



2004 USAID Summer Seminar Series

July 13: The Global Development Alliance: Technology Created through or Used by Public-Private Alliances

Organizer: Dan Runde, A/GDA.

Materials: Presentations (3) appended

Synopsis

The Global Development Alliance business model is being mainstreamed throughout USAID. In Fiscal Year 2002 and 2003, USAID fostered more than 200 public-private alliances with the U.S. government investing close to 500 million dollars leveraging more than 2 billion dollars in non-governmental resources.

As USAID increasingly uses public-private alliances for its development work, the interests and constraints of various development actors impact our work. Ethnic diasporas, private sector companies (including extractive industries), and foundations are only some of the important actors in our strategic environment.

For this seminar, the GDA Secretariat has invited alliance partners to participate in a panel to talk about recent technological developments that could not be developed or could not be shared widely without a public-private alliance. The presentation will demonstrate or explain the technology for a global education portal, a new water cleaning technology using sachet packets, and possibly new developments in debit cards or other payment platforms for the world's poor.

Notes

Dan Runde

The purpose of this seminar was to demonstrate the value that private industry, with its technological and intellectual capital, contributes to achieving development goals. Public-private alliances bring not only cash donations, but technical and business expertise, supply chains, and marketing—which are equal or greater in value to proponents of development than cash. These are skills that USAID's traditional partners may not have. The panel attempted to highlight the private sector aspect of public-private alliances and demonstrate the impact of such alliances on development goals.

In the 1970's more than 70 percent of resources to the developing world came from U.S. government foreign aid, a stark contrast from today's resource pool, in which 80 percent comes from private organizations in the form of foreign direct investment (FDI), remittances, donations from corporations and corporate foundations, and private gifts and grants from U.S. civil society. Due to the new challenges that this shift created in terms of communication and cooperation between public and private parties, Secretary of State Colin Powell announced the birth of the GDA in May 2001 in order to bring about a more unified approach to development goals. In its first two years, the GDA facilitated the development of more than 200 public-private alliances, to which USAID brought five million dollars in funding, which in turn generated two billion dollars in private sector resources. Because CDIE, an evaluation unit within USAID, raved about the overwhelming success of the GDA, USAID chose to continue the GDA program for an additional two fiscal years. The GDA works out of a small secretariat within the Office of the Administrator.

David Weidner, Global Learning Portal

David Weidner, of the Academy for Educational Development (AED), is Director of the Global Learning Portal, whose partners include USAID, AED, and Sun Microsystems. The portal enables and secures partnerships in collaborative projects with ministries of education, NGOs, technology companies and educational content providers to promote improvement in the teaching and learning process.

The project began two years ago through the "Education for All" initiative, during which teachers in developing countries identified a need for a place where information could be shared. The Internet seemed to be the ideal technology to foster collaboration and connectedness among teachers, as many already had access to computers and had experience using web technology. GDA suggested the idea of a global portal to AED, who in turn contacted their partners at Sun Microsystems.

Sun offered to provide hardware in the form of web portal servers, 10,000 free copies of star office 6.0 software (a \$900,000 value), customized web sites, and intellectual capital (without which the technology objectives could not be achieved). Sun Microsystems was interested in expanding their market to developing countries.

The Global Learning Portal (GLP) consists of web applications serving primary and secondary school teachers. The web applications provide tools that promote personal knowledge sharing and collaboration. This year the program focused on teacher training colleges and classroom teachers with the goal of providing information. The portal is not just a web site, but an application that provides knowledge and information to a particular user, giving information in different languages (Spanish, French, Portuguese and, hopefully by year's end, Arabic).

The program is currently underway in six countries, with 1200 contributing teachers of which about 250 are American. Registration is free. The portal still remains a pilot program in Brazil, Nicaragua, Ethiopia, Uganda, South Africa, and Mozambique.

The GLP partnership has recently expanded to include the International Reading Association, and has signed a "Memorandum of Collaboration" with the GLP program for Brazil and Uganda. According to Weidner, the GLP embodies a special kind of initiative due to its multi-national, multi-lingual characteristics. Sun is currently working on a technology to bring the portal over mobile phones, further enabling teacher training.

Weidner added that the GDA holds regular meetings with non-profits to help private companies to modify their approach to fit the developing world. Private companies transfer private sector business techniques to non-profits, while non-profits advise private companies on approaches for entrance into the markets of developing countries. Weidner urged the audience to participate by going to www.glpnet.org for online discussions, ongoing questions and answers, and great information.

