Tools for Alliance Builders

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Prepared by the Global Development Alliance Secretariat

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Foreword

Since 1961, USAID has helped developing and transition countries fight hunger, poverty and disease; protect the environment; educate their citizens; recover from disaster; and engage in democratic reforms. Over that time period, USAID has gained recognition as a lead development agency, based in part on such strengths as technical expertise, extensive field presence, and strong working relationships with host country governments and local and international institutions**.**

Today, other actors have come to play increasing roles in international development assistance. Foundations, corporations, non-profits, academic institutions and other private U.S. players now, in the aggregate, are contributing more resources than USAID to address overseas development challenges.

The Global Development Alliance (GDA) approach responds to this changed environment; it extends USAID's reach and effectiveness in meeting our development objectives by combining our strengths with the resources and assets of other partners. While some Agency units have already been forming public-private partnerships, the GDA represents an important business model to build upon the best of past activities and extend the approach, where appropriate, throughout the Agency.

A GDA Secretariat leads the initiative and is working to mainstream the approach within USAID. The Secretariat is a small, temporary organizational unit reporting directly to the Deputy Administrator. The Secretariat identifies alliance opportunities, provides technical assistance in alliance development, develops and disseminates training materials and practical "how to" guides like this one, and assists with "due diligence" research on prospective alliance partners. It also helps develop processes and criteria to allocate resources, and directs assessment, research, and reporting activities.

What are the attributes of a good alliance? How is one formed? What are the pitfalls to watch out for, and how does developing an alliance relate to USAID's normal legal, procurement and management systems? How should it be managed, and what constitutes success? *Tools for Alliance Builders* is a resource guide to answer these and other fundamental questions. It is designed to allow the reader quick access to key information. Because of the extensive use of hyperlinks, you are encouraged to use it in an electronic format.

The GDA Secretariat welcomes your comments and suggestions on ways to improve this document, and to advance the concept of public-private alliances within USAID. And we look forward to working with you as your specific alliance ideas take shape.

Holly Wise

Director,
GDA Secretariat

Using Alliances

As the vehicle for implementing a new business model, the public-private alliance will enable USAID to operate more collaboratively and effectively with the many public and private actors now involved in international development assistance. In seeking opportunities to form and support alliances, USAID sees itself approaching development problems in the role of catalyst, facilitator and partner. In this new role, USAID will provide, among other things, financial resources, technical expertise and country-level knowledge to assist strategic partners in stimulating new investments and generating new ideas. USAID's decision to carry out its mission in this way has significant implications for the manner in which the Agency provides assistance.

Operating units have the authority to plan, establish and participate in alliances as a means of achieving the unit's objectives. When contemplating an alliance, you are encouraged to think first of the development objectives that will be served, and then consider how to achieve those objectives. If you choose to explore an alliance as a way to better meet your unit's objectives, it will of course be necessary to develop the relationships and agreements that give life to the alliance, consistent with our objectives as an Agency. When using funds appropriated to USAID, the provisions of ADS 200 on Programming Policy must be followed. This includes policies with regard to planning, especially meeting pre-obligation requirements and performance monitoring and reporting.

A development alliance is an agreement between two or more parties to jointly define a development problem and jointly contribute to its solution

Alliance members share resources, risks and rewards in pursuit of a development objective that can be better achieved working together. An alliance achieves its development objective by leveraging significant resources, applying proven development expertise, and working jointly with new and existing partners, often using innovative approaches. To ensure success, alliance members collaborate throughout design, implementation, and monitoring and evaluation.

In most situations, you'll find that existing forms of agreements and instruments can be used to develop an alliance. There may be some instances where the conventional form of a contract, grant or cooperative agreement does not adequately capture the planned relationships. This situation requires creative thinking by all parties involved, and the early involvement of USAID's legal and procurement personnel.

Well-conceived and implemented alliances offer substantial advantages in meeting USAID's development objectives. However, with these advantages may come working and funding relationships, as well as risks, that should be understood, assessed and accepted in the process of reaching a decision to form or support an alliance.

> "The GDA will be a fundamental reorientation in how USAID sees itself in the context of international development assistance, in how it relates to its traditional partners and in how it seeks out and develops alliances with new partners. USAID will use its resources and expertise to assist strategic partners in their investment decisions and will stimulate new investments by bringing new actors and ideas to the overseas development arena. USAID will look for opportunities where relatively small amounts of risk or start-up capital can prudently be invested to generate much larger benefits in the achievement of overall objectives… Of course, the Agency will continue to deploy resources where private funding is not available and for activities where the governmental role is clear and pre-eminent to stimulate institutional and policy change."
>
> Colin L. Powell, Secretary of State
> May 10, 2001

In some instances, the use of a new approach could mean less direct USAID control of the direction of a program that USAID funds. In these cases, it will be very important for you to ensure that the alliance is designed with appropriate and effective governance, operational capacity and accountability.

Relationships and agreements that address these requirements are essential both to the success of the development program to be supported by the alliance and also to protect USAID's reputation as well as financial and programmatic interests. This guidebook, *Tools for Alliance Builders*, is intended to help you put together successful alliances with these qualities.

Using *Tools for Alliance Builders*

Tools for Alliance Builders (*Tools*) is organized to allow you instant access to the information you need to form alliances. **The liberal use of hyperlinks will enable you to go directly to those sections of specific interest, and to link quickly to both internal and external web sites. Thus, the document should be read electronically and selectively.**

Tools is meant to describe recommended processes and important procedures to consider when working on alliances.

Because different operating units (OUs) are at various stages in forming alliances, *Tools* is divided into six parts, each of which applies to a separate phase in the development of an alliance. A brief description of each part is provided below. When you determine where your OU is on this continuum of alliance development, you can simply turn to the part in this guidebook most immediately appropriate to your needs.

> "I have often thought that because of the profound change in the last ten years in the source of money flows into the developing world; we need to focus more attention on linkages, partnerships, and alliances…We are going to try some things that won't work and we will try some other things that will work very well for small amounts of money…We are going to focus more on how we can make investments with NGOs and PVOs, with private markets, with foundations. We do these alliances now… We have developed a dozen very successful partnerships using this model. We have not done it on a very large scale and that's what we propose to do now."
>
> Andrew S. Natsios
> May 31, 2001

Part 1: Is An Alliance Appropriate?

Part 1 provides a way for you to decide—before too much time and energy is devoted to the process—whether or not an alliance is a good way of identifying and solving a development problem. It is composed of two sections: 1) preconditions for success, an alliance checklist; and 2) meeting to encourage innovation.

Part 2: Getting the Alliance Underway

Parts 2 and beyond are meant for OUs that have decided, at least tentatively, that an alliance is a good way to meet a development challenge. They provide a step-by-step guide to alliance building. **Part 2** looks at processes known to be useful in identifying prospective members of your alliance *and* figuring out if they're the "right" members. Its two sections are: 1) working together, anticipating problems; and 2) due diligence, i.e., an assessment of the past performance, reputation and future plans of the prospective alliance partner with regard to various business principles and practices.

Due diligence should be of great interest to everyone, regardless of their progress in creating an alliance.

Getting Help

Several resources are available to you should you want further information on alliance building or need advice on a specific matter.

The Global Development Alliance Secretariat is a technical resource unit in USAID, which catalyzes and supports alliance creation and operation. Its principle functions are outreach, technical assistance, advocacy and assessment. Until its functions are fully mainstreamed into Agency operations, it can help you form alliances by…

- ✓ Connecting you to prospective strategic partners;
- ✓ Providing on site and/or virtual support to you during the stages of alliance building; and
- ✓ Directing you to Agency policies and standards that assure fairness and transparency.

Further information about the Secretariat's services can be requested from Curt Reintsma at the Global Development Alliance Secretariat, (202) 712-4018 (mailto: creintsma@usaid.gov).

Additional support services are also available from:

Drew W. Luten, Deputy General Counsel at 202-712-4698 (mailto:dluten@usaid.gov)

Carol Ketrick, OP/Policy at 202-712-1382 (mailto:cketrick@usaid.gov)

Part 3: What Do We Have In Common?

Continuing the step-by-step guide to alliance building, **Part 3** will help if you're uncertain of how to bring members of the alliance together and start to work in partnership. Its four sections are: 1) convening the alliance; 2) setting directions; 3) developing an action plan;

and 4) conflict of interest considerations.

As in due diligence above, conflict of interest considerations must be addressed throughout the alliance building process.

Part 4: Getting It On Paper

Part 4 is for you if your alliance has reached a point where the goal and objectives of the alliance, its operating principles, and alliance members' responsibilities and accountability are all fairly well defined. It provides a description of how a non-binding agreement like a memorandum of understanding or letter of intent can be used to commit the alliance members to the agreed-upon course of action (pending home office approvals and resource availability).

Part 5: Moving Ahead—Formalizing the Relationship

Part 5 will meet your needs if you're looking to identify workable approaches and USAID funding mechanisms for implementing alliance programs. It discusses the broad categories of alliances, types of implementing mechanisms, and creative uses of various types of assistance mechanisms to establish alliances.

Part 6: Alliance Management

If you already have alliance programs underway, **Part 6** provides information and guidance on monitoring alliance progress that may be helpful. You might also find it useful in developing monitoring plans earlier in the alliance-building process.

We welcome suggestions you might have for improving *Tools for Alliance Builders*. Please send these to Christina Hannum at the Global Development Alliance Secretariat (mailto:channum@usaid.gov).

Part 1: Is An Alliance Appropriate?

The checklist below is meant to provide you with criteria for deciding whether or not an alliance is a good way of identifying and solving a development problem—before too much time and energy is devoted to the process!

The Armenia Vaccine Program

This program is an endowment involving the Armenia Mission, the Global Health Bureau and the Ani & Narod Memorial Fund (ANMF), a U.S.-based organization. The endowment is replacing Armenia's discontinued government vaccine program. Its success lies in its clear and tangible goal: *Get vaccines to children*. In putting together the endowment, USAID's role was to provide technical assistance and some initial funding through a grant, while ANMF is to provide most of the funding and financial expertise on investments and additional fundraising. As of September 2001, USAID had obligated $400,000 in core funding and ANMF has committed to contributing at least $1 million. The endowment funding level is expected to be maintained at about $1.5 million. It will fund immunizations for up to 50,000 children.

To be effective, completing the checklist requires open-minded inquiry without an inclination toward the predetermined solution of a development problem. It also requires that you proactively seek the information required—if you think an alliance might be the best way to meet a development challenge, get out and find out…don't wait for the alliance to come to you. Alliances are quite different from the usual USAID partner arrangements wherein USAID's strategic objective team decides the problem and solution and the development partner is sought through conventional implementing mechanisms (e.g., grant, contract).

Rather, alliances should…

- ✓ Jointly define the development problem and its solution by all development partners in the alliance.
- ✓ Reach agreement between the development partners to share resources, risks and results in pursuit of an objective that can be better obtained with a joint effort.

- ✓ In some cases, look toward new partners (or existing partners in new ways) and innovative approaches to get the job done.

- ✓ Leverage significant resources that may include financial resources, in-kind contributions and intellectual property (i.e., for financial resources, a greater than one to one ratio is desirable).

