organizations and the private sector to increase and better target community remittances for local economic growth in the region. The $300,000 USAID contribution generates an additional $150,000 in matching funds from various sources. The main project goal is to build and transfer capacity of U.S.-based HTAs to support development projects in their home countries.

B. WOCCU Partnership: Lowering Remittance Transaction Costs

The LAC Bureau is working with the World Council of Credit Unions (WOCCU), Caja Popular Mexicana, and credit unions in Texas and California to leverage remittances for economic growth. The LAC Bureau contribution for this alliance is $660,000. This activity takes place in Mexico and focuses on economic growth. Mexican migrants and Mexican Americans sent home about $9 billion last year—more than official development assistance, twice as much as Mexico's agricultural exports, and about half of its oil revenue.

Sending money home so that it can fuel development is expensive. Steep cash transfer fees, a lack of bank accounts and identity documents, or corrupt and unscrupulous middlemen have drained much of the value of those remittances.

Recognizing that the flow of cash back to Mexico and other Latin American countries is an important source of development income, USAID provides $500,000 to support the creation of an innovative new program to facilitate the flow of remittances to Mexico.

“USAID will work with credit unions in Mexico and the U.S. to offer low-cost money transfer services," said Adolfo A. Franco, Assistant Administrator of LAC, at a September announcement ceremony in the Latino Community Credit Union in Durham, North Carolina.

"The program will also promote savings and investment by offering attractive, safe, and convenient methods for saving money or investing. In many cases, financial services – savings, credit, mortgages – will be provided to families that have never had them before,” said Franco.

WOCCU provides training, technical assistance, and technology to ensure the success of this effort. In addition, WOCCU has enlisted the assistance of the Texas and California credit union leagues, which provide additional training and internship opportunities for staff from Mexico.

GDA: Drafted 2/28/03.

APPENDIX XVII: FAQS–MITIGATING REPUTATION RISK

1. What major steps can I take to avoid risks to USAID's reputation in a public-private alliance (PPA)?

A properly researched, defined, negotiated, managed, and publicized alliance is the best defense against risk to the Agency's reputation. Careful attention to the following will avoid most difficulties:

Preconditions for Success: An Alliance Checklist and Alliance Precepts Common cause, inclusion, and commitment (including financial), based on principled behavior and transparency, will limit ambiguity and bring potential problem areas to light early in the process.

Due Diligence (Constructing Alliances Section): Potential private sector partners may have some negative press and past experiences. It is critical to analyze the context of past grievances. For example, if the company is involved with lawsuits that are directly connected to the objective of the proposed alliance, foregoing an alliance with that partner may be wise.

Private sector partners will also be seeking some financial or business benefit from the alliance, even if it is just an improved corporate social responsibility (CSR) image. USAID alliance builders should be able to clearly articulate their partners' interests. Mitigating risk means being informed about your partners' motives and interests.

Agreement - Memorandum of Understanding (MOU) (Constructing Alliances Section): Well-prepared MOUs reduce alliance ambiguity and thus reputation risk.

Not all alliance partners must be named in an alliance MOU, but due diligence should be performed on all alliance partners, even if secondary alliance partners are not going to be included in the MOU.

Managing Alliances: Agreeing upfront on specific roles and responsibilities, key elements of governance (e.g., frequency of meetings), and mechanisms for resolving differences equips alliance builders to navigate difficult situations downstream.

Publicizing the Alliance (Managing Alliances Section): Alliance partners should anticipate reputation risk issues in advance and identify the key audiences that could exploit any potential alliance weaknesses or negative appearances.

PPAs that lack these basic elements—coordinated problem definition, clear understanding of alliance partner interests, significant commitment and accountability by all partners, and effective alliance management—are not only ineffective at reaching sustainable development objectives, but they draw undue attention to potential "gray" areas. Alliance builders protect the Agency's reputation by following alliance best practices, with a focus on sustainable outcomes.

2. Can I enter a PPA that benefits USAID's private sector partners business interest? What if my partners stand a chance of gaining a direct financial reward as a result of their alliance with USAID?

Yes, USAID may enter such an alliance, provided a legitimate development purpose exists and the USAID investment is carefully selected. However, U.S. Government funds may never be used to directly engage in profit-making. USAID mitigates its risk in alliances that present the potential for partners to profit by clearly establishing development objectives, by defining how such an alliance best achieves the expected results, and by investing in a facilitating mechanism via a civil society partner.

For example, a U.S agribusiness firm stood to benefit financially from the creation of a processing plant. To facilitate the project—which was given high priority by the local government, also a partner in the alliance—USAID funded research at a national agricultural research institute in order to identify viable sugarcane strains for the project area. As an alliance partner, the agribusiness firm used the research to complete its due diligence and to secure capital financing. In this case, allowing the agribusiness firm the prospect of financial benefit was determined to be a reasonable trade-off, considering no other industry players were willing to take the risk of establishing in-country growing and processing of this specific commodity. Further, the alliance project is expected to meet and exceed economic growth objectives by creating more than 3,000 new jobs and by stimulating growth in a new industry sector in which the country may have comparative advantage.

If alliance builders deem it necessary to further distance USAID from any potential controversy regarding the earning of income by an alliance partner, they might consider requiring the reinvestment of profit as "program income" to be used for follow-up activities. Depending on the nature of the alliance, this may be facilitated by using standard provisions for program income in the grant to the nongovernmental organization implementing partner.

Of note, the U.S. Trade and Development Agency (USTDA), which promotes U.S. commercial interests and host-country development objectives in developing and middle-income countries, requires U.S. firms receiving USTDA grants to reimburse part or all of USTDA's funding if an individual project is implemented and if the company receives substantial economic benefit. These commitments are included in a letter agreement between USTDA and the company. Alliance builders might consider how such an arrangement could be applicable in a USAID PPA setting.

3. Can USAID help finance the creation of a profit-making enterprise as part of an alliance, such as a processing plant?

Yes, provided a legitimate development purpose exists, and after exploring multiple investment alternatives, USAID could enter an alliance to aid in the financing or building of a processing plant or operation. As noted earlier, however, U.S. Government funds can never be used to directly engage in profit-making. Thus no profit may be retained by the profit-making enterprise during the life of the assistance award. An alliance of this sort would require a specific plan to avoid profit-making during the life of the award or a mechanism to reprogram profits during the life of the award.

A familiar scenario for this type of PPA has arisen in agriculture-based economies which are attempting to move from a grow-harvest-export model to a grow-harvest-process-export model in order capture greater economic value in-country. Often, local private sector capital is not available and few private sector firms are willing to risk starting such operations due to poor business infrastructure.

In determining how best to approach such situations, alliance builders should first explore investment options outside of financing the actual plant. Critical questions to consider include:

Can alliance funds be used in a facilitative way to address finance impediments or business infrastructure improvements?

Rather than investing in the actual building of the plant, can USAID funds be used to add legitimacy to the project in order to secure financing, such as in providing market research? Is there another way to draw in private or multi-development bank financing?

If USAID monies—implemented through a capable NGO—are to be used in the actual building or financing of a plant, what is the plan for complying with profit restrictions (as described above), for mitigating against reputation risk, and for avoiding potential negative effects in the marketplace?

What is the plan for "reinvesting" program income or profit during the life of the assistance award?

What is the plan for transferring ownership after the plant is built and before it engages in profit-making activities?

How will you ensure broad enterprise ownership by key stakeholders—especially local stakeholders?

What is the exit strategy, so that investment in an actual plant is a one-time intervention?

What is the plan for stimulating growth in related sectors, such as supply chain participants?

How do we prevent picking a winner or creating a monopoly?

In short, alliances of this sort are technically possible, but alliance builders must plan well to comply with the law, avoid reputation risk, reprogram any potential profits during the life of the assistance, and ensure equitable ownership once the project is complete.

4. Can I enter an exclusive alliance with a private sector partner, rather than opening it up to multiple private sector players in a given industry?

Prior to the submission of a formal alliance application, alliance builders are free to explore potential alliances (exclusively or not) with any private sector entity. Once a formal application is submitted, then the standard process for unsolicited applications is to be followed.

In some situations, a private sector entity may be interested in entering an exclusive PPA with USAID as a **resource partner**. While alliance builders should explore the inclusion of other private sector players, an "exclusive" alliance of this sort is acceptable, provided a programmatic need exists and proper due diligence is conducted.

In other situations, a for-profit partner might possess a unique skill, technology, or capability that is of particular programmatic and development interest to USAID, but from the partner's perspective would require an exclusive PPA. In a clean water alliance, for example, USAID agreed to limit for-profit participation to only one partner. This partner had invested heavily in researching and developing a proprietary technology for the elimination of waterborne diseases, even though market demand was questionable. No other competitor had developed a product based on the same technology. Because it was a key programmatic goal for USAID to test new and potentially far-reaching technologies for water purification, it was determined that an exclusive-type PPA with this partner was a reasonable trade-off (i.e. there was only one for-profit alliance partner).

In such exclusive PPAs, USAID mitigates risk by investing in the alliance through a civil society partner, rather than in the for-profit enterprise itself. In such cases, the reputations and skills of civil society partners take on additional importance in adding credibility to the alliance. Strong civil society partners add transparency and focus efforts on institutional reform and on stimulating local competition. In the example above, USAID funded an outside implementing partner to conduct market research and to purchase product from the previously mentioned company.

Alliance builders may accept exclusive-type applications and enter into exclusive-type alliances, but significant programmatic need should exist to exclude other for-profit entities, particularly if USAID decides to fund the for-profit enterprise directly. In most exclusive PPA cases, however, USAID mitigates risk by investing in a civil society partner, rather than in the for-profit enterprise itself.

5. Can USAID promote or purchase a specific product or brand via a PPA?

The U.S. Government cannot promote, endorse, or market a particular product or entity.

However, under certain conditions, alliance builders might fund the market testing of a particular product or technology and even facilitate the purchase of a specific product through grant funds. For example, under "predominant capability" (ADS 303.5.5d.3), competition requirements may be waived in order to deal with an exclusive product or service provider.

In the case of the water alliance mentioned in the previous section, USAID funds were used to buy and test market a product—the only product of its kind on the market—via an outside actor. Because this partner possessed predominant capability—no competitors had developed a competing product based on the same technology—purchase competition was waived. Without paying for this specific product (via a grant to civil society partner), USAID would not have been able to test the technology in target countries and the partner would not have done it on its own without a more promising business case.

Before endorsing or appearing to endorse a specific product through an alliance, alliance builders should exhaust other available options. Typically, broad mechanisms exist to create market demand or to identify technical solutions to development problems. One alliance built generic demand for higher quality mosquito nets by facilitating broad manufacturer participation via a quality seal program. In this case, several industry participants signed on to the alliance, since they stood to influence the standards to their favor.