Cheri Mitchell, Microfinance Banking

Cheri Mitchell is the Corporate Relations Manager at FINCA International and has worked to build corporate partnerships to help improve FINCA's resources. She oversees the VISA International pilot project called, "The Next Generation of Microfinance Banking: Banking the Unbanked" (ppt 456kb). VISA provides technical solutions to three of FINCA's relatively high transaction costs given the smaller loan amounts in the poorest countries; a slow, labor-intensive process resulting from the need to educate clients individually; and security problems associated with cash transactions.

FINCA believes that microfinance is one of the best ways to alleviate global poverty. The goal of microfinance is to give small amounts of capital to millions of potential entrepreneurs to start or expand enterprises. FINCA seeks to provide this start-up capital to create jobs and to improve the standard of living in the developing world. FINCA runs 23 programs in 22 countries around the world. VISA is also seeking to expand their marketplace.

The opportunities that FINCA provides are especially important to women, who make up 70 percent of the world's poor and are more likely to spend their earnings on their children. Mitchell gave examples of the deep and widespread benefits of microfinance for women, and in general, by lauding the success of Luchia, FINCA client and mother of four. With five years and 15 loans (ranging from her first at \$50 to her most recent loan of \$968), she was able to start up two restaurants, and employ neighbors, build a house, keep her kids in school, and take in local AIDS orphans.

Making sure that children stay in school guarantees a well-educated labor force for the future. In addition, FINCA entrepreneurs use the capital to purchase goods from people in the local community. Mitchell this calls the 'monetization' effect (when an injection of cash is multiplied several times throughout the community, thus creating jobs). Currently, FINCA assists 299,000 clients, with 19,000 local banks and holds a local \$61.2 million portfolio with an average loan rate of \$285 and repayment rate of 97.9 percent.

FINCA sought a partner who could provide technological solutions to FINCA's problems. They found VISA. VISA saw the potential of microfinance and determined that FINCA had a similar corporate structure. FINCA brought 20 years of lending experience to developing countries, while VISA contributed cashless payment technology. VISA sought to improve developing economies and expand their market. VISA and FINCA are in the process of piloting a prepaid credit card by which clients can access loans. Having money in the form of this prepaid credit card increases the security between FINCA and their clients and protects client-vendor transactions. The five phases of the pilot project are: 1) developing partnerships with the local member VISA banks; 2) researching and developing solutions to FINCA's constraints; 3) pilot testing; 4) replicating; and 5) capturing lessons learned and sharing them with the rest of the developing community.

The partnership allows FINCA to lower transaction costs and interest rates for clients, increase speed, and reduce losses from fraud and robbery. The partnership was also a victory for the financial sector—VISA was able to showcase the electronic method of payment in an emerging market, build electronic payment infrastructure, and reach additional customers, deepening and broadening relationships with member banks. In return, the world's poor gained greater access to loans at a reduced cost; control over personal resources; lower opportunity cost; and an increase in acceleration of local purchasing power.

Robert Ainslie

Robert Ainslie, Regional Director for Latin America Johns Hopkins Bloomberg School of Public Health Center for Communications

Program, represented the GDA Safe Drinking Water Alliance. The Alliance is a strategic public-private partnership that designs and develops innovative approaches for ensuring safe drinking water at the household level. The Alliance is made up of five partners: Procter and Gamble (P&G), Population Services International, CARE, Johns Hopkins, and USAID. The mission of the Alliance is to increase access to safe water through discovering and marketing new technology in water treatment in order to increase the number of products available on the market.

The partners came together to test the following three models for this technology:

1. The commercial setting. P&G have taken the lead using their existing marketing and distribution channels in Pakistan.
2. The social setting. To be tested in Haiti, the commercial market may not be as strong.
3. The emergency model. A relief package will be put together and tested in an emergency situation. This model was originally targeted for Sudan, but fell through due to the embargo there. The program was relocated to Chad and Ethiopia.

Each of these models included a research component associated with behavior change, and is very important as behavior in the area of water treatment has not changed in 40 or more years.

Because P&G was the partner that brought the technology and marketing and packaging of the product to the table, each of the allied group worked with the company in a different way. However, it was through the GDA that they were able to come together to test the aforementioned models.

As for P&G's technology itself, each packet is a product of the reverse engineering of municipal water treatment and treats ten liters of water. Most importantly, the contents of these packets clean turbid water (from which toxins are harder to remove, e.g. arsenic). Ainslie demonstrated the effectiveness of the PUR® water purifying packet during his discussion with much success. He simply poured the packet into dirty water and stirred. Within minutes, the dirt components of the mixture solidified and fell to the bottom. The product is not only effective in removing viral and bacteria forms, but also hard metals found in tube well water. The flocculation removes virus and parasites. After pouring the water through a cloth into a clean pitcher, the water is drinkable twenty minutes.