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 the status quo. Alliance members are willing to treat each other as equal partners.

☐ *Presence of a convener*: At least one prospective alliance member (it might be you!) has the standing to call the other alliance members to the table.

☐ *Principled Behavior:* It is critical that USAID aligns itself with private sector entities whose interests are compatible with USAID's and whose business practices do not pose reputational 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

Principled Behavior

"Corporate social responsibility can be defined as the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large."

World Business Council for Sustainable Development

Helpful references on corporate social responsibility are:

The Global Compact (United Nations), which challenges world business leaders to embrace and enact, both in their individual corporate practices and by supporting appropriate public policies, principles covering human rights, labor and the environment.

The OECD Guidelines for Multinational Enterprises, is the only multilaterally endorsed, comprehensive framework of rules governing the activities of multinational enterprises. In addition to employment and industrial relations issues, they cover general policies for good corporate behavior including: contributing to sustainable development and respecting human rights; disclosure of information by multinational enterprises; the environment; corruption; consumer interests; science and technology; competition; and taxation.

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, NGOs, companies—already have a wealth of experience in establishing and using alliances. Find out who they are and talk to them. Attachment G holds a summary of what some other bilateral donors are doing to promote corporate social responsibility and greater private sector involvement in development.

Encouraging Innovation

If multiple alliance ideas are being informally considered, but no concrete ideas have been set out for discussion, a meeting or conference could be held for purposes of encouraging and developing innovative thinking. You may wish to invite donors and multilateral organizations who have had some alliance building experience, companies known for their philanthropy and innovation, and a couple of well-grounded NGOs. Such a meeting can provide a sense of whether alliances are an appropriate way of identifying and solving the development problems you are facing. The meeting may even lead directly to an alliance idea incorporating some of the USAID alliance approaches described in Part_5 of this manual.

The Federal Advisory Committee Act (FACA): A Cautionary Note for USAID/Washington

Offices in USAID/Washington that are taking steps to bring together private individuals (e.g., representatives of NGOs and companies) to discuss with USAID the establishment of an alliance will need to be aware of the possible application of the Federal Advisory Committee Act (FACA). Under FACA, a group that consists of both U.S. Government and non-US Government employees that is established or utilized by a federal agency for the purpose of giving advice to Agency officials must be chartered and approved by the Office of Management and Budget and the General Services Administration. Once established under FACA, an advisory committee must have open meetings and follow other public access requirements. In most instances, bringing a variety of parties together to discuss and eventually establish an alliance will not trigger FACA. However, it is advisable to address the applicability of FACA as the approach to establishing an alliance is being developed. USAID's General Counsel has provided a brief guidance document (Attachment B) and should be contacted if you have questions.

When you're satisfied that the criteria above have been met, it's time to move on to organizing the alliance.

Part 2: Getting the Alliance Underway

If you've decided that an alliance is a good way of identifying and solving a development problem, but aren't quite sure what to do next, this part of *Tools* provides a step-by-step guide to alliance creation, including how to perform due diligence.

Alliance Characteristics

- ✓ Alliances are often incremental.
- ✓ Members must be prepared to commit resources.
- ✓ An alliance is often comprised of organizations with diverse goals and values.
- ✓ Risk is natural.
- ✓ Systemic barriers must be overcome.
- ✓ Avoid dependence on specific individuals.
- ✓ Build accountability, transparency and trust.

One of the first things to do is to get a handle on who among the prospective alliance members is interested in working in partnership with you, and what their ideas for an alliance might be. Rather than going "door-to-door" soliciting interest and ideas, you could consider holding a conference specifically to encourage the alliance and develop innovative ideas. Such a conference could be widely advertised to potential partners and posted on the Global Development Alliance web site (and/or other sites, as applicable). At a minimum, this conference should provide you with a good sense of who to invite to participate in the alliance. The conference might also lead to future submissions of alliance proposals to USAID. You might even find that discussions at the conference lead directly to ideas for an alliance approach (see Part 5 of this manual). An additional advantage of a conference is that it announces your alliance intent openly and transparently, so that all that may want to know about it will know about it.

Although it's anticipated that the work of an alliance will contribute to meeting the strategic vision of all the member organizations, no one organization is in the "driver's seat." Let's look at some of the lessons that organizations have learned about working in partnership with others.[1]

[1] Many of the ideas in this part are taken from USAID's *A User's Guide to Intersectoral Partnering*, November 1998.

Working Together, Ensuring Success

Potential members of an alliance may not have a history of interaction and may even view one another with some apprehension. Prior to the first formal alliance meeting, each prospective alliance member should do some "familiarization" research. Some suggested steps are:

Talk with people in the organizations you have identified as prospective members of the alliance.

Ask them about their histories, experience with past collaborative efforts, and perspectives on the development problem you are trying to address. For example, ask "Could you imagine working with USAID to solve "X" problem or take advantage of "Y" opportunity?" Some questions to answer: What is the history of the issue in the organization? What present (or past) coalitions exist among the prospective alliance members? Particularly, where you are dealing with private companies, you may need to provide basic information about USAID and its mandate.

Investigate particular sources of potential problems.

A key reason for the lack of productive interaction among alliance members is that the missions and cultures of the organizations are different. To form a successful alliance, organizational representatives must be able to address the focal issue of the alliance from the viewpoint of their constituents, even while they may have substantial disagreements over other related issues. Some questions to answer: What is the history of the organization's relationships with other prospective members of the alliance? How much tension, if any, must be overcome to make cooperation possible?

Be aware of typical organizational strengths and potential areas for concern.

Government strengths include the ability to improve the enabling environment, public accountability and

adjudicative functions. **Potential areas of concern with the government sector** include inertia, micro-management, exhaustion from an ongoing tension between demands and resources, and a bureaucratic culture.

Business strengths include access to production facilities, technical expertise, and a market culture that promotes efficiency, innovation, entrepreneurship, competition and a strong client orientation. **Potential areas of concern with the private sector** include distrust of collective action, inability to deal with externalities, lack of transparency, and emphasis on short-term results.

NGO strengths include a volunteer culture sensitive to members' needs and values, and organizations that tend to be smaller and more flexible than the other alliance members. **Potential areas of concern with NGOs** include chronic under-funding, focus on process rather than product, lack of experience in working with government and private business, as well as various management and organizational weaknesses.

Overall, it's important to realize that effective organizations learn how to deal with these issues, but may never really get over them completely. However, effective organizations manage to affirm the collective interest and provide a base for action with others. Some questions to answer: To what extent is the issue so widely perceived as a crisis that otherwise reluctant organizations might be willing to try something new? Which prospective alliance members are ready for collaboration? Which are not? What are the impediments to a strategic alliance?

Due Diligence

Once you have an idea of whom your alliance partners might be, it makes little sense to move forward with the alliance without first assessing the past performance, reputation and future plans of the prospective alliance partner with regard to various business principles and practices.

What is due diligence? 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. 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.[2] To assist you, a guide to conducting the due diligence investigation is found in Attachment A. For ease of use, the guide features key questions and references to important web sites that will be of use to you. Please contact the GDA Secretariat should you require further assistance or need additional information.

Checking Integrity

The World Bank's Business Partnerships and Outreach Group has developed succinct criteria for determining the integrity of prospective partners.

Another way to quickly check on the integrity of a prospective corporate partner is to find out if the company "embraces and enacts" the United Nations Global Compact's Nine Principles. These principles cover topics in human rights, labor and environment.

Alternatively, you might look to see if the firm endorses the Global Sullivan Principles of corporate social responsibility. These principles support economic, social and political justice by companies where they do business; human rights and equal opportunity; disadvantaged workers; and greater tolerance and understanding among peoples.

Several of these criteria have been included in the due diligence guide found in Attachment A.

As you browse the guide, keep in mind three things. First, *it may not be necessary to investigate every possible avenue of consideration*. For most transactions that you might consider, it would be too costly and too time consuming. Particularly for small alliances, too much due diligence can kill the transaction. Note also that due diligence, once beyond an initial phase, *is an ongoing process.* Indeed, alliances take time to develop, implement and manage.

[2] Further information on the triple bottom line is available from SustainAbility.

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 (some examples of which are noted in the inset boxes on the foregoing page and on page 7). 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.

In sum, the guide is meant to serve as a menu from which you choose those items that warrant further investigation. Be sure to make conscious and informed, not random, decisions when conducting due diligence.

Part 3: What Do We Have In Common?

Convening the Alliance

When the partner "pieces" of the alliance puzzle are in place, it's time to collaborate on developing an approach to the issue. The first meeting of prospective alliance members is exploratory (generally, the partner that is initiating the alliance will take this step—it may be you!). Its goal is to build enough trust and commitment to meet again. Here are some tried and true meeting tips for you to consider:

Who convenes? It is important to identify an individual or organization that is well regarded by all parties to call meetings. The convening individual or group needs to have credibility with all the prospective alliance members.

Who attends? It is also important that those with appropriate professional responsibilities attend the meetings. Oftentimes, such meetings require attendees possessing clear authority to speak on behalf of their organizations.

Where? The actual meeting location must also be considered. For an initial few meetings, it may be best to identify some neutral ground. This prevents the meeting from being perceived as under one organization's control.

Who moderates? If choosing a moderator for the initial meetings, find a good facilitator—someone who allows alliance members to raise issues without getting bogged down in unproductive discussions.

What to discuss? 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 end right there with a summary of viewpoints written for distribution.

If the meeting members already know each other, they might move directly to setting directions—i.e., determining their collective vision of the problem and its solution (which would otherwise be a topic for a second meeting).

Setting Directions

A benefit of an alliance is that it often looks 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 about the nature of the problem and ideas about possible solutions. Steps you might take together include:

Defining the problems and concerns of all interested parties. Successful problem definition involves meaningfully identifying the junction of the interests of the alliance members and the needs of those the alliance is seeking to benefit. Having representatives of all interested parties at the table during this discussion on setting directions 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 these can be addressed. Some questions to answer are: What is the nature of the problem that this alliance might solve, and why is it advantageous to organize an alliance to solve it? How are the stakeholders affected by the problem?

Sustainable Cocoa Alliance,
A Work in Progress

USAID is continuing to develop a global alliance with the Chocolate Manufacturers' Association (CMA), its member companies, and others. The alliance focuses, in part, on the joint concern that exploitive child labor and trafficking practices are being used in cocoa production in West Africa. The CMA and others have signed a protocol for cocoa beans and their derivative products to be grown and processed in a manner that complies with the International Labor Organization Convention 182 on child labor. USAID and other alliance members are jointly financing a series of studies and an action plan for West Africa focusing on child labor and other small farmer economic and social issues. The pilot phase is expected to require $7-$8 million over a 3-year period, and the U.S. cocoa/chocolate industry has committed to match USAID's financial resources. The U.S. Department of Labor and the State Department have also expressed interest in supporting the child labor and trafficking aspects of the work.

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 strategic objectives, and 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, 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?

Identify country-level and community-level allies of the alliance. 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 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: 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 members of the alliance? Are there organizations with the capacity to become implementing partners?