6. If USAID funds research as part of a PPA, who retains patent or property rights as a result of the funding? Can USAID select an alliance partner to commercialize the technology, patent, or intellectual property?

As a general rule, USAID retains non-exclusive, irrevocable license to use intellectual property developed with USAID funds. However, specific rules vary according to intellectual property type (i.e., patent vs. copyright) and recipient (e.g., university vs. NGO research organization, etc.). For specific guidance on USAID rights retained, first look to the standard provisions of the contemplated agreement, then contact your CO/AO or legal advisor for further information.

In some PPA circumstances, it makes sense for USAID to fund the research or development of intellectual property at a research institution, with a private sector partner agreeing to purchase commercial rights (from the research institution) in order to market the technology or product. In a vaccine alliance, for example, USAID funded research at a research institution to identify a vaccine to address a life-threatening disease inflicting livestock. A partner agreed to purchase commercialization rights and to market the product. Considering the significant costs associated with commercializing the vaccine and the important development impact, it was a reasonable trade-off for USAID to fund research that would be purchased by the commercial sector partner on an exclusive basis in targeted markets.

7. Are there any industries USAID should never enter an alliance with?

It is not wise for USAID to enter alliances with organizations whose reputation would adversely affect the overall mission of USAID or specific activities, regardless of the industry. In all cases, USAID alliance builders should conduct adequate due diligence based on the guidelines found in Tools for Alliance Builders. Certainly, the nature of their core businesses will heavily influence the CSR objectives of prospective partners.

8. Are there any circumstances under which USAID could enter alliances with subsidiaries or joint ventures (JV) of companies with which we have due diligence concerns?

Circumstances are conceivable under which USAID would enter an alliance relationship with a subsidiary, sister company, or JV of a company with which we have due diligence concerns. For instance, a well-known partner in a USAID alliance is a subsidiary of a company with which USAID has due diligence concerns. This alliance partner is one of several corporate alliance partners that have an interest in promoting the production and marketing of a commodity and in improving market access and income for small-scale producers.

In this alliance and others like it, USAID alliance builders mitigate the risk to USAID's reputation by:

Assessing the extent to which the prospective partner is committed to CSR. What other programs is the company implementing to improve its CSR track record?

Defining the particular development value the prospective partner brings to the alliance.

Structuring the alliance so that it has broad appeal across the targeted sector. Having participation by several industry players will mitigate the effects of one partner with potentially damaging corporate relationships.

Clearly understanding the nature of business relationships. How many degrees of separation exist between the offending company and your potential partner? How integrated are the companies? What is the potential for a public relations disaster? Are there ways to structure the deal to mitigate exposure of potentially damaging relationships? Being able to answer these questions and respond to them in a persuasive way is critical to knowing whether to enter an alliance of this nature.

GDA: drafted April 2004; revised June 2004; revised January 2007.

APPENDIX XVIII: FAQS–ENVIRONMENTAL PROCEDURES

Note: This document addresses a number of general, frequently asked questions concerning environmental reviews and public-private alliances. It in no way supplants the need to carefully review Title 22 of the Code of Federal Regulations, Part 216 (USAID Environmental Procedures or 22 CFR 216) or to consult with your Mission Environmental Officer (MEO) and/or Regional Environmental Officer (REO) in conjunction with your Bureau Environmental Officer (BEO).

1. Do USAID-financed programs and activities under public-private alliances need to comply with USAID's Environmental Procedures set forth at 22 CFR 216?

Yes. 22 CFR 216 requires some level of review for all USAID authorized or approved (i.e., USAID-financed) programs and activities to determine what environmental impacts, if any, they will have. The level of review depends upon the proposed program or activity. This means, for example, that one activity may be subject to a full environment review under 22 CFR 216, while another activity may be exempt or excluded from such a requirement. See question 6, below, for a general overview of the environmental review process and question 4 for information about Categorical Exclusions and Exemptions.

2. Is USAID responsible for conducting an environmental review under 22 CFR 216 for its private sector partner's activities in an alliance?

Only if the partner is receiving USAID funds for the activity through a USAID-funded mechanism, such as a contract, grant, or cooperative agreement. See Question 5, below, for more information.

3. Where do I find information about USAID's environmental review requirements?

22 CFR 216 sets forth the general procedures to be used by USAID to ensure that environmental factors and values are integrated into USAID's decision-making process. It is available on-line at:

<http://www.usaid.gov/our_work/environment/compliance/index.html>
<http://www.access.gpo.gov/nara/cfr/waisidx_01/22cfr216_01.html>

Chapter 204 (Environmental Procedures) of the Automated Directive System (ADS) sets forth the policy and essential procedures about how to apply 22 CFR 216 to the USAID assistance process in order to ensure that assessments of the environmental consequences of all programs, activities, and substantive amendments thereto are in full accordance with the requirements of 22 CFR 216. ADS 204 is available on-line at <http://www.usaid.gov/policy/ads/200/204.pdf>

4. What USAID activities are subject to environmental review under 22 CFR 216?

As noted in question 1, all USAID-financed programs and activities require some level of review under 22 CFR 216. This includes all new projects, programs or activities and substantive amendments or extensions of ongoing projects, programs, or activities, including those implemented as part of public-private alliances.

USAID staff should consult with their MEO, REO, or BEO for specific guidance on conducting an environmental review of a USAID-funded program or activity—including those implemented through GDAs—and for guidance on the conditions under which an Exemption (22 CFR 216.2(b)) or Categorical Exclusion (22 CFR 216.2(c)(2)) from the environmental review requirements of 22 CFR 216 applies.

5. **How does 22 CFR 216 apply to public-private alliances where USAID is playing a small role in a larger alliance?**

It is the structure of an alliance, not the size of USAID's role in it, which determines whether 22 CFR 216 applies to USAID-funded programs and activities under an alliance. To reiterate, absent a Categorical Exclusion or Exemption, 22 CFR 216's environmental review requirements apply to all USAID-financed programs or activities, regardless of size. To the extent that an alliance involves programs and activities that are not funded by USAID (i.e., straight parallel financing), 22 CFR 216 would not apply to activities financed separately by alliance partners utilizing their own funding mechanisms.

The Global Development Alliance (GDA) document "Tools for Alliance Builders" (available at http://www.usaid.gov/gda) discusses a number of approaches to establishing alliances, which can be placed in two broad categories (see "Tools for Alliance Builders" for a more detailed description):

Parallel Financing: Under this approach, USAID and alliance partners reach agreement on how to work together to address a development problem, with each partner establishing a separate mechanism (e.g., grant, contract) through which to provide resources to support the alliance's work (financial or in-kind). USAID-funded programs and activities under the alliance are subject to environmental review under 22 CFR 216, absent an exemption or exclusion, discussed above. To the extent that an alliance involves programs and activities that are not funded by USAID, 22 CFR 216 would not apply to activities financed separately by alliance partners utilizing their own funding mechanisms.

Pooled Resources: Under this approach, USAID and alliance partners establish a formal alliance governance structure for the purpose of attracting resources and making joint program decisions. These alliances may involve fairly complex organizational structures and legal documentation. For this type of alliance, USAID support typically takes the form of a grant to a nongovernmental organization (NGO) established by the alliance or to a public international organization (PIO) or other financial institution that serves as trustee for the alliance's resources. Where USAID resources are utilized under such structures, programs and activities are subject to environmental review under 22 CFR 216. The level of review, as discussed above, depends on the proposed program or activity.

In all cases, remember that, as part of the due diligence investigation of a potential alliance partner, it is essential to investigate what is often called the "triple bottom line"—i.e., is the prospective partner socially responsible, **environmentally accountable,** and financially sound. For purposes of this discussion, this means that, while the 22 CFR 216 environmental review procedures may not be applicable to a program or activity implemented under an alliance, USAID should still be concerned about a proposed alliance partner's past record of environmental accountability and its specific plans for environmental accountability under the alliance. As outlined in the Tools for Alliance Builders "Preconditions for Success: An Alliance Checklist," "[i]t is critical that USAID align itself with private sector entities whose interests are compatible with USAID's and whose business practices do not pose reputation risks for the alliance or for USAID. Look for 'evidence' that the proposed partners' operational practices incorporate, for instance, commitment to human rights, decent work conditions, **environmental protection**, and community involvement."

6. **What does the environmental review under 22 CFR 216 entail?**

This question is best addressed by reviewing 22 CFR 216 and ADS 204 and conferring with your MEO, REO or BEO. As a general matter, however, depending on the nature of the project or activity, 22 CFR 216 will require the preparation of an Initial Environmental Examination (IEE) or request for Categorical

Exclusion. Some will also require an Environmental Assessment (EA) and it would be uncommon but possible that one could require an Environmental Impact Statement (EIS).

Here, a few definitions are helpful. 22 CFR 216 defines the following terms as follows:

> **IEE:** The first review of the reasonably foreseeable effects of a proposed action on the environment. Its function is to provide a brief statement of the factual basis for a Threshold Determination as to whether an EA or an EIS will be required.
>
> **Threshold Determination:** The formal Agency decision that determines, based on the IEE, whether a proposed Agency action is a major action significantly affecting the environment.
>
> **EA:** A detailed study of the reasonably foreseeable significant effects, both beneficial and adverse, of a proposed action on the environment of a foreign country or countries.
>
> **EIS:** A detailed study of the reasonably foreseeable environmental impacts, positive and negative, of a proposed USAID action and its reasonable alternatives on the territory of the United States, the global commons (high seas) or areas outside the jurisdiction of any nation. See 22 CFR 216.7 for the specific requirements for preparing EISs.

There are generally two primary steps in the environmental review process:

Step 1: IEE, defined above. An IEE is not required for activities to which an Exemption or Categorical Exclusion under 22 CFR 216 applies. Additionally, no IEE is required for activities included in the 22 CFR 216 class of actions normally identified as having significant effects on the environment—these activities require an immediate EA or EIS, as appropriate. See 22 CFR 216.2(d).

The originator of the action, normally the Mission, is responsible for preparation of the IEE or request for Categorical Exclusion, which is then submitted by the Mission Director to the BEO for review and written concurrence.

IEEs record Threshold Decisions such as Positive Threshold Decisions for proposed actions determined to have a potentially significant effect on the environment and Negative Determinations if the proposed action will not have a potentially significant effect on the environment.

