IMPLEMENTING PARTNER'S NOTICE 08-005

Date: December 18, 2008

To: All USAID/India Program-Funded Contractors and Recipients

Subject: Leveraging – Public-Private Partnerships/Alliances

USAID has set forth a priority to increase the development impact of private sector resources leveraged by USAID through public-private partnerships (PPPs). Many of you have already made tremendous strides in fostering alliances to build on USAID/India's development efforts.

In order to gauge our success in meeting this priority it is critical that our definitions, understandings and reporting requirements are communicated consistently to our partners.

DEFINITIONS

<u>What is leveraging?</u>

Leveraging represents all of the non-USAID resources that are expected to be applied to a program as a result of an alliance or public-private partnership. This includes resources that third parties (not the recipient organization) contribute to the program without necessarily providing them to the USAID recipient or implementing partner. These parties can include the host government, private foundations, businesses or individuals. In-kind contributions such as volunteer time, valuation of donated supplies, equipment and other property and use of unrecovered indirect costs are allowable in accordance with OMB Circular A-110.

While leveraging can include contributions from the host government, and are an important part of the development process, **this notice only addresses public (USAID)-private leveraging and does not address reporting requirements for host government (public-public) leveraging.**

Partners leverage assets to produce an outcome that is equal to or greater than the sum of its parts. PPPs generally match financial resources, provide in-kind contributions, and share knowledge. Assets leveraged through these partnerships are deeply linked to harnessing the complementary resources of expertise, networks, and innovation toward a strategic end. The concept of leveraging can be viewed literally as a series of levers that cumulatively increase impact toward an end goal.

While contributions offered as cost share/match are categorized in regulation (22CFR226.23), leveraging is not. However, entities must be able to demonstrate whether leveraged contributions have been obtained as proposed in program implementation in order to determine whether the desired impacts from the alliances are being achieved. Leveraging may include financial contributions, third party contributions, the value of donated services and property, including intellectual property; or may be anything of value that can be measured in some form that permits evaluation of the contribution's impact on achieving desired results. For example, leveraging may involve one or more partners proposing financial contributions that will be spent in parallel to the USAID funded activity, but not expended by the recipient or its sub-awardees.

Leveraging may also come in the form of the entity's fund raising capability to provide its own form of assistance directly to the same end-users. Another instance in which a contribution may be categorized as leveraging is 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 reach the proposed level of contribution. Although the alliance partners are not subject to the guidelines in 22 CFR 226.23 when leveraging is used, USAID has the ability to revise or withdraw its support when contributions are not forthcoming as originally agreed.

What is cost-share?

Cost-share is a sub-set of leveraging. However, cost-share becomes a condition of the award when it is made part of the approved award budget. Cost sharing must be verifiable from the recipient's records, is subject to the requirements of **22 CFR 226.23**, and is auditable. If the recipient does not meet its cost sharing requirement, it can result in questioned costs. For USAID/India, cost share has been further defined as those contributions provided by the recipient organization itself (either cash or in-kind). For this reason, cost share is not the preferred method for purposes of responding to USAID's leveraging goals. While contributions offered as cost share/match are categorized in regulation, PPP resource leveraging is not.

What is a Public-Private Partnership (PPP)?

At USAID, a PPP is a relationship between the Agency and a private enterprise or philanthropic partner (one or more) that is built to leverage resources and expertise in order to address a development priority. USAID has developed a number of innovative and effective approaches to engage the private sector and leverage the value they offer. These approaches include the Global Development Alliance (GDA), the Development Credit Authority (DCA), and other types of PPPs. PPPs are not limited to U.S. companies. PPPs can be established with international, regional or local private sector companies, foundations or organizations.

What is a Global Development Alliance (GDA)?

GDA is the USAID model for PPPs in which the parties are fully engaged with one another throughout their collaboration. This model helps to significantly expand and deepen the impact of development assistance by linking U.S. foreign assistance with the resources, expertise and creativity of private sector partners. GDA is characterized as a partnership involving comprehensive engagement between the parties.

FREQUENTLY ASKED QUESTIONS

What kind of leveraging does a USAID – PPP alliance seek?

Resource partners are expected to bring significant new, non-public resources – whether money, ideas, technologies, experience or expertise – to address international development problems. USAID, together with direct recipients or contractors, seek alliance partners that are able and willing to collectively contribute significant resources to the proposed program. It is preferred that at least some portion of the leveraging should be in cash. Alliances in which non-USAID resources leveraged have a more clearly defined cash component are generally more compelling. However, various types of in-kind contributions can play an important role in funding alliances. Examples of in-kind contributions that USAID seeks under alliances include:

- Commodities such as medicines, food stuffs or equipment;
- Use of training or other purpose-specific facilities necessary to a program's implementation;
- Value of time donated by technical consultants necessary to a project;
- Value of salaries for staff dedicated to a project; and
- Innovative technology, communications and capital assets.

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 in a sustainable fashion. 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 as distinct and different from those activities USAID has previously supported.

While alliance proposals must specify what each party is contributing at the outset, it is also recognized that lasting alliances are dynamic and changing. Some alliances will start small and expand over time as the alliance matures and succeeds, trust is built, and the benefits to the partners and beneficiaries become clearer.

What are USAID-defined precepts of alliances and PPPs?