Developing an Action Plan

In subsequent meetings the alliance can develop its goal and objectives into an initial action plan. When developing the action plan, keep in mind the ground rules of effective collaboration. Key questions that the alliance needs to answer at this point are:

Ground Rules of Effective Collaboration

- ✓ The right to say "no"
- ✓ Honesty
- ✓ Accountability
- ✓ A commitment to help address other alliance members' perspectives as well as one's own

How should actions be implemented? Open lines of communication are vital; as are clearly defined planning rules (e.g., something akin to the logical framework which 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 need to discuss resource allotments continuously—i.e., who's providing what—in order 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 between 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.

USAID Statutory and Policy Requirements

At this stage, you should address the normal list of statutory, regulatory and policy requirements that apply to USAID-funded activities. 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. The FY 2002 statutory checklists are expected to be added as a reference to ADS 200 in the near future. 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.

Conflict of Interest Considerations

Planning collaboratively with alliance partners, one or more of who may well become USAID's implementing partners or otherwise receive USAID funds, requires your careful attention because of the possibility for organizational conflict of interest (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 restrictions are not required when outside organizations participate in:

1. Discussions regarding concepts, ideas or strategies, i.e., the stage prior to identifying possible implementation instruments.

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

3. Matters involving only assistance (not contract) instruments, both during the competition stage and once the activity is in progress.

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 cooperatives 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, Strategic Objective Teams are encouraged to review assistance competitions case-by-case to consider whether certain restrictions make sense under the circumstances.

If questions remain, please contact your cognizant legal officer or Drew W. Luten, Deputy General Counsel at 202-712-4698 (mailto:dluten@usaid.gov).

Part 4: Getting It On Paper

By now, your alliance is fairly far along in determining what it wants to do, why it wants to do it and who the other partners will be. At this point, alliance members should undertake some formal codification of their collaboration. This might take the form of a memorandum of understanding (MOU) or letter of intent, that—while not legally binding—commits the alliance members to the agreed upon course of action pending home office approvals and resource availability. Although the Agency has no set format for such an agreement, and they will vary greatly in degree of specificity, the following are elements to consider:

> Memorandum of Understanding
>
> Several examples of agreements and agreement formats incorporating the recommended elements are available.
>
> Attachment D is a sample Memorandum of Understanding involving USAID, a coffee company and a foundation.
>
> Sample agreements from Catholic Relief Services and The Prince of Wales International Business Leaders Forum can also be found on pages C 10 and C 20, respectively, of USAID's *Designing and Managing Partnerships Between U.S. and Host Country Entities*.

Partner organization details. The name of each alliance partner, the contact person and her or his contact details, and a very 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 objectives are for reaching the goal.

Operating principles. Conveys the general understanding that the alliance members have on how the alliance will manage its program. This includes such things as a description 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.

Responsibilities of alliance members. Describes what each member gives to and gets from the alliance; provides a preliminary view of the resources that each member will commit—core resources, program and/or project resources (financial and non-financial); and sets out the alliance's implementation timeline.

Accountability. Notes 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.

Disclaimer. The agreement **must** include a statement akin to: "This is a working agreement only and shall not be legally binding on either USAID, [names of the other members] without further documentation."

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, and may be used to explain the alliance to the members' home offices and to seek resources. Within USAID, it may also be part of the documentation required by Missions and Bureaus for activity approval.

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, M/OP or RCO assistance should be sought with respect to the choice of instrument and the procedures to be followed, and the question of competition should be addressed.

Part 5: Moving Ahead—Formalizing the Relationship

Following approval of the proposed alliance both by USAID (in accordance with your accepted activity approval practice) and by the other alliance members undergoing their own approval processes, the alliance turns its attention toward pulling together the specific resources necessary to meet the alliance's objectives.

"Building alliances"—i.e., collaborating with others to identify developmental problems and arriving at a plan whereby all partner resources are used collectively to achieve far-reaching results—is something that various parts of the Agency have done for a number of years. Drawing on USAID's institutional experience, this section of *Tools for Alliance Builders* focuses on the approaches that you might use (examples of which can be found in Attachment F).

The Agency's policy is to encourage the development of relationships and agreements that give life to alliances, consistent with our objectives as an Agency. In most situations, existing instruments can be used to support your alliance. In some cases, the conventional form of contract, grant or cooperative agreement may not be appropriate for the planned relationships. This approach requires creative thinking by all parties involved, and the early involvement of the Office of General Counsel and Office of Procurement.

Keep in mind that well-conceived and implemented alliances can offer you substantial programmatic and business advantages. However, with these advantages may come working and funding relationships, as well as risks, that should be understood, assessed and accepted in the process of reaching a decision to form or support an alliance. In some instances, the use of a new approach could mean that you'll have less direct control over the direction of a program that USAID funds. *In these cases, it will be very important for you to make certain that the alliance is established in such a way as to ensure*

appropriate and effective governance, operational capacity and accountability. New approaches will require you to focus on relationships and agreements that address these requirements; requirements that are essential both to the success of the development program to be supported by the alliance and the protection of USAID's financial and programmatic interest in the alliance.

Approaches to Establishing Alliances

You have a number of options when considering approaches to establishing alliances. These can be placed into two broad categories: (a) parallel financing and (b) pooled resources.

Be Careful Where You Sit!

Currently, pursuant to an opinion of the Office of Legal Counsel at the Department of Justice, US government employees are not permitted to serve, in an official capacity as a representative of the US Government, on the board of directors of any non-federal organization. There are narrow exceptions to this prohibition and the possibility of a waiver in some circumstances. Please contact the Office of General Counsel for further guidance.

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 Regional Legal Adviser should assist with the negotiation and drafting of the MOU. OP 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. Help in preparing an MOU can be found in Part 4 of this manual.

In this type of alliance, USAID typically might award a grant or cooperative agreement to an NGO (or a contract to a firm) that is supporting or participating in the alliance. While there will be situations in which contracting for services in support of alliances is appropriate (or issuing task orders under existing Indefinite Quantity Contracts), it is anticipated that USAID will rely significantly on grants and cooperative agreements to provide financial support to public-private alliances.

Using Traditional Grants and Cooperative Agreements to Support Alliances, below, suggests how you might use existing processes and agreements in the context of alliances that follow the parallel financing approach. As always, you should approach the possibility of an alliance by first clarifying the development objective that it is trying to achieve and then consider, in concert with the cognizant contracting officer and legal advisor, how best to implement that objective, using either innovative or traditional approaches.

Pooled Resources

Pooled resource alliances can be arranged in several different ways, and include the following:

USAID and its partners establish an alliance governance structure for the purpose of attracting resources and making joint program decisions. This approach 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 generally includes 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.

Global Alliance to Improve Nutrition (GAIN)

GAIN, an example of a pooled-resources alliance, is an emerging alliance of public and private sector organizations seeking to improve health through the elimination of vitamin and mineral deficiencies. GAIN policies and operating structures are currently under development. Preliminary partners include: USAID, The Bill & Melinda Gates Foundation, CIDA, The World Bank, UNICEF, WHO, private food companies, and NGOs/PVOs. GAIN will make grants to developing countries in support of food fortification and other sustainable micronutrient interventions in order to save lives and improve health and productivity.

For this type of alliance, USAID support typically takes the form of a grant to the NGO established by the alliance, 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.

A simpler version of the above, with which USAID has considerable experience, is the direct use of a PIO to manage a multi-donor program initiative. Typically this approach has involved only donor government funding, but could include private contributions. The key distinction between this example and the first example above is that 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.

In appropriate circumstances, USAID may make an endowment grant to a private, non-governmental organization to capitalize a fund that will generate income to maintain activities of the NGO that are consistent with the alliance purpose. In the right circumstances, an endowment grant to an NGO participating in an alliance may be just the right tool for the alliance to develop a long-term funding plan for a long-term financial requirement. USAID and other donor resources are pooled in the sense that they are consolidated in the grantee's endowment fund. Current USAID policy requires that USAID grant funds be accounted for separately. However, this requirement has not been an impediment to successful endowment grants.

USAID's Policy Determination #21, Guidelines: Endowments Financed with Appropriated Funds, provides

Global Fund to Fight AIDS, TB and Malaria

A document that provides a glimpse into the effort to organize the fund has been included in Attachment E. This Legal Organization Memorandum provides a very good overview of the legal structure established for the Global Fund. It includes some basic structural elements that have been (and likely will continue to be) included in multi-party, public-private alliances that establish new governance structures and pool resources; and conveys some of the many details that need to be negotiated, agreed to and then implemented in order to get this type of alliance up and running. While the Global Fund is much larger (both in terms of participants and funding) and more complex that most alliances will be, these documents show that considerable effort is required to set up an alliance of this sort.

you with guidance on making endowment grants. Model grant formats are available from OP and GC. Depending on the circumstances under which an endowment grant is planned, a competitive process may be appropriate. If an endowment is proposed for a multi-party alliance with a special governance structure, the considerations and approvals described above will need to be attended to.

Still another possible "pooled resource" approach is a jointly funded USAID grant, cooperative agreement or contract that accommodates donations to USAID following the procedures set forth in ADS 628. (Note that contributions to the U.S. Government by individuals and corporations are considered to be tax-deductible charitable contributions under Section 170 of the Internal Revenue Code.) This approach would, in effect, have USAID serve as the trustee for the management of contributions by other alliance members. 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 the alliance's program.

Using Traditional Grants and Cooperative Agreements to Support Alliances

While some alliance arrangements may require deviations from existing policy and new, streamlined forms of grant documents, other alliances may be supported with existing policy and traditional grant mechanisms. The following suggests how current processes and agreements might be used in the context of alliances that follow the "parallel financing" approach.

This section—as with all of Part 5—is by no means meant to be exhaustive nor definitive. All alliances should be considered individually with cognizant legal, procurement, and/or GDA Secretariat 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 Global Development Alliance web site (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 proposals to USAID.

Use of Competitive Solicitation 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,

A PVC Model

One approach to successfully promoting partnerships and alliances, used by USAID's Office of Private and Voluntary Cooperation (PVC), is the use of a cooperative agreement with the Millennium Alliance for Social Investment to facilitate relationships between U.S. PVOs and corporations. This organization promotes partnership concepts and operational modalities to make it attractive for private companies to invest in development. It also offers specific services to support linkages, identify and broker partnership opportunities, and synthesize experience and promote best practices. One example of such a match is the case of Smith-Klein Beecham and Children International, who are collaborating in nine countries in Latin American and Asia to implement an integrated health and nutrition program for children. In some cases, PVOs that have successfully attracted private sector partners have then applied to USAID for grants under the PVC Matching Grants program, which requires the PVO and their partner(s) to provide a dollar-for-dollar funds match.

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).

Matching Funds

USAID can assist existing or potential USAID-funded NGOs to maximize cost-share resources, thereby expanding the overall resources available to a program, by actively "marketing" for outside contributions. There are some important issues, however, for you to consider.

First, the proposed alliance member who'll provide the funding, such as a corporation or foundation, must be willing and able to participate in an USAID alliance through the partner NGO. Second, this approach assumes that you've already obtained agreement to participate from the recipient organization. Third, you should give careful consideration to which programs actually make good candidates for this type of solicitation. Finally, contributions from potential funding partners should reflect a mutuality of purpose between the objective of their contribution and the objectives of your existing USAID-funded program.