Step 2: If the IEE includes a Positive Threshold Decision, then a Scoping Exercise is undertaken by the Mission with the host government and affected public to determine the focus and scope of work for the needed EA or EIS, as appropriate. The results of the Scoping Exercise must be approved in writing by the BEO prior to beginning the EA or EIS.

7. Our mission is providing technical assistance only to an alliance; does 22 CFR 216 still apply?

Yes. However, when the provision of technical assistance does not include activities that directly affect the environment, 22 CFR 216 includes a procedure for obtaining a Categorical Exclusion from further environmental review. But, any requests for application of this or any other Categorical Exclusion must be made in writing and include appropriate justification. The decision regarding the application of a Categorical Exclusion must be reviewed and approved, in writing, by the BEO.

8. I'm working on an alliance and am concerned that the amount of time and level of review required under 22 CFR 216 may scare away potential partners.

USAID does not want to deter potential partners from engaging with us. In many cases, if the alliance is planned appropriately, this should not be a concern. If potential partners have questions about our 22 CFR 216 process, please address their questions in coordination with the MEO, REO, or BEO.

Keep in mind that appropriate alliance partners should not be scared away by the 22 CFR 216 review process as they themselves should both understand and demonstrate environmental accountability in their works. As noted in Question 5, above, environmental accountability is a core element of the due diligence review of potential alliance partners. USAID staff should not seek to develop alliances with partners who are not environmental accountable, which may include those who seek to avoid environmental review of their activities.

9. We need to obligate USAID funds for our GDA quickly and do not have time to conduct an environmental review. Is it possible to complete the review later?

22 CFR 216 provides that IEEs should be prepared at the Project Identification Document (PID) or Program Assistance Initial Proposal (PAIP) stage. (Concept papers and activity approval documents [AADs] have replaced PIDs and PAIPs. See ADS 200 Series.) Additionally, ADS E204.5.4 provides that each Operating Unit and SO Team shall develop effective essential procedures that ensure adequate time and resources are available to complete all environmental work required under 22 CFR 216 before funds are obligated (this environmental work includes IEEs, Categorical Exclusions, requests for Deferrals or Exemptions of environmental reviews, and, if appropriate, Scoping Statements and their related EAs or EISs).

The GDA Toolkit also specifies that during the planning stages of a potential alliance the normal list of statutory, regulatory, and policy requirements that apply to USAID-funded activities should be reviewed. This includes 22 CFR 216 which is undertaken as an integral and concurrent part of a project's design. Thus, the situation described in this question can and should be avoided.

22 CFR 216 recognizes that environmental review of all programs or activities may not be possible at the time of program or activity approval, before obligation. See CFR 216.7 for an overview of the stringent requirements that apply to environmental reviews after authorization of financing. Also, consult with your MEO, REO, or BEO for specific guidance on what to do when you expect that an IEE is not going to be completed within the specified timelines. See also 22 CFR 216.3(a)(1).

10. Are there other environmental laws or regulations that apply to USAID activities?

Generally, yes, but their applicability depends on the activity. For example, Section 119 of the Foreign Assistance Act of 1961, as amended (FAA) includes provisions related to endangered species, including actions required by USAID. Section 118 of the FAA includes provisions related to tropical forests. These laws do not supplant the 22 CFR 216 environmental review requirements.

USAID GDA partnerships should also comply with any applicable environmental restrictions and requirements in the host country. In most cases, any such restrictions and requirements will be less extensive than USAID's, but the partnership agreements must take account of any such restrictions and requirements.

Please consult with GC or your RLA for advice and guidance on specific legal questions, and your MEO, REO, or BEO on all other matters.

11. United States firms are generally familiar with the National Environmental Policy Act (NEPA). Is there any difference between NEPA and USAID's Environmental Procedures?

Yes. NEPA is a U.S. law that sets forth the requirements for environmental review of U.S. Government actions undertaken within the United States. Most USAID programs and activities, on the other hand, take place outside of the United States. USAID's Environmental Procedures are consistent with the purposes of NEPA, and are intended to implement the requirements of NEPA as they affect USAID programs.

GDA; GC 7/8/04.

APPENDIX XIX: PAYMENT STRUCTURES: LESSONS FROM BUILDING ALLIANCES

In an effort to streamline agreement negotiations and the procurement process, the Office of Global Development Alliances (GDA) has compiled a list of “lessons.” In particular, the GDA aims to help the alliance builder in streamlining financial payments and financing. The following tips are drawn from experiences and challenges the GDA has faced in these processes.

PAYMENT STRUCTURE

Nonprofit entities: Nonprofit entities—including U.S. or *non-U.S.* international private voluntary organizations, domestic American educational and research institutions, and international research institutions—are typically granted funding in advance. Methods of advancing funds, in order of declining preference, are:

- *Letter of Credit (LOC):* The LOC is a portal where a grantee can request money for immediate cash needs when necessary. In order to qualify for an LOC, an organization must first meet Federal standards for fund control and accountability. Non-U.S. organizations and international organizations located overseas (except U.N. organizations) are not generally issued LOCs.
- *Periodic Advance:* Period advances are used when an organization does meet all the criteria for an LOC but an advance is still justified. Payments are made on a predetermined payment schedule, usually at 30-day increments.
- *Reimbursement:* If an organization’s financial management system does not meet Federal standards, the grant is administered through a process of reimbursement. This means that the organization must front the money, then prove it was well-spent in order to be reimbursed.

For-profit entities: For-profit entities have two main options for grant financing, the first structure being the prevalent option:

- *Reimbursement:* It is most often assumed that a for-profit organization is cash rich and can thus wait for payments, so these grants are typically administered through the reimbursement process. Because many companies do not understand this, when entering grant negotiations, it should be clearly articulated at the beginning of talks that reimbursement will likely be the chosen structure. Otherwise, cash flow issues can delay the progress of an initiative—especially those with a short timeframe—and compromise the ultimate success of the alliance.
- *Advance Payments:* This option is also available to for-profit entities, though on a very limited basis. For *non-profits,* if an advance is allowed, funds may only be made available for 30-day periods. A grantee may receive multiple 30-day advances, but must liquidate all funds as there are penalties and interest that apply when USG monies are held. *For-profits* will be granted advance payments only if they meet one of the following criteria: delivery and/or performance requires the contractors and/or recipients to have large amounts of working capital; they do not possess such amounts; the for-profit is providing advances to grantees; and rare exceptional cases. Advance payments are usually reserved for non-profits. If a for-profit decides after a grant agreement is already settled that advance payments are necessary, an agreement modification must be performed. This process can take up to 45 days, and even then there is no certainty of issuance.

Limitations on Grants: It is important to firmly establish what exactly a grant can be used for before the contract is closed. If the lines are not clearly drawn, disagreements may arise after the initiative has already been launched, causing possible time delays and leaving a party with a bill it is not equipped to pay. Remember, however, that there is a line between enough detail and going overboard, so think ahead to what will likely be needed and leave some room for flexibility. Issues and needs may arise in the field that nobody could have foreseen.

Good Communication: The importance of good communication cannot be overstated. As with all aspects of alliance building, constant communication can be difficult and time-consuming. Everybody is busy and it is easy to fall into the trap of "tunnel vision." It is well worth the effort, though. It is critical that all participants in grant negotiations and the procurement process are kept abreast of important developments. There should be a clear point person from each organization and a consistent network that disseminates information. Constant, clear communication streamlines the process by keeping all players on the same page and minimizing the frequency of misunderstandings.

Defined Roles: In any given alliance, there are numerous participants. To avoid confusion, responsibilities and funding/leveraging should be clearly defined. Ensure that all partners are aware of each other's respective roles and that the source(s) of leveraging is clear. This will also help streamline management of the program.

RECENT EXAMPLES OF ALLIANCES

Rockefeller Philanthropic Advisors (RPA) & HP Uganda: This recent grant has run into several obstacles that are educational for others entering the grant negotiation process. Launched on January 12, 2004, the Ugandan project needed a minimum of $25,000 for initial activities and equipment procurement. Due to confusion about the cost-share and counterpart agreements and the exact source of leveraging, there was some delay in commencing the one-year program. The contract was based on a reimbursement payment structure, so an action memorandum was initiated post-signing for advanced funding. The grant agreement will be modified. Upon completion, the modification will allow for the release of funding for the first month of operating expenses. Despite the snags, the project is moving forward to meet its deliverables and timelines. The difficulties encountered by this alliance's partners, however, illustrate the importance of good communication and a clear understanding of the grant negotiation and procurement process on the part of all involved.

GlobalGiving: The GlobalGiving grant initially fell victim to similar confusion regarding the payment structure. As a start-up entity, GlobalGiving was not cash rich and needed advance payments, but it was not made clear how they as the grantee were to be paid. The organization had a difficult time navigating new territory in their work with USAID and were in need of assistance to help them understand USAID rules and restrictions. In this instance, some Agency staff pulled out all stops to help the start-up, eventually untangling the knots. The alliance is now proceeding with much success. As a result of their experience, GlobalGiving suggests that a new grantees and contractors liaison within offices or bureaus, working with both contracts and program officers, is essential for the often perplexing grant negotiation and procurement processes.

APPENDIX XX: OVERVIEW OF THE FEDERAL ADVISORY COMMITTEE ACT (FACA)

In connection with the development and implementation of public-private partnerships, USAID often consults with and seeks the views of a range of outside parties. These consultations will be initiated by GDA as well as program bureaus and missions. Whenever USAID seeks the views of outside parties, consideration should be given to the potential application of FACA.

FACA (and the General Services Administration's [GSA] implementing regulations) require that certain "advisory committees" be chartered, approved by the Office of Management and Budget, and GSA, give advance notice of meetings, have open meetings, and publish minutes and comply with other public access requirements. "Advisory committees" generally include any committee, board, commission, council, conference, panel, task force, or other similar group established, managed, or controlled by an agency official for the purpose of obtaining advice or recommendations on issues or policies within the scope of the agency official's responsibility.[31]

FACA requirements apply only to advisory committees that are:

Not composed entirely of full-time government employees;

Established or actually controlled or managed by the agency; and

Giving "consensus" advice, as opposed to individual views, to agency officials.

Although operating units must be conscious of the potential application of FACA, in most cases PPAs will not be affected by the Act. This is due to the fact that, under most circumstances, seeking advice from partners or potential partners in identifying and strategizing to solve development problems involves USAID's seeking individual views of partner entities, as opposed to consensus views.[32] In the case of more formal PPA entities being created (through MOUs or other mechanisms), FACA will not apply because USAID does not solely establish these entities and does not actually control or manage them.[33]

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[31] 41 CFR 102-3.25. "Advisory committee, subject to the Act, except as specifically exempted by the Act or by other statutes, or as not covered by this part, means any committee, board, commission, council, conference, panel, task force or other similar group, which is established by statute, or established or utilized by the President of by an agency official, for the purpose of obtaining advice or recommendations for the President or on issues or policies within the scope of an agency official's responsibilities." "Utilized, for the purposes of the Act, does not have its ordinary meaning. A committee that is not established by the Federal Government is utilized within in the meaning of the Act when the President or a Federal office or agency exercises actual management or control over its operation."