- Alliances must clearly establish up front how the interests and objectives of each party converge. This expression of interests and objectives should then lead to an operational plan that, if successfully implemented, will produce clearly defined, measurable and attributable development results.
- Alliances should not simply be matching grants nor should they be grants to organizations that have expressed an intention to seek third party partnerships that are not yet formed.
- There is no pre-defined minimum or maximum number of partners; each alliance will be different. There are many categories of potential alliance partners.
- Fairness and transparency are overarching principles in forming alliances. Exploration of possible alliances should take place in a transparent manner and should involve wide consultation with possible partners.
- Like all development investments, alliance activities at the country level that actively involve local leadership and local beneficiaries (this includes women and men) in design and implementation are the ones most likely to be successful and sustainable.
- Local ownership, leadership and beneficiary participation are still keys to success. An alliance must demonstrate that partners are able and willing to collectively contribute significant resources to the proposed program.

Can public resources be included in PPPs (alliances)? Can they ever be counted as leverage?

Alliances can indeed include funding from a variety of sources, including other USG funds, funds from other donors (e.g.: the World Bank, or the UK Department for International Development), or host country governments. While USAID seeks to ensure that there is a 1:1 leverage of public to private funds; a smaller portion of private funds can be acceptable in a project that includes significant resources from other government sources.

Why is a Memorandum of Understanding (MOU) requested and what are the key elements?

A public-private partnership (PPP) is a collaboration between a public entity, like USAID, and a private one, like a commercial company or grant-making foundation (can be one or more). The partners agree to work together on a specific activity, often formalized through a Memorandum of Understanding (MOU). The MOU describes the roles, responsibilities and contributions of each of the alliance partners. It is a non-obligating and legally non-binding agreement that describes the intentions of the alliance members to proceed with a given course of action to achieve the stated objectives. Such a partnership helps to further development objectives with additional support of private resources; be it through cash, services, or equipment. The relationship between or among partners in a PPP may range from very little interaction, in cases in which a matching grant may be adopted, to a fully collaborative engagement, in which the parties are involved jointly in every stage from design to implementation to assessment. The partners operate in strategic collaboration on all phases of their chosen endeavors. Alliances enable partners - corporations, foundations, and NGOs - to bring their strongest assets to bear to address jointly defined and jointly executed challenges to the long-term economic and social development of the world's poorest countries. Through this multi-stakeholder approach, resources, risks, and responsibilities are shared that address issues and achieve solutions that no single actor could hope to achieve alone. The intent of the MOU is to promote a clear understanding of the partnership from the outset and is an effective tool for reducing the likelihood of significant disagreements during PPP implementation. It secures and formalizes a strategic relationship between USAID and the private sector partner.

Timing of the MOU: Although not required, early completion of the MOU facilitates early evaluation of programmatic and financial issues that may need to be agreed upon prior to the execution of the USAID direct award. In cases where the program objective, alliance resources and responsibilities are already captured in a signed assistance agreement, there may be less of a need for an MOU. There may, however, be value realized in the face-to-face engagement of all external alliance members and USAID, or value in further describing how the alliance members are going to work together to accomplish the common objectives. Any MOU associated with an alliance award must be included as a part of the award file.

Purpose/Content: 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 or *later stage* MOU might identify a specific focus for the alliance, establish a basic alliance decision-making structure and discuss implementation (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 ensure that they accurately reflect the purpose of the alliance, the roles of each party, the understandings that have been reached, and the process for reaching any further agreements contemplated with respect to implementation.

The following clause must 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. Unless specifically provided otherwise, the cooperation between the parties as outlined in this MOU is not to be considered or construed as a partnership or other type of legal entity. 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 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."

The MOU shall be signed by the Mission Director, or his/her designee, and the external alliance partners. The direct implementing partner may sign in the event several alliance partners are involved.

REPORTING REQUIREMENTS

What kind of reporting is requested from USAID/India?

If PPPs are included in an agreement, prime implementing partners must be prepared to provide annual benchmarks that include proposed results to be accomplished with USAID funds and any additional leveraging, and should be prepared to provide annual timelines that include percentages or amounts. The benchmarks and timelines should be included in the implementation award's annual work plan. Leverage attributed to PPPs shall be from new resources which contribute directly to the activity as opposed to outputs or outcomes of good development work.

For inclusion in the quarterly performance report ending December 31, 2008 all implementing partners involved in alliances are required to provide the following leveraging information:

For each alliance partner, list:

1. the intended leverage amount (breakdown by cash and in-kind) for the award
2. the targeted benchmarks and expected timelines for programmatic impact of the leveraged amount
3. whether or not an MOU was entered in to (please provide a copy to the COTR)

On a quarterly basis, the implementing partner is required to include the following in its performance reports:

1. **Partner Contributions**: Cash and in-kind contributed by non-public partners to public-private partnerships
2. **New public-private partnerships**: "New" is defined as when either USAID funds are obligated or the partners contribute cash/in-kind to a partnership. Data to be collected and reported includes:
    a. Number of new partnerships
    b. Partner roles and type of contribution
    c. Impact of partner contribution
3. **Potential partners in discussion**: A list of the companies, foundations and others with which the partner is having discussions about potential alliances
4. **Other Partnership Efforts**: Relevant tactics, to include strategic convening, workshops, government and implementer capacity building that the partner is pursuing to achieve the goal of tripling leveraging.
5. **Results**: Focus on quantifying, where possible, the results, and highlight those results that could only have been achieved as a result of the PPP approach. Include any lessons learned.

For any questions or requests for clarifications please contact USAID/India via e-mail address at: **indiarco@usaid.gov**.

External References:

GDA website: **www.usaid.gov/gda**
ADS 303: **http://www.usaid.gov/policy/ads/300/303.pdf**
AAPD 04-16: **http://www.usaid.gov/business/business_opportunities/cib/pdf/aapd04_16.pdf**
22CFR226: **http://www.gpoaccess.gov/cfr/index.html**