This approach uses established ADS Chapter 303 procedures and Standard Provisions. The business and programmatic risks are therefore low—or equivalent to the risks we normally encounter in our grants and cooperative agreements and the process by which we make these awards.

This approach might work as follows. First, satisfy yourself that the program in which USAID and the funding organization are interested would be specifically related to the program in the existing grant or cooperative agreement that is being proposed as a "match" mechanism. Then introduce the prospective funding partner to the NGO that has the existing USAID grant or cooperative agreement. The USAID recipient would freely agree to the proposed arrangement and the funding partner and the recipient would independently negotiate an agreement. (While you may initiate the potential match, you'll have no further direct relationship with this transaction.) That agreement could then, if necessary, be negotiated into the USAID grant or cooperative agreement. Monies or other in-kind resources received from the partner would then be reflected as cost share.

Use of Pre-qualification Rounds

The pre-qualification competition permitted in ADS Chapter 303.5.5a(4) may be used in lieu of a traditional full and open competitive procedure. To utilize this method, your Strategic Objective Team, with the approval of the Agreement Officer, would establish a two-tiered (or more) competition system. For the first tier, competition would be used to solicit brief concept papers in which applicants will be asked to "outline" their approach and their use of either self-proposed or USAID prescribed alliance partners. Technical evaluation criteria would be used to select the best applicants from the first round for a more intensive competition and evaluation. Some suggested technical evaluation criteria could include:

- ✓ An emphasis on those alliances involving local leadership and local beneficiaries to ensure sustainability, and

- ✓ A preference for those proposals that involve the greatest leveraging of outside resources and address an important development problem.

ADS Chapter 303.5.5a(3) includes more information on the process.

Use of Exceptions to Competition

You are encouraged to use the exceptions to competition specified in ADS Chapter 303.5.5d, to the extent that the exceptions are necessary to facilitate the formation of an alliance. Some exceptions which 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're 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.

Fundraising, A Cautionary Note

USAID's General Counsel 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 need to be met in order to avoid potential conflict of interest problems. GC has prepared a guidance memorandum that outlines procedures for USAID officials who may 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. (Agency guidance regarding receipt of donated funds can be found in ADS Chapter 628, *Gifts and Donations and Dollar Trust Fund Management*.)

Further information on fundraising is found in Attachment C, USAID Solicitation Campaigns for Agency Programs or the Foreign Assistance Programs of Other Entities. Please

contact GC with any questions about these procedures, including their applicability to particular situations.

If you have questions about which approach to use in supporting your alliance, or the approaches described above in general, please direct them to Carol Ketrick, Office of Procurement/Policy at 202-712-1382 (mailto: cketrick@usaid.gov); Lorie Dobbins at the Global Development Alliance Secretariat, (202) 712-1805 (mailto: ldobbins@usaid.gov), or Drew W. Luten, Deputy General Counsel at 202-712-4698 (mailto:dluten@usaid.gov).

Part 6: Alliance Management

The alliance has been established, the money is in hand…now what? Well, from an Agency point of view, if USAID funding is involved in the alliance you would manage those funds and report on their use as with any activity—i.e., your Strategic Objective Team would continue to measure strategic objective results achievement with its agreed-upon indicators. The principal management differences come in the way you'll monitor and report alliance progress. To be sure, alliance governance is an ongoing and dynamic process that requires everyone's full engagement.

The View from the Top

In his January 2002 memorandum to assistant administrators, Administrator Andrew S. Natsios stated: "Many bureaus already have innovative alliances in place. I want to build upon the best of these, and expand the use of alliances to meet our development objectives throughout the Agency...Given the importance of this initiative to the Agency, I would like to track closely our progress in developing more and richer public-private alliances."

Monitoring Progress and Reporting Performance

This year's Annual Report (FY 2001) sets the baseline for the Agency to use in measuring its progress in developing alliances. You are required to report on the indicator "Did your operating unit achieve a significant result working in alliance with the private sector or NGOs?"

In addition, your OU is required to report on how many alliances you have implemented in 2001, and how many you plan to implement in 2002.

Although it's not been completely settled, it's expected that in subsequent years (FY 2002, and each year thereafter) you will continue to report in the same way.

The prototypical development alliance can be characterized by the following:

- ✓ It involves joint development of objectives and activities with outside partners.
- ✓ It brings new partners to the development challenge or significantly expands an alliance with existing partners.
- ✓ Significant resource mobilization (i.e., "leveraging") is included—this would mean greater than 1:1 and can include funds, in-kind contributions and intellectual property.

It's important to note that in instances where you've been instrumental in fostering an alliance between outside groups that promotes the achievement of your strategic objective (e.g., helping to build a consortium of international wildlife conservation organizations that contributes to the achievement of a natural resources strategic objective), but have not used USAID programming resources to do so, it does not qualify as an alliance for *reporting* purposes. However, be sure to mention it in your Annual Report (or in its cover letter) at an appropriate point if you want readers to know about USAID's role in facilitating the alliance.

If you have questions about monitoring and reporting, please direct them to Curt Reintsma at the Global Development Alliance Secretariat, (202) 712-4018 (mailto:creintsma@usaid.gov).

Attachment A: 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. The 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?

Essential Areas for Investigation

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 order a report by Dun & Bradstreet or conduct a Lexis-Nexis search, contact Leah Molyneu (202-712-0579; or mailto:lmolyneu@dis.cdie.org) of USAID's Center for Development Information and Evaluation (CDIE).

A number of "watch dog" 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 and Corporate Governance.

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

Note that the GDA Secretariat is investigating the feasibility of subscribing to the Inter-Agency Corporate Information Tool, a database developed by the World Bank and UN agencies that contains reviews of companies. Contact the GDA Secretariat for additional information.

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? And 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 Non-Profit 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 non-profit 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.

Attachment B: Overview of the Federal Advisory Committee Act (FACA)

In connection with the development and implementation of the Global Development Alliance (GDA), USAID proposes to consult with and seek the views of a range of outside parties. These consultations will be initiated by the GDA Secretariat 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 GSA's implementing regulations) require that certain "advisory committees" be chartered, approved by OMB and GSA, give advance notice of meetings, have open meetings and publish minutes and comply with other public access requirements.

Generally speaking, an "advisory committee" under FACA is any group **not** composed entirely of full-time federal employees. However, FACA does not apply to committees that are established overseas and include non-US citizens.

One often hears that FACA does not apply to "one-time" meetings. There is no exemption under FACA for “one-time” meetings. Such meetings are usually justified on the grounds that individual, not consensus, views are being sought.

FACA only applies where the group is:

- **not** composed entirely of full-time government employees,
- established or **utilized** by the agency, and
- giving "consensus" advice, as opposed to individual views, to agency officials.

Thus, groups with private members (both established agency advisory committees and ad hoc groups) can meet with agency officials without having to comply with FACA to:

- receive information or advice;
- discuss internal scheduling and other non-advice matters; and
- discuss substantive matters and even proposed recommendations and advice, <u>provided</u>:
- such advice and recommendations are aired at a later public meeting of an advisory committee; <u>or</u>
- only individual views are sought from the public attendees and not a group consensus.

The more times a group meets the harder it is to argue that consensus advice is not being sought. If there is a need for a continuing dialogue on a particular subject, one approach is to create a subcommittee of an existing committee established under FACA. The membership of the subcommittee can be completely different from that of the parent. The subcommittee can meet without complying with FACA as long as the matter is finally considered by the parent committee at a public meeting.

Please contact the Office of the General Counsel if you have questions or in general would like to discuss this subject.

Attachment C: Guidance Memorandum on Solicitations

February 1, 2002

MEMORANDUM

TO: Deputy GC, Patricia Ramsey

FROM: GC/LP, Jan Miller, GC/G, Susan Pascocello

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 the 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[3] or requests for cost share or matching fund contributions[4], 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.

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[3] See Donor Coordination Strategies, http://www.usaid.gov/pubs/ads/200/200sad.doc.
[4] 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.

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 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. [5] 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.[6] 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.[7]

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</u>

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[5] 5 C.F.R. 2635.808 (b).
[6] <u>See</u> ADS 628.5.1 and E628.5.1.
[7] <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).

treatment in its dealings with USAID (or would face any kind of discriminatory treatment if it declines to contribute); and (d) the solicitation must not include covert or deceptive activities (emphasis added)[8].

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 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

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

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 Grantees – 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.[9]

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[9] See ADS 628.5.1.

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 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.

Attachment A (to the GC memo)

State Department Procedures

In general State Department officials have been authorized to engage in official fundraising activities in appropriate cases when statute or regulation sanctions private fundraising; or the public official's association with the private fundraising activity furthers a significant foreign policy objective.

(i) Foreign Affairs Manual

The State Department's Foreign Affairs Manual (FAM) sets forth a procedure that must be followed to obtain approval for any solicitation or other fundraising activity. (2 FAM 962(f)-(j)) The requesting office prepares an action memo that is cleared by State L/Ethics and Financial Management and Planning (FMP), and the memo is submitted to the Under Secretary for Management for his/her approval. The memo includes as much information as possible on the project for which the funds will be raised (including amount of money, potential donors, method or raising money, availability of alternative funding sources, and the importance to the USG of the proposed project). FMP incorporates into the memo information concerning any prior State Department solicitations of the targeted donors. The approval of the proposal requires that the Under Secretary for Management balance the policy interests in favor of fundraising against the potential risks to the Department involved in raising money from the private sector. The FAM specifically states, among other things, that the Under Secretary for Management will not approve solicitations targeting persons who are seeking to obtain any business, benefit or assistance from the soliciting official; conduct activities that are regulated by the soliciting official; or have interests that may be substantially affected by the performance or nonperformance of the soliciting official's duties (emphasis added).

(ii) Solicitation/Gift Acceptance Guidelines

The State Department also employs the following Solicitation/Gift Acceptance Guidelines for its Employees:

- Department employees should make clear to all entities being solicited that their participation will not cause them to derive any benefit from the USG and that a decision not to participate will likewise not lead to any penalty.

- Participation should be inclusive, offered to a wide number of firms or institutions in a given category to avoid showing preference to any one or handful of firms.

- Department employees should ensure that no solicited firms have or are seeking to obtain any significant business, benefit or assistance from the USG of a type that could cause an appearance that the gift is offered with the expectation of obtaining advantage or preferment in dealing with the USG.

- Any solicitation letters or other communications should note the effort to gather support from a broad number of firms, institutions, or persons.

(iii) Maximum Contribution Amount

In 1998, the State Department considered whether to authorize Department employees to solicit $25 million to support former President Clinton's Education for Development and Democracy Initiative for Africa. While the memorandum is attached for information purposes, we understand that this initiative was not acted upon. The memo requesting the authorization for such fundraising noted that it was unusual for the Department to accept donations in excess of $200,000 from a single donor for a specific campaign.

Attachment D: Sample Memorandum of Understanding

Readers should treat this Memorandum of Understanding (MOU) as an example and not necessarily as a model for general use. In considering and negotiating MOUs and similar agreements, USAID offices will need to prepare documents that meet the needs of their own alliances and the topics covered in MOUs may vary from alliance to alliance. 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, M/OP or RCO assistance should be sought with respect to the choice of instrument and the procedures to be followed, and the question of competition should be addressed.