The importance of finding innovative ways to improve access to clean drinking water is evident in the 1.1 billion people who lack access to clean water. Low cost solutions can dramatically improve this. Water-borne diseases are the leading cause of death among children in developing countries. In addition, new marketing schemes are expedient as water treatment is often episodic—people cease to treat the water from which a detected water-borne illness has departed.

Question and Answer Session

Why are for-profit corporations so willing to give cash donations, intellectual capital and technology?

Runde: If you look at the annual report of a consumer company like Procter and Gamble, they've basically penetrated the market for people buying shampoo in the U.S. and Europe. There can only be slight additional penetration. So, if they want to expand their product line, they must go to emerging markets so that the future of the revenue of their company is in emerging markets. Alliances like the GDA allow companies a way to introduce themselves to these new markets, understand the different contexts in which they are doing business, find different ways to provide services to the world's poor, and fulfill their corporate responsibility, as well.

This project presents a good opportunity for the Bureau of Global Health to work with the GDA Secretariat on an issue that is becoming an important issue in the Bureau of Global Health's portfolio. I'm excited to see the lessons learned from the program and apply them to their own programs, especially their child health programs and HIV/AIDS programs.

All of these alliances presented us with a both a theoretical and practical dilemma which centers around to what degree do you use taxpayer's resources to benefit a particular private company that does have real market interest.

Kirt Reisman, a Foreign Service Officer at AID from the GDA Secretariat: This question has sparked much debate. The best response to this question is that the GDA attempts to structure the alliances in such a way that there is a broader benefit, as in the case of PUR®. We're focused on the sort of research on the behavioral change aspect as well as comparing where this technology fit in comparison to other water purification technologies, especially those technologies which are much cheaper than PUR®'s technology. We've heard the concern, "Are we giving poor people a Cadillac, when a Volkswagen will do?" and we are attempting to address these concerns.

From the Portal and FINCA standpoint, there's a whole other side of this where you need your hardware and infrastructure for your systems to work because there has to be a lot of communication. Are you selecting science because it's there, it's part of the alliance? How are you going to overcome that particular obstacle?

Mitchell: FINCA has a loan management processing system called the CM and we have this installed now in all of our programs around the world. So one of the prerequisites in the negotiations that we had with Visa was that whatever system we developed would have to work hand-in-hand with that system. So we already had some system in place and this is just going to be lying on top of it.

Weidner: We already had existing technology resources at internet cafés or schools. In Nicaragua, there was no internet access until recently. AED leveraged this technology thanks to GDA.

In Latin America, there is a White House initiative on teacher training. Have you thought about linking up with them on that particular initiative to further expand international teacher exchanges?

Weidner: Great idea. No, not yet.

It appears to me that in many of the countries where you're operating, there is good cell phone coverage and cell phone penetration. Shop keepers have leased that there's actually a pre-paid credit system where people go to small shops and buy small quantities of minutes. Have you had any interactions with pre-paid phone cards to help you manage your loans?

Weidner: No, not yet. Good idea. We are interested in introducing new products that would help our sales force of entrepreneurs. The remittance program we've been talking about that we're doing is similar. As the remittances are transferred over to the developing countries where we are working, they can be placed right on a pre-paid card; maybe that can end up being a pre-paid phone card. Eventually, we would like to help build the infrastructure at all of the merchants so that our clients can use our products at the merchant's place. The infrastructure is not there yet. We're going in that direction.

How user friendly is this card? Could you walk us through how they use it?

Mitchell: We are in the process of developing our partnership with the local bank. We have not yet implemented the card due to the diverse logistical details of the individual local banks. We want to develop an individual loan product. Because our goal is to build wealth within our clients, they often grow with us requiring larger loan amounts. In Guatemala, our more successful clients are asking us for an individual credit product. There are many ways in which we could meet the needs of our client in this respect. One is to work with the local bank to produce the credit card for the individual client. We would load the \$200 loan on the credit card. This card would then be distributed to her at the local village bank meeting. The person could then go to any ATM or local store and pull out as much or as little as she wants. We are also in the process of discussing how our clients will go about making payments, given that clients cannot make deposits at ATMs. One of the great aspects of our alliance with Visa is that, through their influence with the banks, we'll be able to change the infrastructure of the ATMs to accommodate these needs.

When you were initially establishing alliances, was the process competitive?

Runde: Our programs are open to all comers. There has not yet been a situation where more than one company vied for the partnership. If companies are offering us a product that we feel is particularly important to our development mission, we definitely take a good look at it. There is no implicit agreement of exclusivity.

