

**Remarks to the Congressional Human Rights Caucus  
Members' Briefing on  
What the US Government Does to Promote Global CSR: Responses to  
the GAO Report 05-744  
by Daniel F. Runde, Director, Global Development Alliance Secretariat,  
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Good afternoon.

My name is Dan Runde, Director of the US Agency for International Development's Global Development Alliance Secretariat. It is a pleasure to be here with you to discuss the issue of Global Corporate Social Responsibility (CSR) and how USAID works in partnership with companies often motivated by Global CSR issues.

The Global Development Alliance - known as the "GDA" - is USAID's commitment to change the way we implement our assistance mandate. GDA mobilizes the ideas, efforts and resources of governments, businesses and civil society by forging public-private alliances to stimulate economic growth, develop businesses and workforces, address health and environmental issues, and expand access to education and technology.

In the 1970s, 70 percent of resource flows from the United States to the developing world were from official development assistance and 30 percent were private. Today, 85 percent of resource flows from the United States to the developing world are private and 15 percent are public.

As the GAO report states, USAID and its Global Development Alliance initiative has broader agency mission goals than Global CSR: we are charged with carrying out US foreign assistance which helps the world's poor and responding to humanitarian emergencies such as the Tsunami. Through our partnership approach we work with private philanthropists, diaspora groups, companies, corporate foundations, the faith-based community, and others. We are often approached by companies seeking to partner with us because of Global CSR goals.

We are in an era in which partnerships are essential to confronting the toughest and most important development challenges we face in the world.

That is because none of these challenges can be confronted successfully by any one set of actors alone-- not by governments, international institutions, multinational corporations or civil society-- but instead only by each of these actors working together in complementary ways consistent with their own legitimacy and capacity to do so. We must utilize the whole nexus of American resources and interests towards these challenges. The Bush Administration with the support of the US Congress has increased its ability to partner with others to meet these development challenges including companies through the largest increase in foreign aid in decades. As Global CSR continues to gain attention and support, partnerships between government and companies on CSR issues will prove even more essential. We welcome new ideas, suggestions and comments and look forward to working with specific alliance ideas in the future. As President Bush said, "We must call upon the compassion and energy of people everywhere. This means not only governments...but also private corporations, foundations, faith-based groups, and non-governmental organizations as well."

### **The GDA and the GAO Report**

Using the categories of the GAO report, the GDA engages mostly with Global CSR through our alliances – what the report calls *partnerships*. In the last three fiscal years, USAID has built 290 public-private alliances with over \$1.1 billion of USAID funding leveraging over \$3.7 billion from partner resources a significant amount coming from private corporations. Many of these companies are local companies in emerging markets and oftentimes we work with large European companies as well on these partnerships such as Nestle, BP, Shell or Royal Ahold to name a few. We define a public-private alliance to include: joint planning and problem definition with our alliance partners; USAID leveraging at least an equal or greater amount of total partner resources; shared risks and responsibilities with our alliance partners; innovative approaches and, ideally, though not necessarily, working with new partners. Our alliances have been built in the entire spectrum of our independent work including economic growth, health, education, democracy, governance and conflict resolution.

Through the GDA initiative, USAID has not only gained additional financial resources for development activities, but also new technologies, intellectual capital and technical and managerial expertise that enhance its ability to address an increasingly complex set of development challenges. In May

2005, the Global Development Alliance initiative was recognized as a Finalist (one of only four federal programs this year) in the Innovations in Government Program at Harvard University.

At USAID, we view public-private alliances as being on the vanguard of CSR best practice. GDA has been a creative force for funding and responding to some of the toughest global issues such as democracy building, responding to the Tsunami in Asia, working on labor standards in developing countries, and tracking the source of diamonds. We bring to bear the dynamism, skills, expertise and compassion of companies, faith-based groups and philanthropists.

We have made a number of grants that we *facilitate* in the work of Global CSR. We believe that it is in our interest to build the capacity of our current and future alliance partners to build alliances with the development community to address these pressing needs. In this category we have given support to groups such as Business for Social Responsibility, the Synergos Institute, the US Chamber of Commerce's Center for Corporate Citizenship and the International Business Leaders Forum to name a few.

Third, a very small amount of our work falls in the *endorsing* category of the GAO report. USAID last year instituted a Global Development Alliance Excellence Award. Last year it was awarded to our partnership with Chevron in Angola. This year the prize will go to a \$30 million alliance to strengthen democracy bringing together private foundations, European governments and civil society. Another way that we perceive that we have an endorsing function is when alliance partners come to us and say, "in addition to considering the technical aspects of this alliance, we think that having USAID and the Global Development Alliance involved will attract additional private resources." We are aware that we have created a "Good Housekeeping Seal of Approval" in some contexts.