DRAFT
MEMORANDUM OF UNDERSTANDING
BETWEEN THE
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
AND
ABCD COFFEE COMPANY, INC.
AND
WXYZ FOUNDATION

I. PURPOSE AND SCOPE

The United States Agency for International Development ("USAID") and ABCD Coffee Company, a XX (state) corporation, and the WXYZ Foundation, a XX (state) corporation and a tax-exempt education and personal development foundation (hereafter each a “Party” and collectively, “the Parties”); share the goals of promoting economically sustainable and environmentally sound coffee production for small-holder farmers and farmer organizations in developing countries; increasing investments in such production; and improving the quality of coffee produced for export. The Parties also share the goal of promoting private sector approaches that are environmentally friendly, socially just and economically sustainable.

The purpose of this Memorandum of Understanding ("MOU") is to set forth the understandings and intentions of the Parties with regard to these shared goals. The Parties specifically acknowledge that this MOU is not an obligation of funds, nor does it constitute a legally binding commitment by any Party.

II. IMPLEMENTATION

To achieve the purposes of this MOU, the Parties, individually and subject to the availability of funds, contemplate activities including technical assistance and technology transfer to small-holder farmer and farmer organizations and coffee producers in developing countries (hereafter "the eligible beneficiaries") to improve coffee quality; research and investment in production, business development, and marketing efforts; and identification and implementation of income diversification options both in and out of the coffee sector.

Specific joint efforts of the parties may include:

- The mutual exchange of information and data on specific sectoral activities - except that deemed privileged or proprietary;
- The coordination of technical assistance, research and other activities involving eligible beneficiaries' coffee production, shipping, handling and processing;
- Promoting environmentally friendly resource management practices by small farmers and farmers organizations;
- Meeting periodically at the request of either Party to share experiences and lessons learned and to facilitate the transmission of "best practices" to regional and country-level partners;
- Cooperation on testing and implementation of verification and certification systems that monitor and measure the impact, effectiveness, and sustainability of activities; and,
- Sharing information on opportunities that may arise for collaboration with other donors and entities that may leverage resources invested by the Parties.

IN WITNESS WHEREOF, the undersigned Parties have agreed:

ABCD Coffee Company:

_____

John Doe
Vice President, ABCD Coffee Company
Authorized Representative
for ABCD Coffee Company

_____ Date

USAID:

_____

Jane Jones, USAID
Authorized Representative
for USAID

_____ Date

WXYZ Foundation:

_____

Bob Smith
Vice President, WXYZ Foundation
Authorized Representative
for WXYZ Foundation

_____ Date

Attachment E: Global Fund to Fight AIDS, TB and Malaria

Legal Organization Memo

- ✓ **The purpose of this document is to summarize the legal steps taken to launch THE GLOBAL FUND as an independent foundation under Swiss law with assets held in trust pursuant to a Trust Agreement with the World Bank, and Administrative Services provided via contract with the World Health Organization.**
- ✓ **This document has been prepared by Willis Ritter, Legal Adviser to the Oversight Committee.**
- ✓ **The Board may take note of this document as background on the legal evolution of THE GLOBAL FUND.**

THE GLOBAL FUND –Legal Organization Memorandum

SUMMARY

1. **Organizational Principles**.

A series of fundamental policy decisions were reached at the final plenary session of the Transitional Working Group in Brussels on December 13-14, 2001, which have impacted the interim legal developments:

- THE GLOBAL FUND would be an independent legal entity, not "nested" within any existing U.N.- affiliated organization.
- THE GLOBAL FUND and its Secretariat would be located in Geneva, Switzerland.
- THE GLOBAL FUND assets would be held in a separate trust fund with the World Bank as Trustee, but THE GLOBAL FUND would retain control over the disbursement of those funds. A Trust Agreement would be developed with the World Bank to describe the relationship between THE GLOBAL FUND and the Bank.

- THE GLOBAL FUND would contract through an Administrative Services Agreement with the World Health Organization (WHO) (also located in Geneva) for various specifically described administrative services. GLOBAL FUND staff and contractors would be deemed WHO employees for various administrative purposes, but delegated exclusively to work for THE GLOBAL FUND. However, as with the World Bank Trust Agreement, THE GLOBAL FUND would retain its independence vis-à-vis WHO, occupying space separate from WHO, and retaining full control over the recruitment and daily supervision of staff.

2. First Phase Completion

The first phase in the implementation of these principles is largely complete. THE GLOBAL FUND exists as an independent Foundation recently formed under Swiss law. As soon as the January 28 Board meeting convenes, this Foundation will be legally controlled by the agreed-upon Board of THE GLOBAL FUND.

The World Bank has formally accepted the invitation of THE GLOBAL FUND to serve as Trustee. The Oversight Committee and the Legal Adviser have negotiated the basic outlines of the requisite Trust Agreement with the World Bank and the Administrative Services Agreement with WHO. Detailed negotiations on both agreements are expected to be completed within the next several weeks.

3. Swiss Government Cooperation.

Negotiations with representatives of the Swiss government have been particularly helpful in developing the legal structure of THE GLOBAL FUND. These discussions are continuing, looking toward possible eventual transformation of THE GLOBAL FUND into a separate "quasi-intergovernmental organization" under special Swiss statutory authority.

THE LEGAL ENTITY

1. Creating the Foundation

Under Swiss law, there has been created a foundation entitled "The Global Fund to Fight AIDS, Malaria and Tuberculosis" (for this purpose, the "Foundation"). The Foundation has been created by registering a notarized copy of the Foundation Board's by-laws in the Canton of Geneva, Switzerland. The founding directors of the Foundation are Messrs. Anders Nordstrom (Vice Chairman of the Oversight Committee), Paul Ehmer (Team Leader of the Technical Support Staff), and Edmond Tavernier (Swiss counsel to the Foundation).

2. Transition to Permanent Board

As the first order of business at the initial Board meeting on January 28, the founding directors (Messrs. Nordstrom, Ehmer and Tavernier) will officially designate the 18 voting and 5 nonvoting members of the Board to serve as provided in the Bylaws, and will then resign. At that point, the Foundation will be a fully constituted legal entity under Swiss law, entitled to do business under the direction of its 18 voting directors. Messrs. Tavernier Tscanz will provide appropriate legal opinions to that effect.

Under Swiss foundation law, at least one member of the Board must be a Swiss citizen domiciled in Switzerland. The Bylaws therefore create a fifth nonvoting seat for the Board to fill by appointment of the requisite Swiss citizen. It is expected that Mr. Edmond Tavernier, as Swiss counsel to the Foundation, will be appointed to that seat for that limited purpose.

3. The Bylaws

The Bylaws' text is taken virtually word-for-word from the TWG document on Governance approved unanimously at the final plenary session in Brussels. The provisions are deliberately broad, to give the Board the widest possible discretion in its activities. Several nonsubstantive provisions have been added to conform to the technical requirements of Swiss law. The text of the by-laws was initially drafted by the Oversight Committee's Legal Adviser in conjunction with Swiss counsel, then reviewed by each member of the Oversight Committee, and

by separate legal counsel for several Oversight Committee member countries.[10]

THE TRUST FUND and the TRUSTEE

1. The Trust

All assets of the GLOBAL FUND Foundation will be held in a separate trust fund established at the World Bank. While the Trustee will be the *legal* owner of those moneys, it will act as a fiduciary for the FUND, required to manage and disburse those moneys strictly in accordance with the directions of the Board. Donors may elect to execute Contribution Agreements either with the FUND itself, or with the Trustee, but in either case donations from public entities will be sent directly to the Trustee for deposit to the Trust Fund. This approach assures maintenance of the immunities attributable to World Bank *legal* ownership of the funds.

2. The Trust Agreement

The draft Trust Agreement submitted by the Oversight Committee to the World Bank characterizes the Trustee as primarily responsible for *financial and fiscal accounting matters*. It preserves to the GLOBAL FUND Board full authority over the selection of grantees, disbursement of funds, and program accountability.

The draft Trust Agreement between the FUND and the World Bank has received substantial input from various members of both the Oversight Committee and the Fiduciary Working Group headed by Japan. On January 17, 2002, the World Bank formally accepted the request of Dr. Kiyonga to serve as Trustee; and on January 21 the World Bank was given a copy of the draft agreement. While some comments have been received, it is expected to be several more weeks before the agreement is finalized. In the meantime, the World Bank has agreed to continue holding GLOBAL FUND moneys in trust.

ADMINISTRATION

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[10] The broad principles in the by-laws will be supplemented by the Board's Framework Statement of Principles and it basic Operating Procedures, each the subject of a separate draft report for consideration by the Board.

Note that references to the "Secretariat" and "interim Secretariat" in this document refer to the Secretariat of the Global Fund, not the GDA Secretariat within USAID.

1. Administrative Services Agreement with WHO

The World Health Organization (WHO) in Geneva has agreed to provide a variety of routine administrative services to the FUND, such as payroll, health care, travel, and the like. WHO has been providing similar services on an informal reimbursement basis to the TWG, the TSS and the interim staff of the Oversight Committee. For this purpose, GLOBAL FUND employees will initially be hired under WHO contracts, and treated as WHO employees. However, the FUND has reserved full authority over the recruitment, selection and management of WHO employees assigned to its service.

THE GLOBAL FUND will be physically separated from WHO headquarters in Geneva, and will maintain its independence from WHO control. However, access to WHO's existing sophisticated administrative systems, and characterization of GLOBAL FUND personnel as WHO employees, offer significant cost savings to the GLOBAL FUND and its staff.

The Administrative Services Agreement has been negotiated in some detail directly with WHO and reviewed by the full membership of the Oversight Committee. Agreement has been reached on all essential substantive matters, and final signature awaits only the completion of cost estimates and negotiations.

2. Quasi-intergovernmental organization

Partly complementing its administrative agreement with WHO, the FUND may consider constituting itself a "quasi-intergovernmental organization" by executing a special fiscal agreement with the Swiss government. That status would continue to exempt the FUND and its assets from all Swiss taxes, and would also grant certain privileges directly to employees of the FUND. The basic structure of the FUND (Partnership forum; Board; Secretariat) would be unchanged, but the full Secretariat staff could move from the status of "WHO employees" to become direct employees of the FUND, should the Board so decide. Among the consequences of this change, the FUND would have to set up its own employee management structures, including provisions for payroll, health care and retirement benefits, and related administrative responsibilities initially contracted to WHO.

The interim Secretariat staff and the Legal Adviser have had several conversations with Swiss government officials regarding the quasi-intergovernmental organization model. While the approach may offer certain advantages, it would have required at least several months to put in place, and may or may not eventually turn out to be suitable for the FUND's needs. For this reason the staff, the Legal Adviser and the Swiss government representatives all recommend that the FUND first work with the WHO Administrative Service Agreement format, reserving the opportunity to transform itself to a quasi-intergovernmental organization if and when circumstances warrant.

