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Public-Private Partnerships in Foreign Aid: Leveraging U.S. Assistance for Greater Impact and Sustainability

Subcommittee on State Department and USAID Management, International Operations, and Bilateral International Development, Committee on Foreign Relations, United States Senate, One Hundred Fourteenth Congress, Second Session

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U.S. Agency for International Development
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Michael Goltzman
Vice President, International Government Relations and Public Affairs
The Coca-Cola Company
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Testimony of Eric G. Postel
Associate Administrator, U.S. Agency for International Development
Senate Foreign Relations Committee, Subcommittee on State Department and USAID Management, International Operations and Bilateral International Development
"Public-Private Partnerships in Foreign Aid: Leveraging Taxpayer Dollars for Greater Impact and Sustainability"
July 12, 2016

Chairman Perdue, Ranking Member Kaine and members of the Subcommittee, thank you for the opportunity to appear before you today. I am grateful for the support you have shown the U.S. Agency for International Development (USAID) and for this opportunity to discuss our approach to public-private partnerships.

This is a momentous time for global development: Over the last thirty years, the number of people living in extreme poverty has been cut in half, and now - for the first time in history - ending extreme poverty is within reach. It is also a time of complex humanitarian crises and great upheaval, so the stakes have never been higher for us to obtain maximum development results for each precious taxpayer dollar.

Today, donors such as USAID are the minority partners in developing countries. While foreign assistance from donor nations to developing countries is about $160 billion per year, private philanthropy is about $70 billion, remittances are approximately $440 billion, foreign investment is almost $700 billion, and investment by domestic companies in their own economies exceeds $3.7 trillion. At the same time that development aid is just a small piece of the puzzle, developed and developing countries are partnering on bold, but achievable new agendas - from the 2030 Agenda for Sustainable Development and Sustainable Development Goals to the Addis Ababa Action Agenda – which cannot be achieved by one single donor or a combination of donors, organizations, or industry working alone.

With this shifting landscape, partnerships are central to USAID's work and achieving our mission, given the potential they offer in terms of bringing our work to scale and ensuring long-term sustainability. Partnership is even embodied in our mission statement: we *partner* to end extreme poverty and promote resilient, democratic societies while advancing our security and prosperity. There is a rich landscape of organizations of all shapes and sizes with which we partner across nearly every sector and industry to enhance our impact and ensure lasting results.

I recently spent a day in the state of Georgia that perfectly illustrates the wide array of partners with whom we are working. I went to the home of W. Allen Bell, the Executive Director of the Atlanta Resource Foundation, to meet with about twenty Atlanta business leaders who, inspired and strengthened by their faith, are spending their scarce free time on faith-based development projects in more than 20 countries, including with USAID in a couple of cases. This group alone has probably devoted $5-10 million to helping people lift themselves out of extreme poverty in some of the most challenging places in the world, from the Democratic Republic of Congo to Central America.

And this is just one local example. Major faith-based organizations like Catholic Relief Services (CRS) and World Vision USA are some of our top partners. For example, our partnership with CRS is on the scale of hundreds of millions of dollars per year. Last year, CRS, World Vision USA, and Islamic Relief joined with USAID and others to launch a partnership that supports peacemaking efforts in Central African Republic. Through this partnership, USAID's $3.5 million leveraged $4.2 million of private funding.

Later in the day, I met with five different Georgian universities. They, like so many others around America, are engaged in a wide variety of development projects from helping the President's Feed the Future initiative to address malnutrition and improve farming around the world to partnering with USAID to fight global health challenges. In the case of our higher education partnerships, we are leveraging their research capabilities as well as training the next generation of development leaders. In this new era, achieving development goals requires targeted, evidence-based programming, but also galvanizing others to action.

I also visited CARE, an NGO that has been fighting global poverty since 1945. Each year, this group harnesses the incredible generosity of countless Americans to put more than $200 million to work alongside the U.S. Government to respond to disasters, educate girls, improve health outcomes and reduce hunger. There are many more examples like this. In every region of the world, NGOs are working side by side with USAID to meet urgent needs after a disaster strikes, improve equitable access to vital natural resources like water and land, and to strengthen the rule of law and democratic governance.

In Atlanta I also spoke to dozens of financial sector professionals from across the United States on the investment opportunities in Africa. Most business leaders recognize that developing countries are home to some of the fastest growing consumer markets on the planet. As our longstanding partner Coca-Cola can likely attest, businesses are well-positioned to catalyze growth and positive change. Companies create jobs, transfer knowledge, and create an enabling environment for entrepreneurs essential for growth. In developing countries, businesses generate 80 percent of capital flows and 90 percent of jobs, and are the primary drivers of GDP growth. They are also critical in determining how resilient, inclusive and environmentally sustainable that growth will be.