[32] 41 CFR 102-3.40(e).

[33] 41 CFR 102-3.40(d) states that FACA does not apply to "Any committee or group created by non-Federal entities (such as a contractor or private organization), provided that these committees or groups are not actually managed or controlled by the executive branch." In the case of PPAs, all parties to a PPA are part of the establishment of the PPA. USAID cannot simply establish PPAs. Likewise, as PPAs are partnerships by definition, USAID does not actually manage or control these entities.

To the extent PPA partners may receive funding from USAID, such meetings to discuss project implementation, compliance with Agency policy and procedures, and other issues are also not subject to the Act.[34]

Seek advice from a regional legal advisor or the General Counsel's Office if you need additional information.

[34] 41 CFR Part 102-3, App. A to Subpart A, I.4.B ("Question: Is the Act applicable to meetings between agency officials and their contractors, licensees, or other private sector partners? Answer: No. Agencies often meet with contractors and licensees, individually and as a group, to discuss specific matters involving a contract's solicitation, issuance, and implementation, or an agency's efforts to ensure compliance with its regulations. Such interactions are not subject to the Act because these groups are not "established" or "utilized" for the purposes of obtaining advice or recommendations.")

APPENDIX XXI: SAMPLE PRESS RELEASE: KRAFT CASHEW SECTOR DEVELOPMENT

FOR IMMEDIATE RELEASE

August 5, 2004

Contact: USAID Press Office

WASHINGTON, DC—The United States Agency for International Development (USAID) and Kraft Foods Inc. announced today a public-private alliance to strengthen cashew production systems in Guinea and help lift local farmers out of poverty.

The alliance will strengthen local farmers and small businesses to effectively manage the growing cashew sector, while encouraging sustainable management of natural resources and fostering economic and social development in targeted regions of Guinea.

"Sustainable development is essential for countries such as Guinea to climb out of the depths of poverty. This program, which is an excellent example of USAID's Global Development Alliance model, will provide cashew farmers with the training and tools needed to achieve sustainability, thus assisting the nation in moving forward as a whole," said Frank Young, Deputy Assistant Administrator for USAID's Africa Bureau. "The alliance between Kraft and USAID creates a win-win situation for Kraft, USAID and, most importantly, for the farmers of Guinea."

USAID will commit up to $500,000 while Kraft and local partners in Guinea have pledged to fully match USAID's financial commitment. Kraft will commit up to $250,000 to the alliance.

"Kraft is excited to work with USAID to develop Guinea's cashew sector," said Brian Meinken, Senior Director, Commodity Procurement for Kraft. "Through this alliance, we will be contributing to a sustainable future for farmers and their families while helping to ensure a high quality supply of cashews for our consumers. As one of the largest cashew purchasers in the world, we have a strong stake in promoting a long-term future for the industry and those who depend on it."

Guinea, a French-speaking country in West Africa, is one of the poorest countries in the world. About 80% of its population lives by subsistence farming. Poverty and the use of unsustainable agricultural practices have resulted in the rapid degradation of the natural resource base, as farmers are forced to clear large tracts of land to meet basic food needs.

USAID, as the lead Agency in implementing the U.S. Government's foreign assistance program, works to promote economic growth and combat hunger, poverty, disease and environmental degradation in developing countries around the world. USAID's Global Development Alliance is an important new model for delivering foreign assistance in the 21st century. By harnessing the expertise and resources of private corporations, foundations and other non-governmental actors in support of international development, programmatic results are greatly multiplied.

Kraft Foods markets many of the world's leading food brands, including Planters nuts, Kraft cheese, Nabisco cookies and crackers, Philadelphia cream cheese, Oscar Mayer meats, Post cereals and Milka chocolates, in more than 150 countries.

For more information on USAID, please visit our website at www.usaid.gov. For more information on Kraft, please visit our website at www.kraft.com.

APPENDIX XXII: SAMPLE DUE DILIGENCE SURVEY

Your name has been provided to the U.S. Agency for International Development (USAID) by Association X as a reference. USAID is considering entering into a Global Development Alliance (a public-private partnership) with Association X. As part of its due diligence, USAID is contacting U.S. Government agencies that have worked with Association X and have experience in dealing with the organization, either as a contractor, client, or co-funding partner. We understand that some of the criteria may be broad or outside the scope of your relationship; please answer as best as possible. We would greatly appreciate it if you could take a few minutes to fill out the survey below. Thank you very much.

Name: ______________________________

Organization: ________________________

1. Relationship with Association X:

_____ Contractor _____ Co-Funding Partner

_____ Client _____ Other (Please explain: __________________)

2. Professionalism of Organization (overall ability to do business, value as U.S. Government partner, timeliness of responses, etc.)

0 = Unsatisfactory	1 = Poor	2 = Fair	3 = Good	4 = Excellent	5 = Outstanding

Rating: _____

Comments:

3. Overall Corporate Image (transparency, relationship with government/community, etc.)

0 = Unsatisfactory	1 = Poor	2 = Fair	3 = Good	4 = Excellent	5 = Outstanding

Rating: _____

Comments:

4. Social Responsibility of Organization (fair hiring practices, health/safety standards for workers, adequate codes of conduct, etc.)

0 = Unsatisfactory	1 = Poor	2 = Fair	3 = Good	4 = Excellent	5 = Outstanding

Rating: _____

Comments:

5. Environmental Accountability (reasonable environmental control systems in place, no adverse media attention of environmentally damaging projects, no pending lawsuits, etc.)

0 = Unsatisfactory	1 = Poor	2 = Fair	3 = Good	4 = Excellent	5 = Outstanding

Rating: _____

Comments:

6. Financial Management Capability (adequate financial systems and controls, timely payments and invoicing, no financial irregularities, etc.)

0 = Unsatisfactory	1 = Poor	2 = Fair	3 = Good	4 = Excellent	5 = Outstanding

Rating: _____

Comments:

APPENDIX XXIII: SAMPLE DUE DILIGENCE REVIEW

SAMPLE 1

MEMORANDUM	**May 26, 2005**
TO:	USAID Files
FROM:	CTO, EGAT/EIT/E
CC:	M/OAA/EGAT; GDA; GC/G; EGAT/EIT/E
SUBJECT:	Due Diligence Review of the International Association for a Global Development Alliance

Background. In late 2004, the International Association, Ltd. (IA) contacted USAID's Energy Team to discuss possible cooperation. As discussions progressed, it was jointly agreed that the development of a Global Development Alliance (GDA) proposal would be the best form of collaboration. In this regard, IA developed a proposal for consideration as part of the GDA Secretariat's recent Annual Program Statement (APS). One of the Energy Team's partners, Foundation X, was asked to assist IA to develop this proposal. The proposal, which included a commitment of $4m from IA and requested $1m from USAID ($0.5m from the Energy Team and $0.5m from GDA), was reviewed by the Energy Team and endorsed. Thereafter, the proposal was submitted to USAID in late February and forwarded to the GDA Secretariat on February 28, 2005. On May 3, 2005, the GDA Secretariat approved the proposal, but indicated that it would only be able to contribute $250k to the effort. The Energy Team agreed to provide the balance in order to maintain USAID's original $1 million commitment to the Alliance.

The GDA proposal was based on the premise that all joint projects would be supported through parallel co-financing arrangements. Thus, since no funding will flow directly to IA, there is no need for any procurement action or formal contractual agreement. In terms of USAID's funding share of the Alliance, Energy Team funds (and the incentive funds from GDA) would be obligated against the existing Sustainable Municipal Energy Services task order, since all the proposed activities under the Alliance would be within the scope of our task order. We have agreed that IA would then hire its own partners and experts for various parallel efforts under mutually agreed project activities. However, USAID is still required to perform due diligence on the Alliance partners to ensure no reputational risks emerge. This memorandum summarizes efforts taken in this regard.

Due Diligence Summary. According to the GDA Secretariat's website regarding tools for Alliance building, due diligence for non-profit organizations is generally less onerous than for traditional private sector partners. Below is a summary of actions taken to determine IA's reputation and public standing.

Summary of IA. IA was formed in 1989 to coordinate and improve the effectiveness of the international market development, research and technology activities of the industry. Their mission is "to promote the unique attributes that make this sustainable element an essential contributor to the formation of life, to advances in science and technology, and to a higher standard of living worldwide." IA is a not-for-profit, 501(c)(6) organization with 36 member companies representing 80 percent of the world's refined output. IA is responsible for guiding strategy and policy, and funding international initiatives that help deliver the benefits in 50 countries around the world. Headquartered in New York, IA executes programs and initiatives through regional offices in Brussels, Santiago, Singapore, and New York.. IA also underwrites extensive original research.

IA Annual Report, 2003. The 2003 Annual Report summarized the organizations efforts over the past year and highlighted key achievements. (The 2004 report is not yet available.) IA is presented as a highly reputable association, with a high level international Board, numerous regional and country offices worldwide, a high regard for social development and environmental sustainability. Summary financial statements were provided for 2001-2003 (2003 were as yet unaudited). In 2003, IA showed over $33m in revenues and $32.8 in expenditures. (A hardcopy of the report will be retained in the Energy Team GDA files.)

Dun & Bradstreet Report. USAID's Center for Development Information and Evaluation (CDIE) initiated a Dun & Bradstreet report for IA. IA is classified as a ER5 company (20-49 employees) with a reasonable credit history (3-month D&B Paydex of 45, 12-month D&B Paydex of 46). Current registered assets include $4.5m and the total liability to net worth ratio is listed as 85.9. There were no significant issues flagged in the report. (A hardcopy of the report will be retained in the Energy Team GDA files.)

Corporate Image, Social Responsibility, Environmental Accountability. IA appears to have a very positive corporate image. Their corporate governance indicates a high degree of oversight by their members, Board of Directors, Advisory Committee and Program Review Committee. As a non-profit entity, their organizational mandate and mission statement include very strong positive social and environmental messages. Web searches found numerous press releases praising IA for supporting various events and initiatives that had strong environmental and health components. There were no pending legal actions or grievances found in the various searches undertaken.