Weidner: There is tons of competition. What really played into the Sun/USAID/AED partnership was timing. It was a question of open source natured companies, like Sun, versus companies which were more proprietary in nature at the time, like Microsoft.

Mitchell: Visa spent a lot of time researching the microfinance industry. There are hundreds of companies out there. They chose FINCA among many others; the competition was there. Our companies have very similar structures and we had the reach that they were looking for.

Ainslie: We came together naturally; there wasn't much competition.

I'm excited about the alliance. I'm hopeful for small business subgroups to soon play a part in these alliances. I look forward to new alliances which include universities and small entrepreneurs. I am concerned about any design to have an alliance and not have the checks and balances for using the taxpayer's money to subsidize what might be an industry direction in which they are already headed and were in the development scheme.

I work in education. I just started an alliance with GDA Secretariat in order to seek out educational employment opportunities for youth. We are struggling to adapt technologies in our education and employment environment. How do you turn a technology-driven, supply-driven agenda of the corporation into a development or demand oriented approach?

Weidner: The partnership is mutually beneficial rather than mutually parasitic. Partnerships take time to develop. The technology company was an ancillary bid. They wanted to know what they could give to us. You should think of an education schema and solicit corporations which you think can help you and make it known that you can teach them, as well.

Mitchell: It involves a lot of education and is a very slow process. We would take the corporation to the field. You have to learn what each of you has to offer.

Ainslie: In our case, we were looking at behavior change. We wanted to create a market for public health goods, especially water treatment technology. It has to be demand driven.

Your companies have learned from one another. Do you see any changes within your own organizations? What new areas might you be embarking upon?

Ainslie: We're looking to see where we can expand in development and public health. We're looking at collaborations between different groups. Not just cash, but technology exchange.

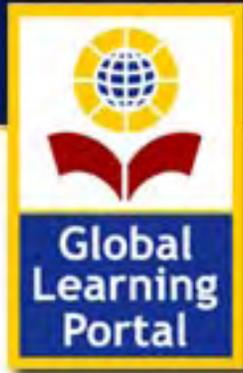
Mitchell: Upper level management was originally very skeptical of private corporations. It took much education for the upper level administration to have them be more open to working with for-profit organizations. Now FINCA understands how important it is to operate like a business. They grasp the benefit that private businesses bring by making it so that FINCA does not have to re-invent the wheel.

Weidner: I agree with what Rob and Cheri have just said. The whole concept of the GDA and public-private partnerships was totally new for AED. Our president was so committed to this approach that he committed AED resources, not just project resources, to the GLP and the GDA. It is imperative to understand that those risks may take three to five years to come to fruition. However, we've learned that it will pay more than the original investments in the end.



*Connecting educators to resources, ideas,
inspiration, and each other*





USAID 2004 Summer Seminars

The Global Development Alliance: Technology Created Through or Used by Public-Private Alliances

13 July 2004

Center for Association Leadership, Concourse Level
Ronald Reagan Building and International Trade Center

K. David Weidner, Ph.D., Director
202.884.8684, dweidner@aed.org



GLPNet Founding Partners

 **AED** GLPNet project is managed by AED's Global Learning Group-Systems Services Center.

 **USAID** Provided funding for the first two years of the GLPNet.

 **Sun Microsystems** Provides computer hardware to deliver GLPNet services. Free copies of StarOffice 6.0 to GLPNet members.

What is the GLP?



- ❖ Web Application
- ❖ Serves primary & secondary teachers
- ❖ Provides tools to promote knowledge sharing & collaboration in personalized way
- ❖ Public-Private Partnership between Sun Microsystems, USAID, and AED



Why is GLPNet Special?

- ❖ Multilingual-Multinational
- ❖ Allows educators to exchange ideas and best practices with other teachers from around the world
- ❖ Provides participants with specialized in-country guidance and mentorship with models for integrating technology and global collaboration
- ❖ Supports GDA public-private partnerships





NEXT GENERATION MICROFINANCE: BANKING THE UNBANKED

Visa International & FINCA International

A Global Public/Private Partnership
where Visa provides technical solutions
to FINCA's three greatest challenges.

July 13, 2004



FINCA: CHAIN OF POSITIVE EFFECTS

FINCA lends to women: 70 percent of the world's poor are women. Women contribute their earnings toward their family's health, education, and futures.



Powerful impact on a national scale: FINCA helps extend the financial infrastructure to the poorest communities.