And increasingly, their business objectives overlap with our development objectives. Wal-Mart executives know that educating women and girls is a smart investment in their future work force and future customer base, just as we know that countries that invest in girls' education have reduced maternal and infant deaths, lower rates of HIV/AIDS, and better child nutrition – an important foundation for economic growth.

So how can our work with businesses accelerate progress toward inclusive and sustainable development? USAID has a long history, across multiple administrations, of engaging the private sector for development, one that continues to grow and evolve. We have, since the early years of USAID programming, supported private sector development and competitiveness, through programs designed to strengthen local business enabling environments and create the conditions for economic growth.

In the late 1990s, we began to more proactively engage the private sector as true partners. This was an important shift. Specifically, we began to move beyond traditional relationship structures characterized by donor-recipient or client-vendor engagements in which organizations implemented projects that were conceived, designed and funded by USAID. Today, as we partner more, we are focusing on those instances where business interests and development objectives align. When they don't align, we should not and do not pursue partnerships. And, as always, all of our partnerships adhere to all of the safeguards we have in place to protect against misuse of funds and other challenges.

I want to highlight a few of the different ways we partner with businesses to achieve impact. One of these ways is through Global Development Alliances (GDA), our flagship approach to public-private partnerships. GDAs leverage the assets and experiences of the private sector – their capital, investments, creativity and access to markets – to solve complex problems. I am thrilled to be here with Dan Runde, one of the early members of the GDA office during the Bush Administration, who played a huge role in growing, mainstreaming, and institutionalizing the office. GDA has served as a strong foundation as our engagement with the private sector has continued to evolve. Over time USAID has learned to partner with companies in a variety of ways, and companies have also evolved, learning that partnering with USAID can help achieve their business objectives, while we achieve our development goals.

Through the GDA model, we partner in industries and geographic areas with businesses whose interests align with our development objectives. These partnerships are co-designed, co-funded and co-managed alongside partners, so that both risks and rewards of the work are shared. Over the past fifteen years, we have built more than 1,500 of these alliances with more than 3,500 partner organizations, leveraging more than $18 billion in funds from public sources, such as host country governments, and private sector sources.

For example, USAID partners with DuPont to help end world hunger and ensure food security by the end of 2020. DuPont Pioneer collaborated with USAID and the Government of Ethiopia to advance our shared agricultural development and food security goals. This collaboration, which is termed the Advanced Maize Seed Adoption Program, provides sample seed to demonstration plots and field training sessions as well as builds a network of farmer dealers and the current cooperatives to advance the utilization and acceptance of high-quality inputs and production techniques. DuPont/Pioneer completed construction of a state-of-the-art seed facility and more than 30,000 farmers, three times the target established for year two, have planted DuPont's high yielding seeds. In part due to use of these improved seeds, farmers achieved a 300% yield increase over the national average (7 metric tons per hectare, as opposed to 2 metric tons per hectare) in the last two years.

In another example of partnership, the U.S. Presidents Emergency Plan for AIDS Relief has a long-standing collaboration with USAID to combat HIV/AIDS and achieve epidemic control through public-private partnerships that support innovation and resources from the private sector. These include the Accelerating Children's HIV/AIDS Treatment (ACT) initiative, a two-year $200 million public-private partnership with the Children's Investment Fund Foundation to double the number of children receiving life-saving antiretroviral treatment. PEPFAR and USAID also partner on the Determined, Resilient, Empowered, AIDS-free, Mentored, and Safe women (DREAMS) initiative, an ambitious $385 million public-private partnership with the Bill and Melinda Gates Foundation, Girl Effect, Johnson & Johnson, Gilead Sciences, and ViiV Healthcare to reduce new HIV infections among adolescent girls and young women. These efforts are aligned with the Sustainable Development Goals and associated targets and indicators that United Nations member states are using to frame their agendas. Member state action and policies will impact health, education, gender equality, and inequality, and will promote partnerships towards peaceful and inclusive societies.

The second major tool created to work with the private sector on specific projects is our Development Credit Authority (DCA). Through DCA we use partial credit guarantees to share risks and unlock investment into sectors that are important for development. Through this effort, we have leveraged $185 million of taxpayer funds to mobilize more than $3.9 billion in credit through 474 loan guarantees with more than 340 financial institutions across 74 countries. This translates to a leverage ratio of 1:21. In 2015 alone, DCA mobilized $695 million toward USAID development objectives.