Past Performance References. IA provided a number of U.S. Government references for additional background information. These included agencies hired by IA (Lawrence Berkeley National Laboratory), agencies that hired IA (Oak Ridge National Laboratory) and agencies that co-funded efforts in parallel with IA (Department of Energy, LBNL). Four references were contacted and two responded. Both rated IA as a highly competent and reputable partner. (Copies of responses will be kept in the GDA file.)

Other Factors. As the CTO for this Alliance, I have known of IA's work in the energy sector for about 8 years. During this time, I have found IA to be of the highest ethical and social standards. I reviewed a sample of the international development projects IA has supported over the past several years and found them to have very positive social and environmental contributions to the host countries. (A sample of past IA projects is included in the GDA proposal, dated February 28, 2005, and included in the Energy Team's GDA files.) IA is also a member of various networks (e.g., the Global Village Energy Partnership, which is part of a U.S. Presidential Initiative led by USAID), organizations (e.g., GETF, which USAID has had a cooperative agreement with since 2002), and is a Board member of the International Institute of Energy Conservation (IIEC), which USAID has had a cooperative agreement with since 1997. IA is not registered with USAID's Office of Private and Voluntary Cooperation and has not been independently reviewed by the Calvert database, since they are an NGO.

Potential Issues. IA is an association, representing some 37 companies worldwide. Their members include mining and production companies, fabricators, and wire and cable companies. While there are no specific outstanding issues associated with the industry, the extractive industry in general has had a checkered past with its social and environmental performance. However, it is not necessary that these concerns extend to any of the IA members. At present, it is simply not feasible nor practical to assess the corporate standing of all of IA's members. However, should the Alliance lead USAID to develop partnerships for agreed projects with individual IA members, it would be appropriate to assess these companies in more detail at that time to protect against potential reputational risks and embarrassment to USAID.

Conclusion. Based on the above information and analysis, there does not appear to be any underlying factors that should preclude USAID from entering into a partnership with IA. By all accounts, IA has shown strong corporate responsibility over its 16 years in operation. The proposed GDA will seek to cultivate a strong partnership between USAID and IA and help each organization leverage each others resources, bring substantial benefits in the development agenda.

SAMPLE 2

MEMORANDUM	**January 2006**
TO:	USAID Files
SUBJECT:	Due Diligence Review of Company X for a Global Development Alliance
SOURCES:	Company X. website
	2003 CSR Report
	2004 Annual Report
	Calvert Social Research, as of April 15, 2005
	Fortune, September 5, 2005
	Hoovers, September 16, 2005
	PR Newswire, August 17, 2005
	Africa News, August 19, 2005
	Global Insight Daily Analysis, August 12, 2005
	Financial Times, August 30, 2005
	Report on Public Private Alliances in USAID/Country X, by Eric Parker, September 2004
	The Mineral Industry of Country X, by George J. Coakley, from The U.S. Geological Survey Minerals Yearbook—2003

Background. The USAID/Country X mission, established in 1996, began partnering with Company X (subsequently rebranded as Company X) Country X operation in 1999 to provide vocational training, agribusiness development, and health services. The largest foreign aid donor to Country X, the United States has been active in the country since 1989, providing food, healthcare, clean water, and sanitation services. Company X, the largest oil producer in Country X, has been active there for decades, accounting for more than two-thirds of the country's petroleum production.

In 2002, the government of Country X asked Company X to make a social investment in the country. Company X had substantial capacity but lacked development expertise, so the firm inquired at USAID about a public-private alliance. In the end, USAID and Company X agreed to spend $X million over five years on development projects aimed at repairing the extensive economic and social damage that resulted from 27 years of civil war. To fund this development relief activity benefiting up to XX families in six provinces, Company X will donate $X million which the Agency will then match. As additional projects are identified, USAID will continue to accept and match Company X contributions.

Due Diligence Summary. Below is a summary of actions taken to determine Company X's reputation and public standing:

Calvert Report Summary: Since the Company X merger in 2001 and the addition of Unocal in 2004, Company X has become the 5th largest oil producer in the world, with over X billion barrels of oil-equivalent. Two-thirds of Company X's barrels per day of oil production comes from outside the United States, where the company has operations in 180 foreign countries. In addition to oil exploration and production, Company X is also active in the natural gas industry, as well as oil refining and distribution, chemicals, and alternate energy sources, such as coal and electricity.

Fortune: Ranked at #6 on the list of Fortune 500 companies, Company X brought in $X billion in revenue in 2004—53 percent of which came from abroad—and Wall Street expects it to bring in $X billion this year.

Corporate Website financial highlights: In 2004, Company X "delivered the strongest financial performance in its 125-year history. Net income was $X billion. We outperformed our peers in return on capital employed, a key measure of overall company performance. We strengthened our balance sheet, reducing our debt level by $X billion, and achieved a 5-year stockholder return rate of 7.2 percent, which led its three largest peers and outpaced the S&P 500 by 9.7 percent over the same period.

Hoovers: Company X's acquisition of Y increased its oil reserves by 15% and its presence in India and SE Asia, including China. It also eases supply access from the Caspian Sea to the United States. Company X recently followed the cost-saving trend set by ExxonMobil of selling off stakes in other joint ventures, such as refining and marketing firms Equilon and Motiva.

The Mineral Industry of Country X: Company X primarily operates in Block 14 in Country X, where it has more than 3 billion barrels of reserves. It is also active in Block 0 and at the Natural Gas plant, of which it holds a 32% stake along with the state-owned oil company Sonangol.

Corporate Social Responsibility and Environmental Accountability:

Company X 2003 CSR Report: For the year, Company X made contributions of $X million (including $X to Africa) on behalf of education, environment, and community-related causes. Company X is a founding sponsor of the Trans-Atlantic Partners Against AIDS (TPAA), operating mainly in Russia and Ukraine. It has also partnered with the National Conference for Community Justice to initiate the September 11th Anti-Bias Project. In labor migration, Company X is proud that at the end of 2003, approximately 96% of global employees worked in their country of origin, including 46% of senior-level executives.

Company X 2004 Annual Report: "Our Board of Directors held a meeting in Country X to review our business operations, witness our community engagement projects, and visit with the country's leadership. It was one of the first times a Board from a major multinational company has met in sub-Saharan Africa, and it was an affirmation of our continuing commitment to this continent." Company X claims that "an estimated 700,000 Country Xs have benefited from a partnership initiative to support the country's agricultural development," including a $50 million civil war reconstruction project.

PR Newswire: "Results of Company X's 2004 Global Employee Survey indicated that 86 percent think Company X operates responsibly in society and the communities in which it operates, and 82 percent say they are treated with dignity and respect … and 89 percent of employees think the company acts responsibly in relation to the environment." In 2004, Company X decreased greenhouse gas emissions by over 1 million metric tons of CO_2 equivalent, decreased oil spill volume by 42%, and was asked by the U.S. Department of Energy to lead a consortium to explore the practical applications for hydrogen infrastructure and fuel cell vehicles.

Along with the government of Country X, Company X negotiated a "groundbreaking" public announcement of a $X million signing bonus and an additional $X million social bonus for the $X billion Benguela-Belize offshore project. Company X has a 31% share and considers this one of the firm's "Big 5" worldwide projects.

Africa News: BP partnered with Coca Cola and Company X, among others, to promote the Club of Young Friends of English in Country X's Sixth Anglophone Festival. The purpose of the Fair is to promote, teach, and practice English language skills.

Global Insight Daily Analysis: "More than 30 Country X workers have been suspended by the Cabinda Gulf Oil Company Ltd (CABGOC), the local subsidiary of US major Company X. According to a report by Antena Commercial (LAC), 36 workers have been suspended for their involvement in a short-lived strike over pay last month."

Financial Times: In Country X, front-end engineering and design work is scheduled to begin in the first half of 2005 for the construction of a multibillion dollar LNG processing plant that also will help eliminate natural gas flaring associated with crude oil producing operations. The company has a 36 percent ownership interest in the plant and will co-lead the project.

Findings from USAID report - "The Public-Private Alliances of USAID in Country X (September 2004):

The primary challenge for this alliance from USAID's point of view has been Company X's shift of managerial responsibility from its US headquarters to a local office in Country X, which "has entailed a learning process for USAID." The local Company X team in Country X is still working on its strategic framework, "which is likely to help USAID increase its understanding of Company X locally." The USAID/Country X mission recognizes the need for relationship building and institutionalizing of systems in the future, in order to advance and maintain development goals when personnel turnover occurs. Company X realizes the need for de-centralization through the involvement and empowerment of local NGOs. Because of this social awareness, as well as its capacity and long-term presence Company X is well positioned to work with USAID in Country X for the long term.

SAMPLE 3

MEMORANDUM **January 2006**

TO: USAID FILES

RE: Company X Due Diligence File – Decision Memo

DATE: 26 January 2006

The USAID/Country X Mission has carefully considered the arguments for and against working within the extractives industry in Country X in a partnership with Company X Corporation. USAID/Country X acknowledges that there are many challenges to be faced in the extractives industry; however, after a careful review of the attached due diligence and in recognition of Company X and USAID's history of successful collaboration, USAID/Country X has chosen to pursue a partnership with the Company X Corporation.

Company X and USAID consider leveraging resources through alliance building to be a necessary ingredient towards accomplishing tangible results and making lasting impact on the lives of targeted beneficiaries. Both parties are looking to build upon the successes and lessons learned from previous collaborative efforts and undertake a second generation alliance named the Country X Partnership Alliance (APA).

USAID/Country X feels as though Company X will be a strong partner for the following reasons:

Company X's presence in Country X: Company X has been producing oil in Country X since 1965 and has a long history of supporting reconstruction and development in Country X. According to the Company website, Company X is the largest producer of crude oil and liquefied petroleum gases in Country X, as well as the largest producer on an oil-equivalent basis, with total oil production of approximately X barrels per day. Company X is also the Nation's largest foreign oil industry-employer with approximately X Country national employees (X percent of work force).

Company X also has operations and social development projects in the main oil producing province Cabinda. Cabinda is a difficult province in which to work with a history of conflict and human rights violations, therefore, it is an important area for Country X's development.

Company X and USAID have a successful history of working together: Company X is a trusted partner of USAID and received USAID's Global Development Alliance Excellence Award in 2003. USAID and Company X have a history of successful collaboration, showcased by USAID/Country X's earliest and most mature corporate partnership to date -- the Enterprise Development Alliance. With the Country X peace accord of April 2002, which ended nearly 27 years of civil war, USAID and Company X recognized common goals of promoting private sector development in Country X "that is socially just, economically sustainable and environmentally sound." As a result an MOU was signed between Company X and USAID in November 2002 to promote small scale enterprise and agricultural development in 5 Country X provinces. The MOU formalized Company X's intent to invest up to $X million over five year (2002-2007), furnished to USAID for matching with an equivalent amount of USG funding, for a total of $X million.