Attachment F: Alliance Examples

Pooling Resources

The Global Alliance for Vaccines and Immunization (GAVI)

The Global Alliance for Vaccines and Immunization (GAVI) is an alliance between the Gates Foundation, which provided a $750 million financial commitment, USAID, international institutions including the World Bank, UNICEF and the World Health Organization, the pharmaceutical industry, and governments from North and South. USAID is participating as a grantor. GAVI is designed to address three problems: that every year 30 million children are still not receiving vaccinations; that only children in developed countries have widespread access to new life-saving vaccines; and that current market forces don't encourage the development of vaccines against diseases most prevalent in poorer countries, such as malaria and diarrhea. The GAVI partners are initially focusing their efforts on three major areas: moving resources to developing countries to increase immunization; augmenting the generous Gates Foundation commitment; and working with the vaccine industry to modernize the way vaccines are purchased for children in the world's poorest countries.

Structurally, the GAVI partners have organized themselves as an informal board of directors, with each of the several constituent groups (foundations, multilateral institutions, bilateral donors, industry, NGOs) represented on the board. The board establishes alliance policies and makes funding decisions for the alliance's programs. A technical working group and a secretariat support the work of the board. The bilateral donor representatives represent USAID on the board. USAID also is a member of the technical working group. The GAVI partners also established a U.S. NGO to serve as the focal point of GAVI's private fund-raising efforts. USAID's initial grant to GAVI was made to the U.S. NGO, which transferred the grant funds to the trust account established at UNICEF to manage GAVI's resources and provide financial and administrative services to the alliance.

Within USAID, the implementing office is Global Health Bureau, Steve Landry: 202-712-4808.

Global Alliance to Improve Nutrition (GAIN)

The Global Alliance to Improve Nutrition (GAIN) is an emerging alliance of public and private sector organizations seeking to improve health through the elimination of vitamin and mineral deficiencies. GAIN policies and operating structures are currently under development. Preliminary partners include: USAID, The Bill &

Melinda Gates Foundation, CIDA, The World Bank, UNICEF, WHO, private food companies, and NGOs/PVOs. GAIN will make grants to developing countries in support of food fortification and other sustainable micronutrient interventions in order to save lives and improve health and productivity. GAIN will combine the strengths of public and private sector organizations to mobilize private industry, international donors, and US foundations in support of food fortification, tapping the expertise and resources of the corporate sector in technology transfer, business development, and trade. Total funds for the first year of grants are estimated at $20 – 25 million.

Within USAID, the implementing office is the Global Health Bureau, Jill Mathis: 202-712-4817.

Bosnia Orphans

USAID/Bosnia, the U.N. Foundation (UNF), and UNICEF/Bosnia are collaborating with the Government of Bosnia/Herzegovina to respond to the needs of orphaned children at risk of institutionalization and to improve the conditions of institutions where children have been placed. To do this, USAID has made a grant to UNF, which will provide a 100% match and transfer the USAID and matching funds to the United Nations Fund for International Partnerships (UNFIP). UNFIP will then transfer all the funds to UNICEF for UNICEF Bosnia. By utilizing this mechanism, USAID's $100,000 contribution leveraged an additional $100,000 from UNF as well as $30,000 from UNICEF/Bosnia and $10,000 from another UNICEF/Bosnia donor. Civil society partners are also involved, in order to increase the capacity of local partners. UNICEF has active working relationships with the government, NGOs, foster networks, professionals and media. While this activity is currently focused largely on analysis and planning, UNICEF and the relevant local organizations have the capacity to influence change across the board: preventing children from being placed in an institution; improving conditions for those already in institutions; and providing alternatives so institutionalized children can be reintegrated into families and the community again.

At USAID/Bosnia, the contact person is Ellen Leddy, Tel. 387-33-667-900.

The Armenia Vaccine Program

This program, begun in Fall 1999, is an endowment that cuts across two USAID operating units – the Armenia Mission and the Global Health Bureau. The success of this endowment lies in its clear and tangible goal: *Get vaccines to children*. The proposed endowment funding level is $1.4-$1.6 million. USAID's grant was to the Ani & Narod Memorial Fund (ANMF). USAID has obligated $400,000 in core funding ($300,000 from the Armenia Mission and $100,000 from the Global Health

Bureau) and ANMF has committed to contributing $1million, with its chairman of the board personally investing $250,000 in core funding. In establishing the endowment, USAID's role was to put provide initial grant funding and the necessary technical assistance. ANMF provided the financial expertise. USAID stipulated in the agreement that the vaccines must be obtained through UNICEF (for purposes of quality assurance). This alliance is expected to have both a demonstration effect, as well as real results, since it is replacing the discontinued government vaccine program. As a model, this kind of endowment may be useful as a national immunization program especially where diaspora provide significant resources back into their home countries.

The point of contact is Emily Wainwright, CEDPA's Senior Technical Advisor for Infectious Diseases, BGH/HN/EH, tel. 202 712-4569.

Parallel Resources

Sustainable Cocoa Alliance

USAID has recently developed a strategic alliance with the U. S. Chocolate Manufacturers' Association, several key member companies, and other organizations. There is growing concern that some agricultural goods finding their way to developed country markets are being produced with exploitative forms of labor practices. In West Africa, cocoa and chocolate have become a focal point for issues regarding abusive child labor and trafficking practices used in cocoa production. Consistent with concerns expressed by the U.S. Congress and human rights groups, the Chocolate Manufacturers Association and others have signed a protocol for cocoa beans and their derivative products to be grown and processed in a manner that complies with the International Labor Organization Convention 182 on child labor.

Industry groups need a sustainable, environmentally sound, socially aware and profitable community of suppliers of high-quality cocoa on which their industry depends. As a result, USAID-assisted farmer groups have benefited from in-kind contributions of technical assistance, research findings, and preferential purchasing terms. The chocolate manufacturers, for instance, are contributing over $1 million per year in-kind and in cacao-purchasing premia to these collaborative efforts. More recently, the high-tech information industry has also taken an interest, as a basis for "bridging the digital divide" through e-commerce and remote sensing and geographic information systems (GIS) technologies to assure product source and quality.

Within USAID, the contact for additional information on the Cocoa Alliance is Jeff Hill in AFR/SD. (jhill@afr-sd.org), tel. 202 219-0465.

Coffee Companies and the Specialty Coffee Association of America (SCAA)

Additional examples of strategic alliances that have developed recently involve the SCAA and some of its member companies. Starbucks has partnered with Conservation International, with partial USAID funding, to work with small farmers in Mexico. SCAA itself has been involved in developing coffee producer groups in Guatemala, East Africa and elsewhere. Technical assistance and other resources are being provided to coffee producers in Peru, through an alliance with USAID/Peru, Winrock International, and Seattle's Best Coffee.

As above, Jeff Hill is the contact person for the Africa Bureau. In the Latin America/Caribbean Bureau, the contact points are John Beed (tel. 202 712-0761) and Carol Wilson (tel. 202 712-0506).

Public-Private Agricultural Research Programs

Over the last 10 years, USAID has directly supported several public-private agricultural research programs. For example, USAID, Monsanto, the University of Missouri, and the Kenyan Agricultural Research Institute (KARI) collaborated to train Kenyan researchers in the development of virus resistant transgenic sweet potatoes. This was the first USAID biotechnology-related public-private partnership. USAID provided initial seed funding (roughly $200,000), first through a direct grant to Monsanto and later to the University of Missouri with funding from USAID/Kenya. KARI donated the human resources, including sending two of its top researchers to live and work in the U.S. for two years. The University of Missouri managed the program and provided technical assistance. Monsanto, whose contributions to date total roughly $2 million, provided the laboratory for sweet potato research and eventually transferred the intellectual property rights for the virus-resistant sweet potatoes to KARI. A lesser-known partner, Robert Beachy of Washington University in St. Louis, was the originator of the sweet potato research. The KARI-Monsanto partnership has continued long beyond direct USAID support or funding and has expanded to South Africa.

USAID's points of contact are Josette Lewis, G/EGAT/AFS/AEMD, 202-712-5592, and Dennis Weller, AFR/SD/ANRE, 202-712-1406

Attachment G: Bilateral Donor CSR Strategies and Activities

From Development Agency Round Table on Corporate Social Responsibility
28-29 January 2002

COUNTRY OVERVIEW PAPERS
CSR Strategy and Activities

Australia

Selected Excerpts from Australia's "Country Overview Paper on CSR Strategy and Activites."

Poverty Reduction and Sustainable Development

The Australian aid program's objective is to *advance Australia's national interest by assisting developing countries to reduce poverty and achieve sustainable development*. The aid program's strategy for achieving this objective is based upon 4 pillars:

- promoting inclusive growth
- enabling the poor to increase their productivity
- encouraging accountability of governments and institutions, and
- reducing the vulnerability of the poor.

Each pillar incorporates an emphasis on good governance, recognizing its pivotal importance to effective development.

Good Governance Framework

Good governance is the largest component of Australia's aid program, accounting for approximately 21% of direct aid flows ($360 million in 2000-01). Australia's governance assistance targets four priority areas:

- improving economic and financial management;
- strengthening law and justice;
- increasing public sector effectiveness; and
- developing civil society.

The aid program's role in strengthening good governance can provide an environment for pro-poor economic growth, improve accountability and provide better access to

basic services, resources and decision-making by the poor. It also creates the conditions for development of a healthy and productive private sector, which, as the driver of economic growth and improvement in living standards, is central to the achievement of long-term poverty reduction. Development of this enabling environment is arguably the most important consideration in promoting corporate social responsibility (CSR).

The aid program can contribute significantly to the development of a private sector that is efficient, accountable and serves the broader sustainable development interests of developing countries. It does this through support for legal, institutional and administrative reforms, economic and financial capacity building, the strengthening of the rule of law, development of democratic processes and participatory approaches for the delivery of basic services, promotion of sound trade and investment opportunities (particularly in poorer areas), and creation of equitable and efficient taxation systems.

Anti-Corruption Assistance

A key area of focus for Australia's governance assistance, particularly as it relates to the promotion of CSR, is corruption. This assistance recognizes the negative impact of corruption on effective government and broader development, as it deters investment and restricts economic growth. Activities include legal and public sector reform, public sector accountability measures (e.g., independent audit functions), establishing or strengthening channels for public representation (e.g., ombudsman), and introducing policies that encourage a stronger and more competitive private sector.

Corporate Governance

The aid program also provides limited assistance for a number of programs covering corporate governance, general business knowledge and corporate management issues in order to improve the management capacity of private sector enterprises. This is complemented by Australia's support for activities that promote trade and investment opportunities in developing countries.

Industry Code of Ethics

A new code of ethics governing the operations of Australian firms undertaking activities on behalf of the Australian aid program will be developed in 2002. This voluntary code of ethics will cover areas such as accountability and transparency of operations, rule of law, gender, environment and general respect for the individual in those communities with which Australian firms will work. AusAID will work closely with Australian industry in developing this code, which will complement existing contractual requirements of firms that undertake business on behalf of AusAID.

Environmental Protection
The aid program is also developing a detailed environmental management guide to assist companies undertaking activities funded by the Australian aid program. This is to ensure that all aid activities likely to have environmental impacts are properly assessed and managed. These guidelines are consistent with Australia's *Environment Protection and Biodiversity Conservation Act* of 1999.