For example, in 2015 we partnered with two Bangladeshi banks and the Alliance for Bangladesh Worker Safety to enhance worker safety in garment factories across the country. Through DCA, we were able to mobilize $18 million in lending to help factories make important safety changes. And, as the Alliance consists of U.S. brands, a significant majority of these factories benefiting from these improvements are exporting to U.S. buyers through U.S. apparel companies.

And now, having really expanded the use of GDAs and the DCA to support individual efforts, we have begun to mobilize coalitions of private sector partners to work toward large-scale progress and address challenges at the systems level. We are putting these new approaches to work through initiatives such as Power Africa and Feed the Future.

The President's global hunger and food security initiative, Feed the Future has established relationships with local and regional companies in its 19 focus countries, as well as with U.S. and multinational companies such as Walmart, DuPont and Syngenta, and with Partners in Food Solutions, a nonprofit consortium of leading global food companies like General Mills, Cargill, DSM, Bühler, and Hershey. These relationships have expanded the initiative's reach into food-insecure regions and leveraged millions of dollars in private capital for inclusive agricultural development and nutrition efforts.

Feed the Future also serves as the principal vehicle through which the United States contributes to the New Alliance for Food Security and Nutrition. The New Alliance brings together businesses, donors, civil society, and host country governments to unlock investment in African agriculture and reduce hunger and poverty by linking private investment commitments to policy reforms from host country governments. The New Alliance has secured more than $10 billion in commitments from more than 200 African and international businesses to invest in Agriculture-related projects provide governments made needed reforms or improvements. So far, $2.3 billion has already been invested.

Similarly, our efforts to double access to electricity in sub-Saharan Africa through Power Africa, focused on advancing both on- and off-grid electricity transactions, are rooted in public-private partnerships. Through Power Africa the U.S. Government and our bilateral and multilateral development partners are working with African governments to help break down the barriers to private sector investment in Africa's energy sector. Through this initiative, the U.S. government has committed $7 billion, and to date has leveraged more than $31 billion in commitments from over 100 private sector partners to invest in power generation and distribution across sub-Saharan Africa.

For example, Power Africa worked with the Kenyan government to determine the national electric grid's absorption capacity for wind power. This information helped enable one of the first deals signed, with Power Africa support, with OPIC providing a guarantee of $250 million for a 310 MW wind power generation project near Lake Turkana, Kenya. This single project will increase Kenya's available electricity by 15%.

No matter the model we use, our partnerships with the private sector are critical to achieving transformative development success. As a sign of our commitment to building on this work and integrating these capacities across the Agency, we established an Office of Private Capital and

Microenterprise to focus on mobilizing even more private capital to support USAID's development objectives. This office works with a powerful network of traditional and nontraditional investors to catalyze finance for development and increase the scale, impact, and sustainability of our programs.

As all of the different efforts I have described today make clear, USAID has been on a multi-year, multi-Administration voyage of discovery and leadership to increase the impact of precious taxpayer funds. One of the advantages of engaging in partnerships is that they offer incredible potential for scale and long-term sustainability beyond USAID assistance. And while we have made a great deal of progress in partnerships writ large, there is even more we hope to do to tap the full potential of this field. We must continue to highlight the successes but also be honest about the challenges we face.

Those of us in the donor community must continue to use our aid in innovative ways, to catalyze partnerships to achieve shared goals. We are also working to ensure that we are a better partner. We have increased our focus on relationship management, ensuring that we establish trust and communications with partners, allowing us to engage more strategically. And as we engage, we must continue to ask ourselves: How can we be catalytic and unleash the power of partners and/or markets to advance social and economic development? And, what can we do given our unique positioning to bring diverse stakeholders together to solve complex problems?

We know that achieving our ambitious development goals will require unprecedented collaboration across sectors. Our role as a donor will continue to evolve beyond that of a funder alone; we are increasingly embracing our role as a convener, facilitator and risk mitigator, empowering new and nontraditional partners to join the effort to end extreme poverty and promote resilient, democratic societies. USAID and its partners have been fortunate to receive strong support and guidance from this Committee over several decades, which have enabled us to pursue this important work.

Thank you for the opportunity to testify this afternoon. I look forward to your questions.