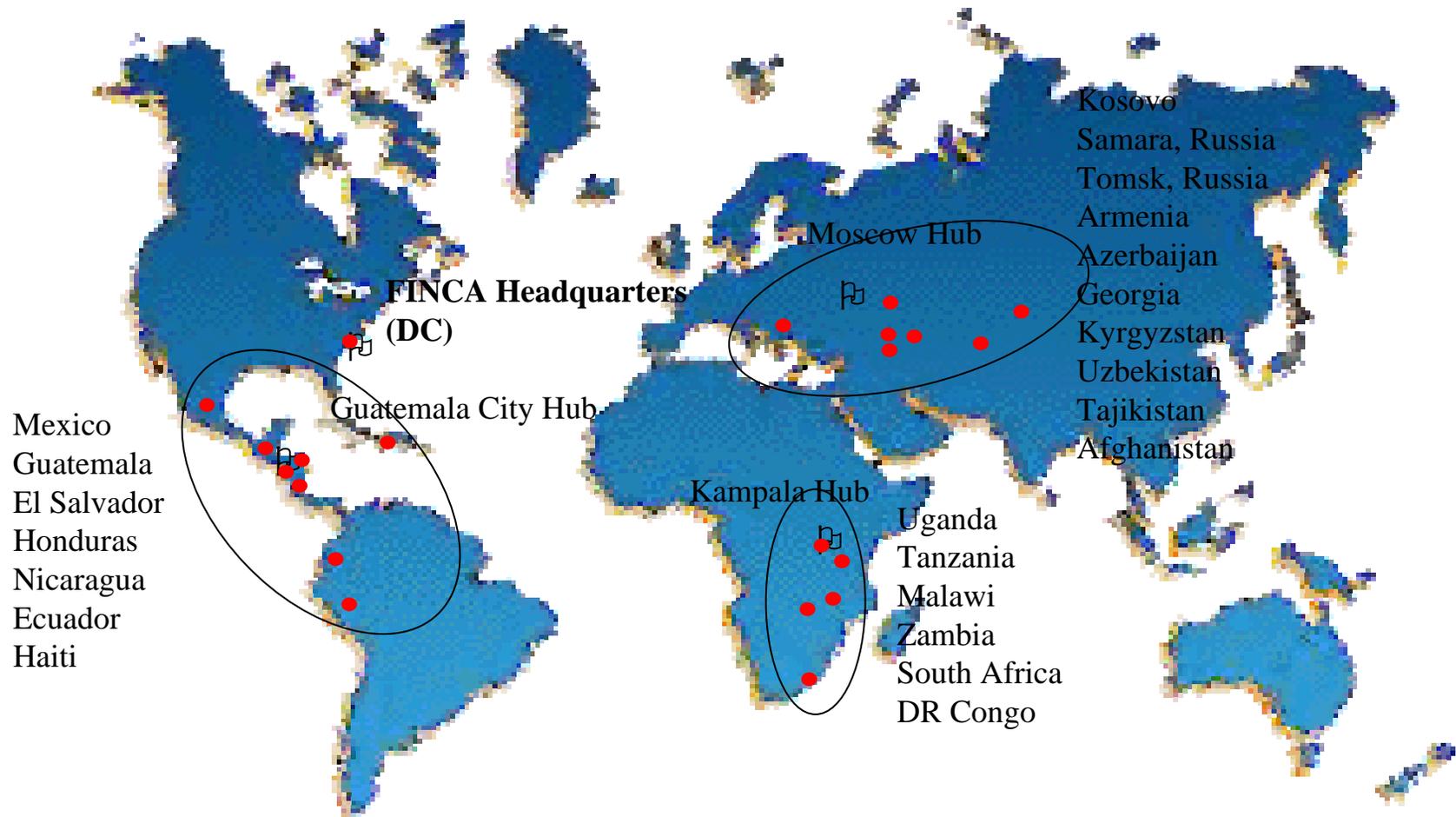
Children benefit: The key benefit is keeping kids in school to create a more educated labor force.



Communities grow: FINCA clients buy goods and services from local suppliers, creating jobs and injecting cash into the economy.



FINCA TODAY





SOLUTION

A strategic alliance between FINCA & Visa International where Visa provides technical solutions to FINCA's three greatest challenges. The initial pilot project will be funded by the U.S. Agency for International Development (AID) Global Development Alliance (GDA).

The Safe Drinking Water Alliance



JOHNS HOPKINS
BLOOMBERG
SCHOOL OF PUBLIC HEALTH

Center for Communication Programs



GDA Safe Drinking Water Alliance



Emphasis on behavior and HH water treatment

Marketing and distribution

3-models approach: commercial, social, emergency relief

Monitoring at community and HH to better understand factors influencing behavior