Finally, we have not had any experience in what the GAO report calls *mandating* CSR actions.

Let me give an example of one of our alliances.

### **An Alliance Example**

As outlined in the GAO Report, GDA's Angola alliance provided \$20 million over 5 years to strengthen small and medium-sized businesses and to

assist refugees and former soldiers on development issues. As many of you know, Chevron is the largest producer of oil in Angola. And the U.S. Government is the largest bilateral donor. When 27 years of violent conflict came to an end in April 2002, Chevron approached USAID. They asked how we could work together to help consolidate the peace.

Chevron and USAID signed a Memorandum of Understanding in November 2002. The agreement called for each of us to invest \$10 million into mutually agreed upon projects throughout Angola. Chevron brought \$4 million to our first project. The program was designed to help refugees and decommissioned soldiers return to their villages and resume their farming occupations. Prior to the civil war, Angola exported food throughout Southern Africa. Much of its agricultural system was destroyed in the fighting. To date, the alliance has provided agricultural and livelihood development services to 210,000 ex-combatants and refugees. Together, USAID, Chevron and others helped set up an SME bank, NovoBanco which as disbursed 500 micro and small business loans totaling \$2.5 million and established 5,000 savings accounts worth \$1 million. After the war, it was absolutely essential to put people back to work as quickly as possible.

Chevron has told us what they value most about working with us is that we bring unique expertise to the table. We have US and local staff in the countries where they operate. We have been in Angola for over 15 years. Our country expertise is strengthened by our project management and our technical expertise in fields such as agriculture, microfinance, information technology, health in areas such as HIV/AIDS and combating malaria, small business development, vocational technical training, girl's education, and other sectors, and our folks bring practical and theoretical expertise to bear on problems.

### **The Many Sides of CSR**

Oftentimes companies come to us where the matter at stake is a business case issue for them but the magnitude of the problem may be too large for the company to handle on its own. Many of our alliances aim at addressing issues that are essential to ensuring a viable and sustainable business environment for the company in question in a particular country by addressing a problem beyond the capacity of the host country to solve on its own-- a problem that is the mutual interests of the U.S., the host country government and the local communities where a company operates. When we

speak to companies, we see a number of motivations for engaging in Global CSR.

- a) CSR as Philanthropy. Much of the response from companies to the Tsunami was driven by an understandable charitable response to the devastation caused by the Tsunami. Many companies sought us out as partners after the Tsunami because USAID had unique expertise and country knowledge. As opposed to short-term financial assistance, USAID has developed partnerships with corporations to support medium to long-term reconstruction efforts in the tsunami-affected areas. USAID, through the GDA, has formed 18 partnerships with the private sector in Tsunami affected countries leveraging more than \$17,200,000 in private sector funds with partners including: Mars, Chevron, Microsoft, Coca-Cola, Prudential, Deutsche Bank, IBM, Hilton, 3M and Conoco-Phillips.
- b) CSR as Risk Management. Many companies come to us after a company or another peer in their industry have had a “bad experience” such as a boycott or some other sort of incident that has caused a rethink in a company or in an industry. Many senior managers I have met think of CSR partially through the lens of “risk management” and are able to get traction on the concept of CSR internally from that point of view.
- c) CSR as Comparative Advantage. Many companies see employee retention as a key comparative advantage. We see some companies coming to us with alliance ideas that bring their people into a project. Oftentimes the work is different and rewarding and companies will retain happier employees
- d) CSR as Business Case. We often see companies coming to us with issues that are critical issues to their business. Buyers of quality coffee want a predictable supply of coffee. USAID and the US government want to raise the incomes of smallholder farmers. We have a number of partnerships that we co-fund with well known coffee companies such as, Starbucks, who also bring their quality expertise (something USAID does not have) and most importantly their supply chain. In other cases, companies are coming to us with what one book recently called, “Corporate Social Opportunity” where they see profitable ventures as part of an activity that is socially responsible. Some of the work around the so-called “Bottom of The pyramid” falls into this category.

In conclusion, the Global Development Alliance approach responds to this changed environment, and it extends USAID's reach and effectiveness in meeting development objectives by combining its strengths with the resources and capabilities of other prominent actors, including companies and corporate foundations.

Together, the combination of complementary assets has encouraged innovative approaches, more effective problem solving and deeper impact.

Thank you.