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

Company X is committed to Country X's development: International businesses operating in Country X have clauses in their operating agreements with the government of Country X (GRA) that require some level of social investment. However, it is clear from our interactions with companies like Company X that they are motivated by more than government requirements and good public relations. An advertisement for Company X in "the Economist" cited the CSR alliance with USAID and offered this as an example of Company X's philosophy of sustainable economic development, providing a "leg up rather than a handout". That this is not just cynical advertising is evident in Company X's selection of staff to manage its CSR programs. Not only has Company X established an office in Country X of approximately X staff members who are solely focused on social programming, but in addition the head of that unit is a committed development professional who comes out of the PVO community.

Company X has a long history of being an active partner in the Country X community with investments in education, health, environment, agriculture, human capacity building, and infrastructure. It is notable that Company X is acting in Cabinda because of that province's importance to its offshore operations. But it is also acting, with USAID, in the provinces of the Planalto region and, on its own, in Kuando Kubango, along the border of Namibia and far from its direct interests.

Company X also works with other international partners: Company X's commitment to development has been noticed by many other international organizations. For example, in Country X Company X is also partnering with the United Nations Development Program (UNDP) and has agreements in place with several other international NGOs.

USAID aims to reform the extractives sector: Company X's corporate approach and capabilities in CSR have clearly grown as a result of the Enterprise Development Alliance and continuing partnership with USAID. Last year, Company X recognized the need for formalized development objectives and thus developed an Country X CSR strategic plan for the period of 2004-2007, establishing progressive guidelines for project identification, clear objectives and intended development outcomes.

The Company X program gives priority to the agricultural sector and also supports micro and SME development, health and education. Company X's CSR program in Country X seeks to build the capacity of government and non-governmental development organizations (NGOs) in Country X; promote peace and stability, particularly in the highest risk areas; reduce poverty and diversify the Country X economy; and improve health and education standards for current and future generations.

Company X is working to make the extractives industry more transparent: In 2004, Country X awarded Company X anextension of its concession. At Company X's urging, the government to published the amount of the signing bonus, $X million. A social bonus of $X was earmarked for development projects, and a portion of that reserved for the Cabinda region. In announcing the extension, a Government official stated: "The government of Country X understands that good governance is a cornerstone of good business, and that it is in our own interest to make progress in this important area."

There is an additional issue to consider with this new generation of USAID partnership with Company X. The nature of the funding streams will be changing to incorporate Block funding as opposed to solely Company X corporate funding:

Funding Streams: Company X funds for social programming in Country X are derived in part from the offshore block operations developed and co-managed with the Government of Country X, as well as separate corporate funds assigned from Company X headquarters.

USAID has carefully considered these different funding streams. In the past, partnership money from Company X came solely from Corporate headquarters. However, starting in year two of the APA alliance, Company X will begin to use oil concession money for their contribution to the USAID partnership. At this point in time, the money will not be gifted directly to USAID but will be parallel financed to the APA implementing organization (to be chosen by USAID and Company X based on the recently released Request for Applications).

As the operator, it is Company X's responsibility to administer the budget of the concessions from Block 0. We understand that government has influence over this process and is consulted by all blocks before any financial or material commitments are made. This budgeting process happens at the end of each year and therefore by the beginning of the new calendar year, 100% of the social funding should be available for disbursement.

APPENDIX XXIV: SAMPLE UMBRELLA MEMORANDUM OF UNDERSTANDING

2006-2009

MEMORANDUM OF UNDERSTANDING

between

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

and

ROTARY INTERNATIONAL

®

2006-09

MEMORANDUM OF UNDERSTANDING

governing cooperation between

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

and

ROTARY INTERNATIONAL

This Memorandum of Understanding (hereinafter referred to as "Memorandum"), by and between The United States Agency for International Development (hereinafter referred to as "USAID"), a U.S. federal government agency (1300 Pennsylvania Avenue, N.W., Washington, D.C 20523), and Rotary International (hereinafter referred to as "RI"), 1560 Sherman Avenue, Evanston, IL 60201, an Illinois not for profit corporation (hereinafter each referred to as a "Party" and collectively as "Parties").

Whereas:

USAID is an independent federal government agency that receives overall foreign policy guidance from the Secretary of State. USAID supports international development and advances U.S. foreign policy objectives by supporting economic growth, agriculture and trade; global health; democracy and conflict prevention; and humanitarian assistance in: Sub-Saharan Africa, Asia and the Near East; Latin America and the Caribbean, and Europe and Eurasia.

RI is an organization of business and professional leaders united in more than 32,000 Rotary clubs worldwide, who provide humanitarian service, encourage high ethical standards in all vocations, and help build goodwill and peace in the world;

USAID and RI desire to cooperate in order to pursue their common objectives in humanitarian response and international development;

Now, therefore, conscious of the benefit of close and systematic cooperation between USAID and RI on matters of common interest, and desirous of further enhancing and strengthening such cooperation,

The Parties now agree as follows:

ARTICLE I: PURPOSE OF THE MEMORANDUM

The purpose of this Memorandum of Understanding ("MOU") is to set forth the understandings and intentions of USAID and RI with regard to shared goals in countries where the Parties may wish to pursue joint activities. These shared goals include the following:

To carry out the purposes of this MOU, and to support achievement of the United Nations' Millennium Declaration Goals (attached as Exhibit A), the Parties, subject to the availability of funds, contemplate a projects of joint support in sectors supporting economic growth, agriculture and trade; global health; democracy and conflict prevention; and humanitarian assistance.

To promote public-private partnerships in these sectors that embody the core principles of:

- Local ownership, participation and governance;

- Strategic and efficient impact at scale;
- Technical excellence and innovation; and
- Financial and ecological sustainability.

Specific joint efforts of the parties may include:

Establishing efficient and effective mechanisms to facilitate new and enhance existing working relationships between Rotary clubs, districts, other Rotary entities, USAID Missions and implementing organizations to achieve these goals;

Markedly increasing the scale of impact of RI and USAID's collaborative activities in sectors of common interest;

Strengthening capacity of local Rotary clubs, USAID partners, and local communities to design and implement activities of common interest;

Engaging local opinion leaders, international institutions, and community-based organizations to support the alliance in achieving its objectives in target countries;

Providing opportunities for Rotarians to exercise leadership in their respective countries and demonstrate their commitment to community service; and

Promoting learning within and between USAID and Rotary International, reflecting field experience from around the world.

The Parties contemplate that they will plan and implement projects of mutual interest through one or more Project Memoranda of Agreement, subject to the provisions of this MOU.

ARTICLE II: NOTICES

For the purpose of this MOU, notices to the U.S. Agency for International Development shall be made to the attention of the following office and accompanying address:

USAID
Office of Global Development Alliances
1300 Pennsylvania Ave., NW
Washington, DC 20523

For the purpose of this MOU, notices to Rotary International shall be made to the attention of the following office and accompanying address:

ARTICLE III: MISCELLANEOUS

1. Upon its entry into force, both parties intend to disseminate this Memorandum within their respective organizations.
2. Unless otherwise amended, this MOU will terminate on _____________. Additionally, either party may terminate this Memorandum at any time with or without cause by providing written notice to the other Party at the address stated in the Notices section of this MOU. Termination will be effective upon the date stated in such notice. Upon termination of this Memorandum, RI and USAID shall

negotiate in good faith toward a resolution on actions to be taken concerning cooperative work, if any, which may be in progress.

3. This MOU may be amended in writing by the Parties. Authorized representatives of the Parties may enter into one or more Project Memoranda of Agreement to plan and implement joint projects subject to this MOU; however, such authorized representatives may alter any terms of this MOU.

4. The Parties enter into this MOU while wishing to maintain their own separate and unique missions and mandates, and their own accountabilities. Each party shall accept full and primary responsibility for any and all expenses incurred by each party relating to this Memorandum. Neither party will be responsible for any expenses incurred by the other party unless specifically agreed to in advance in writing. Unless specifically provided otherwise, the cooperation between the Parties outlined in this MOU is not to be considered or construed as a partnership or other type of legal entity or personality. Nothing in this MOU shall be construed as superseding or interfering in any way with any agreements or contracts entered into between the parties, either prior to or subsequent to the signing of this MOU. The Parties specifically acknowledge that this MOU is not an obligation of funds, nor does it constitute a legally binding commitment by any Party. Nor does it create any rights in any third party.

IN WITNESS WHEREOF, the undersigned representatives of USAID and of Rotary International have signed this present Memorandum of Understanding as of the date and year set forth below.

FOR ROTARY INTERNATIONAL	**FOR USAID**
Ed Futa General Secretary	______________________ Authorized Representative for the U.S. Agency for International Development
__________________________ Date	__________________________ Date

APPENDIX XXV: SAMPLE ACTIVITY MEMORANDUM OF UNDERSTANDING

MEMORANDUM OF UNDERSTANDING

between

CHEVRON

and

THE UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

in furtherance of

THE SMALL SCALE ANGOLA PARTNERSHIP ALLIANCE

Whereas, Chevron and the United States Agency for International Development, hereinafter referred to as the "Parties" share a common interest in reinforcing Angolan efforts to promote sustainable development and broad-based economic prosperity.

Whereas, Chevron has been producing oil in Angola since 1965 and has a long history of supporting reconstruction and development in Angola. With the onset of peace in Angola in 2002, Chevron created the Angola Partnership Initiative (API) to support the reconstruction and development of Angola;

Whereas, the United States Agency for International Development, hereinafter referred to as "USAID," has had a field staff presence in Angola since 1996 to help support Angola's transition to a stable, economically self-sufficient and sustainable democracy and;

Recognizing that, the Parties have a history of successful collaboration in Angola, showcased by the Enterprise Development Alliance, a joint program of assistance begun in 2002 to promote agricultural development and increased access to finance;

Now, Therefore, building on the successes and lessons learned from previous collaborative efforts, the Parties agree to jointly undertake a second generation alliance designated the Angola Partnership Alliance (the "Alliance" or "APA").

ARTICLE I. PURPOSE

The purpose of this Memorandum of Understanding ("MOU") is to set forth the understandings and intentions of the Parties with regard to their shared goals under SSEA.APA. The Parties are entering into this MOU while wishing to maintain their own separate and unique missions and mandates, and their own accountabilities. Nothing in the MOU shall be construed as superceding or interfering in any way with other agreements or contracts entered into between the Parties either prior to or subsequent to the signing of this MOU. The Parties further specifically acknowledge that this MOU is not an obligation of funds, nor does it constitute a legally binding commitment by any Party.