For further information on the above, please consult the following documents on AusAID's website (http://www.ausaid.gov.au/)

Reducing Poverty: the Central Integrating Factor of Australia's Aid Program (April 2001)
Good Governance: Guiding Principles for Implementation (August 2000)
Private Sector Development Through Australia's Aid Program (January 2000)

Canada

Excerpts from "Overview of CSR Activities at the Canadian International Development Agency (CIDA)"

Development Agency Roundtable on Corporate Social Responsibility
The issue of corporate social responsibility is garnering increasing profile in the international arena including discussions at Summits such as FFD and WSSD+10. CIDA and DFID are co-hosting a roundtable of donors focused on corporate social responsibility. The objectives of the meeting are to explore the role of development agencies in promoting pro-poor corporate social responsibility, and to explore options for interaction in the context of preparations for the forthcoming Johannesburg World Summit on Sustainable Development**.** Of particular importance is to explore opportunities for collaboration and the development of a coherent approach to addressing CSR issues both in terms of foreign companies operating in developing countries as well as providing support for CSR initiatives to the private sector in developing countries.

ODA-FDI Study (CIDA Leads as part of Innovation and Partnership Committee work)
As Foreign Direct Investment (FDI) in developing countries continues to increase over Official Development Assistance (ODA), there are growing expectations that business must systematically address and optimize its contribution across the full spectrum of these economic, environmental and social considerations. There is also widespread recognition of the opportunity for FDI to further enhance its contribution

to sustainable development. As part of addressing this opportunity, the potential role of aid agencies and ODA in increasing the social and environmental performance of FDI has emerged as an important consideration. This includes ODA efforts to strengthen institutions and build capacity that contribute to an enabling environment and attractive investment climate for FDI. As well, there are significant leverage points and opportunities for collaboration between the private financial sector, aid agencies and other government actors to enhance FDI's contribution to sustainable development.

CIDA is undertaking a study to identify and explore key Overseas Direct Investment (ODA) leverage points for enhancing social and environmental performance of Foreign Direct Investment (FDI). As part of the study, the Agency plans to engage Canadian and foreign financial sector representatives to review leverage points and identify complementary roles and opportunities of the private financial sector and set the stage for collaboration. The project also aims to establish a pilot partnership initiative to expand this dialogue to the financial sector in developing countries. The pilot partnership will begin between the Canadian and Indian financial institutions.

World Bank Proposal - Strengthening developing country governments' engagement with corporate social responsibility: a combined role for the World Bank and IFC

The World Bank's *Business Partnership & Outreach Group (BPOG)* has approached donors including DFID, the Netherlands Development Agency and CIDA to fund a project aimed at strengthening developing country governments` engagement with Corporate Social Responsibility (CSR).

The purpose of the project is to improve the impact of corporate social responsibility by advising the public sector within developing countries on their potential roles, and by supporting implementation activities led by IFC clients pioneering sustainability for sound business objectives.

To date, little support has been available to build the capacity of developing country governments to participate in CSR initiatives, or to ensure that developing country businesses' practical experience plays a bigger role in helping shape sustainability-related voluntary codes and standards. This proposal highlights a practical way forward for the World Bank Group and other partners to develop such assistance to developing country governments and pioneering companies, exploring the tools and support they may need to maximize their impact. The project aims to build on lessons learned and tools developed through the Business Partners for Development (BPD) initiative from January 1998 – December 2001.

The project will work in a maximum of five countries whose national governments wish to explore their potential roles in CSR. It will begin by conducting a short study on examples of successful developing country public sector approaches to creating an enabling environment for CSR activities.

To date, DFID and the Netherlands have committed funding**.** CIDA has submitted a request and is awaiting approval**.**

Regional Networks on CSR and Developing Countries

Increasingly, there are calls for 'greater involvement of business and industry from the developing world' in the dialogue around global sustainability and corporate sustainability. The challenges surrounding the take-up of global corporate sustainability are certain to be central to the discussions at the upcoming World Summit for Sustainable Development in September of 2002.

In order to effectively understand and shape global CSR in a manner that addresses these concerns and thus paves the way for more significant take-up and corresponding benefits, a more substantial and focused dialogue, primarily driven by and focused on developing country opinions, needs to inform the broader corporate sustainability trend – both in the policies and actions of business and governments. The project **goal** is to create conditions for a significant positive impact on the degree of take-up and corresponding benefits of corporate sustainability practices by developing countries, through better engagement, improved understanding of the challenges and opinions of, and accelerated collaboration with developing country businesses.

The exploratory phase of the development of regional networks will be undertaken by the *Canadian Manufacturers and Exporters*. The network would initially concentrate on Asia where there is an interest on the part of business associations such as the *Confederation of Indian Industries* to spearhead this initiative. Steps would then be taken to build on this model within the context of Africa and Central and Eastern Europe. The network would focus on facilitating socially and environmentally responsible, sustainable development-oriented private sector investment, including addressing capacity building and policy development and implementation. The network's development would benefit from the experience of the *Empresa* network of CSR organization in the Americas region. The *Empresa* network serves as a prototype for this proposed global network of CSR organizations, demonstrating the value and contribution of such a network, and is an anticipated partner for the global network.

Business Case for CSR - Asian Context

During meetings with private sector representatives in Canada and in India, representatives repeatedly brought up the need to continuously emphasize the business case, and build a stronger business case. Comments ranged from emphasizing what is already known about the business case to a broader range of companies (including small and medium-size enterprises), to needing to see more macro-economic changes to support emerging dimensions of the business case.

Working in collaboration with the *Confederation of Indian Industries* (CII), CIDA is planning to develop a series of business cases targeted to the Asian context. This project will complement CIDA`s activities through Asia Branch as they are presently developing the second phase of a project with CII aimed at supporting its work to raise awareness on environmental issues within the private sector. The business case will also provide a tool to bolster the efforts of a regional network on CSR to provide concrete support to its network members.

Denmark

DANIDA - Short summary on CSR-strategy and activities

Strategy

Danida's policy on CSR is integrated in the overall strategy for the Danish international development cooperation, which has poverty reduction through pro-poor growth as its overriding objective. According to this strategy, Denmark will assist in creating necessary conditions for the development of an efficient private sector in a number of developing countries, including the establishment of a well-functioning labor market. Actual activities are designed in such a way as to contribute most effectively to securing increased employment. Other priorities include a safe working environment and acceptable working conditions in accordance with the ILO conventions. In order to secure pro-poor growth both the formal and the informal sectors must be involved. There will also be focus on involving Danish businesses as well as Danish employer and labour organisations as partners in long-term development cooperation.

On this background, Denmark has drawn up a plan of action for the support of business development in developing countries. Amongst other, the implementation of this programme of action is based on the need for responsible and sustainable business development and the need for a commitment to this from the business sector in both the industrialised and developing countries.

Activities
Support of multilateral initiatives primarily through the UN and OECD.

Example of bilateral activities: The Danish Industrialisation Fund for the Developing Countries is a non-profit fund that provides risk capital for investments in the developing countries by Danish enterprises in the form of share capital, loans and/or guarantees. All investments from the fund are subject to appraisal regarding social and environmental sustainability through the use of checklists on companies' code of conduct.

Germany

Germany's Actions for Corporate Social Responsibility

Corporate Social Responsibility (CSR) has become an important issue in Germany's official development cooperation. The Federal Ministry for Economic Cooperation and Development (BMZ) has launched a number of initiatives over the past two years in order to foster responsible actions by enterprises on a voluntary basis. The Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), as the Ministry's largest implementing agency, is playing a crucial role in setting up and running these initiatives.

The major goal of Germany's development policy in that respect is twofold. First, it aims at creating a growing awareness in the private sector for their social responsibility when working in the developing world. Second, it is geared towards singling out areas of cooperation and launch common projects with the private sector, serving as models for future development cooperation.

Promoting CSR has been focusing on the following fields of action:

- **Raising Awareness**

The German government has initiated a round table with representatives from several federal ministries, enterprises, trade unions and NGOs. The group is formulating codes of conduct for private sector activities in developing countries and is communicating these into the German business world.

- **Introducing Social and Environmental Standards**

GTZ is currently implementing a program to introduce acceptable social and environmental standards in business operations worldwide. The program targets branches of German companies in developing countries as well as local suppliers.

- **Promoting Fair Trade**

GTZ supports various projects to promote certification and labelling of goods produced in developing countries. These projects aim at combining acceptable working conditions in developing countries with international quality standards of products and growing consumer demands for ecologically and socially sound products.

- **Expanding Public Private Partnerships (PPP)**

GTZ is currently implementing some 50 CSR-related projects within its Public Private Partnership programme. In this context, GTZ is working with both individual enterprises and business associations. From shoe manufacturing in India, via flower production throughout Africa, to coffee production in Mexico – GTZ and its private partners are planning, financing and implementing projects on a common bases, sharing both risks and opportunities.

- **Developing Strategies for Sustainable Private Sector Activities**

GTZ has long-term international experience in projects and programmes that take sustainability as a prerequisite for further engagement in a sector. In a number of conferences and workshops GTZ has lined out this experience and gained interest within the business community involved in projects in developing countries.

Against this background GTZ could play a vital role in (1) mainstreaming the ideas of CSR in relation to developing countries, (2) accompanying and advising companies in their planning and implementation activities in developing countries. Above all long-term investment interests can, in our view, only be achieved through integrating aspects of sustainability and social responsibility, be it in relation to healthy employees, a sound environment or a functioning social system. Benefits in marketing and communication to customers and other business partners need to be based on a real success in a triple-bottom-line business approach.

Since CSR is no longer a topic of socially-oriented agencies but has now through globalisation, increasing competition and shorter product life cycles touched the business community on a much broader base, we see potential for stronger cooperation between GTZ and the private sector.

Netherlands

Strategy of the Dutch Ministry of Foreign Affairs on CSR

The Ministry of Foreign Affairs approaches corporate social responsibility (CSR) in two ways. First of all, its aim is that Dutch companies behave as responsible citizens in all their operations, meaning that they will take in account all social, ecological and economic effects of their operations. The Dutch government regards CSR as part of the core business of an enterprise. Short-term activities, such as sponsoring or charity, cannot be regarded as corporate social behavior. Besides that, all companies are expected to function according to the OECD guidelines (and to stimulate their direct suppliers to do so too). For those companies operating in developing countries an extra social effort is expected, such as the HIV/AIDS initiative in Ghana. Secondly, CSR will be stimulated through programs that aim at developing local entrepreneurship in developing countries. The ministry maintains the OECD guidelines for Tics as criteria for CSR and fulfils its obligations in the National Contact Point, through promoting the guidelines and handling complaints.

To encourage CSR in developing countries, the ministry focuses on initiating tripartite dialogues between companies, NGK's and government so that companies, local and international, can realise what is expected of them. A pilot project in this field has been initiated in Tanzania. Furthermore, a strong civil society is needed to stimulate enforcement and to keep governments and companies alert. The ministry will strengthen local civil organisations through specific programs and projects. The ministry also aims at broadening the discussion of CSR, which is now a typically western discussion, to southern actors (companies, NGK's and governments) and *in* developing countries. By assembling best practices, experiences will be grouped and communicated, with the help of our embassies. The Dutch centre of expertise on CSR that will be functioning later this year will eventually take over this function.