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Statement before the

Senate Foreign Relations Subcommittee on State Department and USAID Management, International Organizations, and Bilateral International Development

"Public-Private Partnerships in Foreign Aid: Leveraging Taxpayer Dollars for Greater Impact and Relevance"

A Testimony by:

Daniel F. Runde

William A. Schreyer Chair and Director, Project on Prosperity and Development,

Center for Strategic and International Studies (CSIS)

July 12, 2016

419 Dirksen Senate Office Building

WWW.CSIS.ORG

1616 RHODE ISLAND AVENUE NW
WASHINGTON, DC 20036

TEL. (202) 887.0200
FAX (202) 775.3199

Chairman Perdue, Ranking Member Kaine, distinguished Members of the subcommittee, thank you for asking me to testify before you today. It is a privilege and an honor. As an expert on international development, I am speaking as someone with extensive experience on the central role of the private sector in development, and also having successfully created partnerships during my time in the Bush Administration at USAID. I have also had past roles in investment banking, commercial banking, corporate philanthropy, and with the World Bank Group. I currently hold an endowed chair at the Center for Strategic and International Studies and in that capacity, I have carried out four major studies related to the issues we are going to discuss today.

My central message to this committee is that rather than having the *largest wallet*, the United States and other aid donors need to understand that they are often the *most catalytic* wallet in the room.

I have three main points I want to communicate. First, it's not your grandparents developing world any more—most developing countries are richer, freer, healthier and more capable than 40 years ago because of globalization, an embrace of free (or freer) markets, better public policies, and a move towards democratic government and/or more "accountable" governance. Second, the way in which "we" (the West as official donors, academia, policymakers, and others) understand how development "happens" has also changed with a much greater role for the private sector. Third, the US Government and others are adapting to these changes but could go farther so that our limited (but important development assistance resources) could achieve greater impact and be focused on the things that developing countries want from us.

Let me start with the fact that the world has changed.

If you look at a whole series of measurements many of the countries that make up the developing world are richer, freer, healthier, and more capable of paying for their own health, education and other public goods. This is a great thing. These wealthier and freer countries can often help "burden share" on security and other global public goods, they trade with us, and engage with us on science and innovation and they often buy into a whole series of assumptions about how the world should work.

Of course there are still 20 or so so-called "Bottom Billion" countries. These Bottom Billion countries are fragile or failed states where terrorism is bred and pandemics accelerate. These countries will continue to require a mix of traditional foreign assistance and new solutions to achieve prosperity and security.

As a result of these dramatic changes, the U.S.'s economic engagement has changed radically in the last 50 years with the developing world. Most of our economic engagement and most of our allies in Europe and Japans' engagement with the developing world is foreign direct investment, global trade, and global capital market flows, not foreign aid. These flows dwarf the resources of all official development assistance. There are also large donations of philanthropy, remittances, and other forms of private charity emanating from the United States that when added up are also larger than US official development assistance.

This brings me to our first problem. The systems, procurement, human resources, incentives, and even our founding legislations were set up in an earlier, different era. The mindset from the Marshall Plan through the 1980s operated as if the United States or the World Bank or the IMF could centrally plan the "development" of these poorer countries. It was understandable as to why this was believed. In the 1960s over 70 percent of resources from the United States to developing countries came in the form of aid. This was true, in fact, of most wealthy countries during this period. Yet, the assumption remains that United States and other donors remain the "biggest wallet" in the room when, as I have explained above, this is far from the case.

As the role of aid diminishes in comparison to private capital, aid agencies can share financial risk, convene, beta-test, and put forward "glue money" for multi-stakeholder programs and ideas. Agencies like USAID offer world class and often unique capacity building, technical and program design expertise, and often underestimated convening power. Increasingly aid agencies work more closely with these other, larger forces.

Second, the way in which we understand that "development" happens has changed.

Let me take a moment to make an important distinction between "development" and US "development assistance". In my chapter in a recent e-book called "Choosing to Lead" I defined these two terms as:

> "[Development] assistance does not equal "development." The word development denotes domestically driven economic and social progress encompassing economic growth, political freedom, improvements in health, literacy, education, and other quality-of-life measures. Each society is responsible for its own development, more or less by definition. Development assistance, on the other hand, describes a facet of American foreign policy and that of other wealthier countries. But it is not the only related facet of U.S. policy. Some U.S. government assistance provides emergency humanitarian relief in the face of short-term crises, most often of natural origin (floods, earthquakes, and the like). The U.S. government and associated institutions like the International Red Cross are well regarded and admired for their capabilities as a humanitarian aid provider. Longer-term "development assistance" often takes many years to affect systemic problems, if it can do so at all. It overlaps with the U.S. capacity to undertake humanitarian crisis triage, but it has different methods and aims."