ARTICLE II. UNDERSTANDING OF THE PARTIES

A. Nature of the Programs Supported

The Parties agree that under the terms of the MOU, they will jointly support programs to promote municipal development, the creation of effective value chains in the agricultural sector, and the registration of land. They will also jointly support other activities that serve to strengthen the partnership and programs under the partnership. Other areas of collaboration may be considered at a later date.

B. Additional Alliance Partners

The Parties agree on the value of bringing other partners into the jointly supported programs referenced above. Whether the Chevron-USAID partnership is broadened to incorporate the new partner or whether the new partner collaborates only with one of the Parties is a decision to be taken jointly by the Parties.

C. Public Outreach

The Parties will collaborate in the development of outreach and education materials regarding the programs for both Angolan and international audiences. Where relevant, branding will be accomplished in accordance with the Parties' respective legal, policy and procedural requirements.

The Parties will respect each others' confidentiality policies, with the mutual understanding that both Parties intend to publicize the Alliance and its objectives without disclosing any confidential or proprietary information of either Party.

ARTICLE III. ROLES AND RESPONSIBILITIES OF THE PARTIES

A. Program Funding

Anticipated funding levels are described more fully in Article IV below. Chevron may choose to obligate its funding to the implementing partner(s) either directly or through USAID. USAID may choose to obligate its funding to implementing partner(s) either directly or through Chevron.

B. Program Management and Oversight

To the extent the Parties are contributing a similar level of resources to the respective programs, the Parties will endeavor to manage the Alliance as an equal partnership. Work plans, quarterly and/or semi-annual reports, and other key program documents will be jointly reviewed; and comments and instructions to implementing partners will be coordinated to avoid both duplication and contradiction. Unless otherwise agreed in writing by the Parties, formal communications and instructions to the implementing partners will come from the Party which obligated the funds in question to the implementing partner.

C. Program Reviews

The Parties will, for each program, host semi-annual reviews which invite the participation of the respective implementing partners; host country counterparts in the government, non-government, and private sector; and other funding partners. The format for each review will be jointly agreed to by the Parties.

D. Governing Standards, Regulations and Procedures

The Parties will endeavor to assure that their standards, regulations and procedures are harmonized so as to not create undue reporting and other burdens for the implementing partner(s). In instances in which harmonization is not possible, the standard, regulation or procedure of the obligating party will govern.

E. Strengthening and Maintaining the Partnership

The Parties recognize the ambition of their undertaking and the need to maintain the health of the Chevron-USAID partnership in order to better assure the success of the programs undertaken. In this regard, the Parties agree that, in addition to and separate from semi-annual program reviews, they will hold semi-annual Partnership Reviews. The purpose of these reviews will be discuss Alliance relationship matters, such as how information sharing and channels of communication are working, the level of satisfaction with joint management, and other such matters.

ARTICLE IV. FUNDING SOURCES

A. Year One Funding for APA

Chevron: Chevron corporate funding, through the Angola Partnership Initiative (API), will be used in the 1st year of the Angola Partnership Alliance (APA).

The Chevron contribution is expected to be furnished to USAID pursuant to Section 635(d) of the Foreign Assistance Act of 1961, as amended (FAA), at such intervals and in such amounts as determined by Chevron, and will be received, maintained, managed, obligated and expended in accordance with USAID legal, policy and procedural requirements.

Chevron understands and agrees that its contribution to SSEAAPA will be used by USAID to implement SSEAAPA activities that are mutually agreed to by the Parties, subject to Section VIII, below, and that such activities will be designed, developed, implemented, monitored, evaluated and reported in accordance with applicable USAID legal, policy and procedural requirements.

USAID: USAID will receive, maintain, manage, obligate, and expend Chevron contributions in accordance with applicable USAID legal, policy and procedural requirements. USAID will utilize Chevron contributions to support SSEAAPA activities that are mutually agreed to by the Parties, subject to Section VIII, below.

In order to implement SSEAAPA activities that are mutually agreed upon by the Parties, USAID will enter into cooperative agreement with implementing partners that have been jointly selected by the Parties. USAID will obligate, solicit, solicit, award, commit and disburse funds and carry out operations pursuant to this MOU in accordance with USAID legal, policy and procedural requirements.

Assistance furnished by USAID under this MOU and assistance furnished with Chevron contributions made pursuant to Section 635(d) of the FAA, are considered United States assistance under the Economic, Technical and Related Assistance Agreement between the Government of the United States and the Government of the Republic of Angola signed in Luanda and entered into force April 6, 1996.

B. Year Two through Conclusion of APA

Beginning in year 2 of the APA, Chevron’s contributions to the programs will increasingly come from Chevron operated concessions in Angola. Thus, from year 2 onward, there will be instances in which Chevron and USAID will parallel finance programs anticipated under this MOU. Generally, the money from Chevron operated concessions will be used for “hard” side programs, such as grant funds for small-scale infrastructure improvements. Generally, USAID funds will be used for “soft” side programs such as community organization, local government capacity building, participatory decision-making, and accountability of government officials to their communities.

ARTICLE V. SUMMARY OF CURRENT PROGRAM PLANS

A. Municipal Development Program

The first programmatic component of the APA is the Municipal Development Program (MDP).

1. Purpose of the MDP

The purpose of the Municipal Development Program is to increase the accountability of municipal governments to the communities they serve and to achieve broad community participation in decision-making and oversight of local public investments. These public investments will increase access to essential services, support economic opportunities, and/or improve environmental conditions.

2. Program Funding

Chevron: Chevron will endeavor to contribute $1.5 Million United States Dollars ($1,500,000) to the MDPSSEA per year for three (3) years (2006-2008) following the effective date of this MOU, with the potential for extending the program an additional two (2) years, subject to the mutual agreement of the Parties.

USAID: USAID will endeavor to contribute $1.5 Million United States Dollars ($1,500,000) to the MDPSSEA per year for three (3) years (2006-2008) following the effective date of this MOU, with the potential for extending the program an additional two (2) years, subject to the mutual agreement of the Parties.

3. MDP Summary

The Parties agree to support municipal development activities in the four provinces of Bie, Cabinda, Kuando Kubango, and Huambo. SSEAMDP will operate in one municipality in each province. The Municipalities are yet to be selected but will be in areas already served by “Decentralization and Local Governance” (DLG), a UNDP financed project within the Ministry of Territorial Administration and/or by the “Fundo de Apoio Social” (FAS), a majority World Bank financed program within the Ministry of Planning.

MDP activities will vary from geographic area to geographic area, depending on whether FAS, DLG or others are working in that area and how much thus far has been accomplished. Activities may be structured to focus oon the following areas and that such focus areas support the shared goals of the Parties:n areas such as:

Community organization

Municipal administration development activities (training and technical assistance)

Facilitation of community-driven municipal planning and decision-making on local infrastructure needs

Management of small grants funds to support the construction of selected local infrastructure

To increase rural household incomes and enhance food security and supply in the targeted provinces as quickly as possible, the Parties agree that initial SSEA activities will concentrate on focus areas D and E.

B. Agricultural Development and Finance Program (ADFP), including the Property Rights Program (PRP)

The second programmatic component of the APA is the Agricultural Development and Finance Program (ADFP), including the Property Rights Program (PRP). The two programs are linked because of the potential PRP has for helping ADFP-supported farmer associations to register communal lands and to enter into commercial agreements with private sector businesses.

1. Purposes of the ADFP and PRP

(a) The purpose of the Agricultural Development and Finance Program is to develop an integrated commodity value chain in Angola that links smallholder and medium scale farmers, financial institutions, agricultural input suppliers, and other agribusinesses.

(b) The purpose of the Property Rights Program is to assist communities in formalizing property rights and accessing opportunities for direct financial investment, and to assist the Government in improving its capacity to implement a successful land registration program.

2. Program Funding

Chevron: Chevron will endeavor to contribute $1 Million United States Dollars ($1,000,000) per year to ADFP for a period of three (3) years (2006-2008) following the effective date of this MOU, with the potential for extending the program an additional two (2) years, subject to the mutual agreement of the Parties. During years one, two, and three, Chevron's annual contribution of $1 Million will be divided $875,000 to the ADFP and $125,000 to the PRP.

USAID: USAID will endeavor to contribute $1 Million United States Dollars ($1,000,000) per year to ADFP for a period of three (3) years (2006-2008) following the effective date of this MOU, with the potential for extending the program an additional two (2) years, subject to the mutual agreement of the Parties. During years one, two, and three, USAID's annual contribution of $1 Million will be divided $875,000 to the ADFP and $125,000 to the PRP.

3. ADFP and PRP Summaries

(a) Over the next three years, ADFP aims to create greater business opportunities and capabilities of small and medium scale farmers, and related entrepreneurs through the promotion of a commercially and financially viable commodity value chain. The challenges to establishing viable and sustainable coordination along the commodity value chain include: Angolan farmers have high production costs and low output; access to finance is severely constrained; and supermarkets and other market operators who seek to procure local products are driven by factors such as cost, consistency of supply, and product attributes such as quality and diversity. Therefore ADFP has four components:

Expand Access to Financial Services for Farmers and other Agribusiness Enterprises: Facilitate sustainable relationships between commercial banks and agricultural enterprises, including farmer organizations. Technical assistance and other support provided to banks to encourage delivery of financial services (i.e., savings and loans) to the agricultural sector and to acquire the tools and knowledge necessary to cater to agribusinesses and farmers. Assistance to small and medium scale farmers and agricultural enterprises to help create viable business plans for funding.

Enhance Production and Productivity of Selected Crops: Provide technical assistance in agricultural production to improve quality, with particular emphasis on integrated pest management, modern crop husbandry techniques, crop scheduling, soil protection, and irrigation.

Improve Processing Practices: Focus on post harvest handling techniques and technology. Includes technical assistance resulting in improvements in areas such as sorting and grading, packaging, safe transportation of fruits and vegetables, and storage.

Improve Marketing Strategies: Assist participants in the agricultural sector to identify market opportunities, improve marketing strategies, establish market information systems, and form business contracts and alliances.

(b) Through the PRP, Chevron and USAID will assist communities in formalizing community property rights and facilitating linkages with appropriate commercial enterprises and assist Government in increasing its capacity to implement a successful land registration program. Specific activities may include assisting with land demarcation and registration, assistance to communities in development of bylaws governing common resource use, technical assistance and training to Government staff.

To increase rural household incomes and enhance food security and supply in the targeted provinces as quickly as possible, the Parties agree that initial SSEA activities will concentrate on focus areas D and E.