At the moment a lot of attention is given to social and ecological issues. In the Netherlands, as elsewhere, human rights and social and environmental standards form part of the discussion and are seen as crucial. Although they are crucial, one should bear in mind that for the developing countries other issues are also at stake. The transfers of technology, competition or taxability are other important issues that should be included in the discussion. The OECD guidelines focus on more than just social and environmental issues.

One should bear in mind that CSR should not lead to new forms of protectionism. Labelling, for example, should not lead to counterproductive measures, blocking the market entrance for developing countries in developed countries.

To stimulate the development of CSR, the ministries of Foreign Affairs and Economic Affairs have decided to make it mandatory for companies applying for

specific governmental subsidies or contracts to sign a statement that they will try to act in their regular business operations in accordance with the OECD guidelines (introduced on 1 January 2002). In the future, criteria will be developed for transfer of knowledge, competition and taxability. Besides that, as of 1 February 2001 corruption, bribing foreign officials by Dutch companies, is officially considered an offence. Finally the Dutch government is developing ways to stimulate ethical investment. This is officially not considered to be CSR, but the attention of the financial market may make it a part of CSR.

United Kingdom

Department For International Development (DFID)
Socially Responsible Business Team: Strategy and Activities

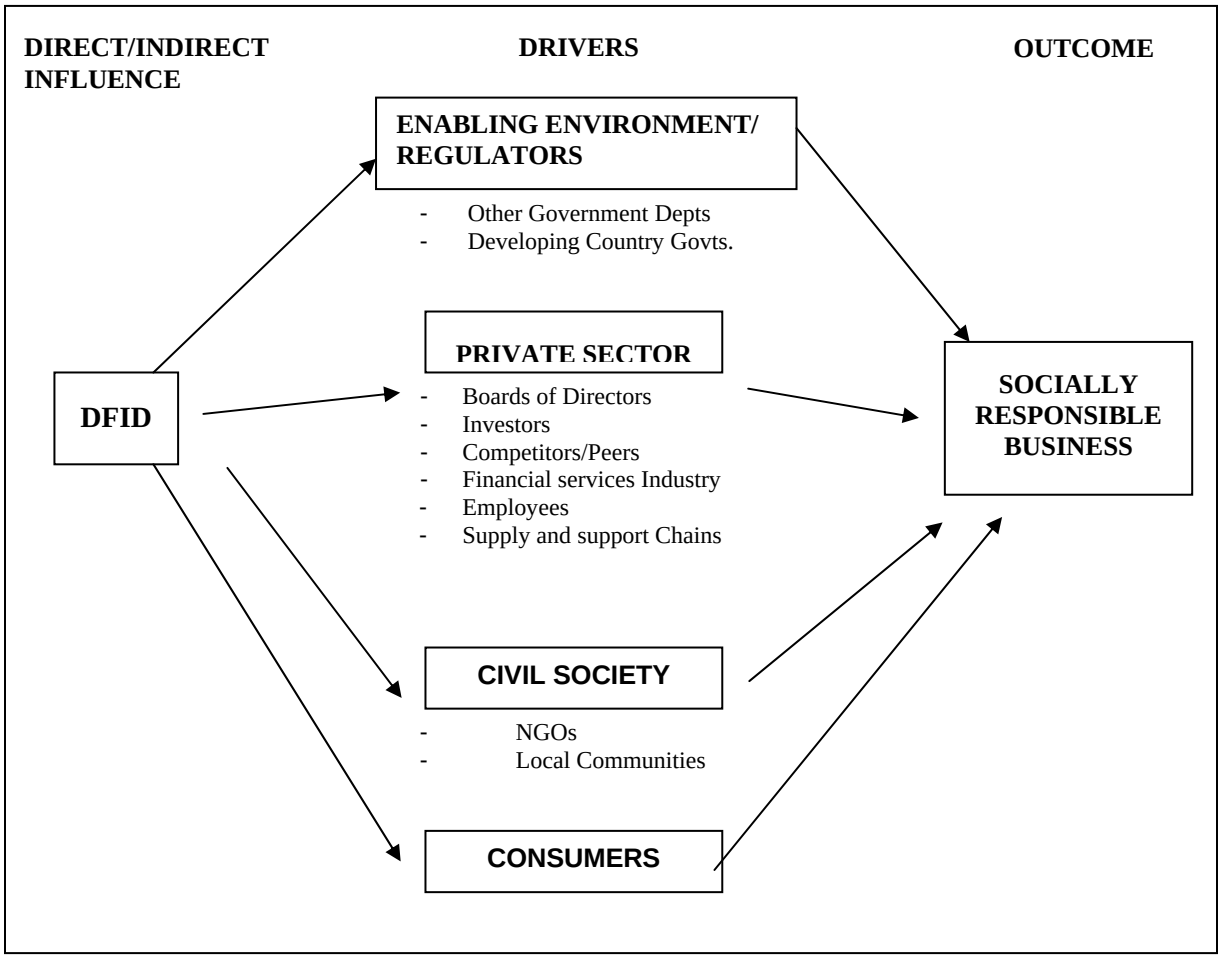
Mission Statement
To promote and facilitate business activities that bring economic, social and environmental value to poor people in developing countries.

Socially Responsible Business Team
The Socially Responsible Business Team (SRBT) is part of the Private Sector Policy Department (PSPD) in the UK Department for International Development (DFID). The SRBT was set up just over one year ago to work on issues relating to corporate social responsibility in developing countries and complements the work of PSPD's other teams that focus on investment, competition and tax policy and financial sector regulation. The SRBT leads in DFID on issues such as ethical trading, codes of conduct, tri-sector partnerships, business and conflict, socially responsible investment, the UN Global Compact and the OECD Guidelines for Multinational Enterprises. It represents DFID at the Interdepartmental Working Group on Corporate Social Responsibility (CSR), although the Department for Trade and Industry leads on the UK Government position on CSR. Other DFID departments lead on fair trade, social labeling, and business and the environment.

The role of DFID

The role of DFID is to address the market failures that prevent socially responsible business (SRB) practices systematically being implemented. These include lack of, or misleading market and public information and indices; lack of competition; lack of, or misdirected activism; poor management; corruption; lack of business or stakeholder capacity; cost of, or lack of access to, capital; internal company and investor focus on short-term financial returns. We will achieve this by stimulating and supporting the key market drivers of SRB.

DFID's Role in Promoting SRB



Overview of activities

The SRB team:

- supports initiatives such as the **Ethical Trading Initiative** (ETI), **Business Partners in Development (BPD)**, **Business Links Asia** and the **Resource Centre for the Social Dimensions of Business Practice** which are successfully piloting, facilitating and disseminating the development of best practice of Socially Responsible Business tools.

- uses these tools to **influence the agenda**/rules of conduct of businesses and their networks.

- **develops SRB tools** not just for multinationals, but also for the private sectors of developing countries. This will be done through advisory resource centres in developing countries that businesses in country can draw upon for country, sector and company-size relevant resources and information.

- contributes to the development of international guidance on the implementation of standards and strategies, building on the **OECD Guidelines** on Multinational Enterprises and the **UN Global Compact**.

- has completed scoping studies on existing **codes of conduct** and guidance on **triple bottom line reporting** and will work with the **investment community** on projects such as Just Pensions and the London Principles on Sustainable Finance to identify those SRI tools that stimulate equitable and sustainable investment in developing countries, and find ways to encourage them to become mainstreamed in the investment community.

- supports the **World Bank** to develop such assistance to developing country governments and pioneering companies, exploring the tools and support they may need to maximize their impact.

- builds consensus with the World Bank, the UN agencies and the UK Treasury to promote the role of the private sector in the **PRSP process**.

- works with the **other government departments** and **other development agencies** to ensure more coherent and poverty-reducing international action on SRB.

- works through the CARE-DFID Program Partnership Agreement to promote and **facilitate innovate roles for NGOs** in SRB.

- will develop a **media and consumer awareness strategy** to communicate simply what we expect of business, and to combat false ideas/perceptions.

The Ethical Trading Initiative

The Ethical Trading Initiative is an alliance of companies, non-governmental organizations, and trade union organizations that is identifying and promoting good practice in putting employment standards into action and is working to improve conditions of employment in the supply chains delivering goods to consumers in Britain. Its members do this by implementing, monitoring and providing guidance on a "base code" which is taken from the core ILO conventions of labor rights. They are developing guidance on the implementation of these codes and pilot projects in developing countries are implementing the code and finding solutions to the problems it raises. An increasing number of companies now want to join ETI. (http://www.ethicaltrade.org/)

World Bank's Business Partnership & Outreach Group (BPOG)

The BPOG, established in April 2000 and financed jointly by the Bank, the International Finance Corporation, and the Multilateral Investment Guarantee Agency (MIGA), is the World Bank Group's center of expertise on business outreach and private sector partnerships. The aim is to promote private sector engagement in developing countries that will reduce poverty, improve people's lives and benefit business. BPOG uses three approaches to accomplish its mission: 1) supporting business in developing countries by promoting Bank products and services; 2) promoting effective partnerships with the private sector for the purpose of alleviating poverty; 3) advocacy of the Bank's work with the private sector and how it links to poverty reduction.

United States of America
Global Development Alliance, US Agency for International Development
Summary of CSR strategy and activities to date

Public-private alliances, as articulated by USAID's new Global Development Alliance (GDA), are an important business model for development assistance for the 21st Century. This initiative will serve as a catalyst to mobilize the ideas, efforts, and resources of the public sector; corporate sector, universities, and non-governmental organizations in support of shared objectives.

The GDA is based on the USAID's recognition of significant changes in the assistance environment. The new reality of development assistance is the multiplicity

of actors now involved in US international development activities. No longer are governments, international organizational and multilateral development banks the only assistance donors. Rather, over the past 20 years, NGO's, PVOs, cooperatives, foundations, corporations, the higher education community, and even individuals, now provide development assistance. In developing and transition countries, corporate philanthropy is growing. As a result, the U.S. Government is not the only, or perhaps even the largest, source of U.S. resources being applied to the challenges of foreign assistance and development.

Over the past decade, it has become clear that corporations investing or doing business overseas must be good corporate citizens. As a result, many firms find themselves devoting considerable resources to education, health, family planning, environment and other similar programs that are not part of their core business expertise. In addition, it is in the long-term business interest of corporations to take an active interest in the welfare of the communities and countries in which they operate, and on which they will depend for future markets. Given the expertise of USAID and its NGO partners in implementing social services and long-term development programs, it makes sense to facilitate linkages between these and corporate social responsibility programs.

A small unit in USAID/Washington, the Global Development Alliance Secretariat, is responsible for providing guidance and assistance to the Agency field missions and bureaus in seeking, negotiating and designing alliance activities. The GDA Secretariat reports to the office of the USAID Administrator. In order to facilitate mainstreaming of alliance concepts throughout the Agency, each activity will be managed by the Agency operating unit most closely identified with the development and objectives of the particular activity.

Global Development Alliance activities will build on the experience USAID has already had in public-private alliances, and will be concentrated on the three pillars of: economic growth; trade and agriculture; global health; and democracy, conflict and humanitarian assistance. The GDA is designed to operate at both the "macro" and the "micro" levels. 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 learn more about the GDA, go to USAID's website at http://www.usaid.gov/gda/