ARTICLE VI. TERM

The Parties agree that this MOU may remain in force for at least three (3) years following its effective date, with the potential for extension, subject to the mutual agreement of the Parties.

VII. AMENDMENT

This MOU may be amended through written agreement of the Parties.

VIII. TERMINATION

Any Party may terminate this MOU by giving the other Party thirty (30) days written notice. Chevron understands and agrees that any contribution made by it to USAID pursuant to Section 635(d) of the FAA shall not be returned in the event of termination of this MOU, but instead shall be used by USAID to continue implementation of agreed upon SSEAAPA activities, to the extent feasible and practicable, as determined by USAID, or to support other activities that contribute to the achievement of the Parties original objectives in entering into this MOU, which also support USAID’s strategic objectives for Angola.

IX. EFFECTIVE DATE

This MOU is effective upon the signature of all Parties.

In witness thereof, the Parties, each acting through their duly authorized representatives, have caused this MOU to be signed in their names and delivered as of this day the 2006.

Chevron Corporation (TBD)	**United States Agency for Development**
By: ______________________	By: ______________________

APPENDIX XXVI: DESCRIPTION OF GDA REPORTING FROM ANNUAL REPORT

In the last two fiscal years, the Global Development Alliance (GDA) model has evolved from a handful of alliances funded through the GDA Incentive Fund to a more robust model utilized and funded by U.S. Agency for International Development (USAID) bureaus, offices, and missions around the world.

HISTORICAL BACKGROUND

The reporting of these alliances has also greatly changed. In FY 2002, GDA only collected alliance data that received support through the GDA Incentive Fund or a mission's incentive fund. In FY 2003, however, GDA developed a sophisticated yet cumbersome alliance template that was distributed to missions and bureaus worldwide. Unfortunately, this process proved to be additional clerical work for missions and was abandoned the following year.

As a result, GDA currently works with the Bureau of Policy and Program Coordination (PPC) to collect data on alliances through the information reported by bureaus and missions in the Agency's Annual Report process. The reasons that GDA has decided to collect its data in this manner include:

1. Streamlining the reporting processes of the Agency so that missions and bureaus can input GDA related data at the same time as reporting other Annual Report data.
2. Providing a more comprehensive approach to reporting alliance activities than was being provided by alliances that were solely funded from GDA or bureau incentive funds.
3. Addressing the recommendations offered by the Inspector General's Audit Report No. 9-000-05-006-P, Audit of USAID's Global Development Alliances, July 21, 2005.

WHAT GDA REQUIRES IN THE ANNUAL REPORTS

GDA asks that missions and bureaus report the following data in the Annual Report:

Alliance Name: Official name of the public-private alliance.

Sector: Primary sector for the alliance activities.

Start year: Fiscal year the alliance began.

Expected Duration: Expected number of years the alliance will be funded.

Countries in Alliance: Countries where the alliance has had or will have activities. If the alliance is global in nature, GDA asks that the regions where it has activities be included.

USAID Alliance Manager Contact Name: Identify the USAID employee who manages the alliance.

Partners: GDA asks for all alliance partners and their type of organization.

Alliance Objective: Summarize the alliance objective and report any results achieved to date under the alliance from its inception or start year. For alliances that have been in existence for multiple years, it is requested that most recent results be separated from prior-year results.

Obligations for All USAID Operating Units: Every FY 2005 GDA requires that the *real dollar* amount for all USAID Operating Units contributing to the alliance be reported.

It is important to note that past FY data cannot be altered. If a cognizant technical officer (CTO) wants update FY 2003 and FY 2004 obligation amounts, he or she will need to email the information to the appropriate staff member in GDA.

Partner Contributions: Here, total partner contributions for cash and in-kind contributions are reported. Please notice that *cash and in-kind are reported separately*.

Projected Funding for the Life of the Alliance (Including Future Years): Enter the sum total obligations for FY 2002, 2003, 2004 and 2005 plus the estimated future year(s) contributions from USAID. Also, enter the sum total for FY 2002, 2003, 2004, and 2005, plus the estimated future year(s) partner *cash and in-kind* contributions.

When all of this information is completed, PPC generates a excel file of the data and distributes it to GDA for its database.

Modifications for Future Reports:

There are two additional entries that could be optional for missions and bureaus to improve the veracity of the numbers reported in the Annual Report:

1. When reporting GDAs in the Annual Reports, it would be helpful if a space were provided for comments on the alliance. This would help to avoid many inevitable questions about unclear data.
2. It would also be helpful if there were a mechanism for CTOs to attach documents related to the alliances they are reporting on. These could include CNs, memoranda of understanding, concept papers, etc. Not only would this help GDA and other missions to better understand the alliance, but it would be especially beneficial to agency staffers who use the online database.

APPENDIX XXVII: PARTNER ANALYSIS WORKSHEET

This worksheet is a tool to help facilitate alliance building with potential partners. Additional columns may be added if multiple partners are involved. This worksheet can be used to:

1. Prepare for a meeting with potential partners

2. Help assess fit between USAID and potential alliance partners by comparing interests, needs, objectives, issues, and resources.

TABLE 1: PARTNER ANAYLSIS WORKSHEET TEMPLATE

Variables	USAID	Potential Partner (Company X)
Interests	What are your mission/Strategic Objectives team's areas of interest?	What interests does the company have in your country? Does it have any social initiatives? (Reference materials may include: company web site, annual report, corporate social responsibility (CSR) report, major press reporting on problems, business challenges etc.)
Needs	Do you have budget needs that are unmet? Do you have limited technical expertise in any areas? Are project approaches lacking scale? Has the mission developed workable solutions that could benefit from broader dissemination and replication?	Does the company need USG support? Is the company trying to – Improve its image? – Improve its relationship with its local suppliers? – Expand its markets or extend its product offerings? – Collaborate on finding new solutions to business problems? – Need to share risk, responsibility and resources in addressing business challenge?
Objectives	What are your mission's/team's objectives that can be advanced through an alliance with new partners?	What business objectives, community objectives, and broader corporate social responsibility objectives is the company trying to meet?
Problems/Issues	Do you have budgetary limitations that hamper the impact of your programs? Would private sector technical and managerial skills, products, services, supply chains, employment opportunities, etc. help you operationalize your objectives?	Is the reputation of the company at risk in your country? Is the company concerned about its employee's health (HIV/Malaria, etc.) and looking to do something about it? Is the company looking to improve its environmental practices but needs partners? Are there public policy and rule of law issues the company would like to have addressed?
Assets/Resources	What resources does your mission have to offer private sector partners—such as programs; activities;	What assets beyond money can the company bring to the table—such as global markets for products, managerial skills, training capabilities, brick and mortar

Variables	USAID	Potential Partner (Company X)
	relationships with governments, NGOs, and community leaders; relationships with other U.S. Government organizations; monitoring and evaluation expertise; and knowledge of local players/environment?	facilities, technology, etc.?
Planning for a Partner Meeting		
Meeting Purpose	What is the purpose of the meeting? – Introductory/"get to know you" meeting – Brainstorming around a specific topic – Follow-up meeting – Project specific	Does the potential partner understand the purpose of the meeting? It is important to gain clear agreement on the purpose of the meeting from the outset.
Meeting Agenda	How long will meeting last? What will be covered? Will there be a presentation or handouts? Who will lead the meeting? Where will it take place?	What does the company want to talk about? Does the company want to present? How much time do they have? Do they want to host the meeting or come to the USAID mission?
Meeting Participants	Who should attend from USAID – Your SO team? – Other SO team members? – Mission Director or Deputy? – Washington offices dialed in? – Embassy representatives?	Who should be invited from the company: – Local representatives? – Company's headquarters dialed in? Should third party stakeholders be invited (nongovernmental organizations, local business, government reps, other donors etc.)?
Desired Outcome From Meeting	Is the objective only to open a dialogue? Do you hope to get buy-in for a specific activity or program?	What do you think the company wants to get out of the meeting?
Meeting Follow-up Actions	Who will be in charge of follow-up from USAID? What are the specific action items—such as further discussions, more research, expanding ideas, bringing in other partners, Memoranda of Understanding, etc.? Are there specific dates for completion of action items? Do other SO teams or missions need to be involved in a follow-on meeting? When will the next meeting be held, if appropriate?	Establish who the contact person is at the company. Understand what the company's timeframe is for moving forward, if appropriate.

TABLE 2: SAMPLE PARTNER ANALYSIS WORKSHEET

Variables	USAID	Potential Partner (Company X)
Interests	Improve access to primary and secondary education Increase youth employment opportunities	Improve corporate image Grow market share in East Africa
Needs	Funding—budget of $2.5 million; programs require $5 million	Improved relationship with government
Objectives	SO 12: Increase access to education by 10% for children 4-18 SO 14: Increase youth employment opportunities ages 18-29	Improve corporate image by supporting youth programs
Problems/Issues	Current budget is not sufficient Existing partners bring same solutions as past	Poor relationship with NGO community; getting bad press. Doesn't want to give its money directly to the local Ministry of Education.
Assets/Resources	USAID influential with host country government Strong relationships with NGOs and PVOs Has budget to support educational programs Convening power	Deep pockets with money set-aside for youth education programs 20 offices throughout the country with conference space Employees 2,000 locals and is looking to expand Very good training program Empowered local managers, who can make quick funding decisions
Limits	Limited budget ($2.5 million) Limited ability to design new educational activities Bureaucracy	Limited budget of $3 million for youth programs Doesn't have experience in youth education programs Poor relationship with the community/ low level of trust
Planning for a Partner Meeting		
Meeting Purpose	Introductory/"get to know you" meeting	
Meeting Agenda	Share USAID Mission Objectives and Programs Learn more about Company's operations and CSR objectives Identify follow-up action if necessary	Hosted at USAID Company has 1 hour allocated
Invitees	SO 12 Team Lead- Scott SO 14 Team Leader- Karen	Company - Personnel Director Company – Operations Manager CSR Director- call in from NYC
Desired Outcome	Identify areas of mutual interest Discuss partnership ideas at a high level Build relationship with key company officials (collect business cards)	Learn about current USAID education projects Find out who key contacts are at USAID/Build relationship with USAID staff

Variables	USAID	Potential Partner (Company X)
	Set-up a follow-up meeting to deepen discussion around potential alliance	Identify ways in which they can work with USAID to improve their image Set concrete action items and deadlines for moving forward
Follow-up Actions	Determine timeframe for moving forward Set up next meeting date Identify USAID and Company liaisons.	Contact person = Personnel Director Want to move forward as quickly as possible. Wants to announce partnership by end of fiscal year