Let's consider "development" and how it happens. A series of international agreements that form the basic operating system for developing countries and aid donors have traced this shift. These agreements are divided into three general categories and try to answer three questions. The first question is "What kind of societies do we want?" This question has been first addressed by the Millennium Development Goals (MDGs) and now by the Sustainable Development Goals (SDGs). The next question considers "How will we pay for development?" This question has been sought to be answered by a series of conferences on Financing for Development organized by the United Nations. In shorthand, these are known as "Monterrey" (2002), "Doha," (2008), and "Addis Ababa" (2015).

The final question is “How does development actually happen?” A series of meetings called the High Level Forums on Aid Effectiveness organized by the Organization for Economic Co-Operation and Development have tried to answer this final question. In shorthand, these are known as “Paris,” (2005) “Accra,” (2008) and “Busan” (2011). Busan announced a new “Global Partnership for Effective Development Co-operation,” which seeks to monitor the implementation of these agreements around improved aid and development effectiveness.

These three streams of agreements have all been moving towards a recognition of the role of country governments and the private sector as *the* key actors in international development, with USAID and other bilateral donors as much smaller but catalytic actors. For example, the MDGs included a goal on partnerships, but this was almost as an afterthought. In contrast, the SDGs put emphasis on partnerships and speak of “revitaliz(ing) the global partnership for sustainable development.” Monterrey, Doha, and Addis Ababa each reference the private sector as an important actor in international development, but the emphasis has expanded each year. Monterrey’s outcomes document includes five paragraphs in its “Domestic and International Private Business and Finance” section, while Doha has seven and Addis Ababa has 15. Addis Ababa speaks of “partnerships” 28 times, which is more than twice the usage of this term in the previous two documents.

It’s very important to note something else that has happened: increasingly, many countries are taking control of their own futures through their own investments and the taxes they collect. A rising global middle class is better able to contribute tax dollars to their national and local governments. These citizens are also demanding more in terms of good governance, delivery of services, and general quality of life. Additionally, foreign companies in these countries are better able to join the international development conversation through partnership with governments and joint ventures with companies in developed countries. As globalization leads companies and other private sector actors to broaden their engagement geographically and grow their wealth and expertise, there are increased opportunities for new partnerships. Accordingly, we need to adapt a different way of thinking to remain effective.

Third, this changing global landscape requires official donors to focus their attention on working more closely with the private sector.

One of the ways in which the United States has responded is to think about how we work in partnership with the private sector. In 2011, I directed a report called “Seizing the Opportunity in Public-Private Partnerships” and we defined partnerships as:

> “an approach to solving development problems through a coordinated and concerted effort between government and nongovernment actors, including companies and civil society, leveraging the resources, expertise, or market efforts to achieve greater impact and sustainability in development outcomes.”

The good news is that the U.S. government and the international community have sought to work more closely with the private sector. This is reflected in the success of the Global Development Alliance at USAID. USAID has put together approximately 1,600 partnerships since 2001. In 2011, a report by the OECD described USAID as a leader in public private partnerships. USAID has built partnerships with leading U.S. businesses, including Walmart, Chevron, Coca-Cola, and others. These partnerships have sought to tap not only the financial wherewithal of these companies, but also their unique knowledge and skill sets. One example is the Angola Partnership Initiative built with Chevron beginning in 2002. Although this is an older example, this partnership was not only important in the impact that it had on the ground through economic development, but it also opened the eyes of other corporations and USAID leadership to the viability of partnerships. There are many examples of successful partnerships.

Public-private partnerships are not a Republican or a Democratic concept. The Global Development Alliance initiative was supported strongly by former President Bush, then Secretary Powell, and my mentor and friend, former USAID Administrator Andrew Natsios. The Global Development Alliance was developed and led by a group of civil servants and foreign servants, especially Holly Wise and Curt Reintsma. Former Secretary of State Hillary Clinton was also a big proponent of partnerships during her tenure. She called upon a number of folks including Jim Thompson, a civil servant from USAID, and now the Director of Innovation at the State Department, to innovate and evangelize partnerships within the State Department and across the inter-agency.

However, many systems, rules and instruments still reflect a past set of assumptions of how development happens and that seem to ignore the central role of the private sector and the catalytic (*not* central) role of aid agencies. These include inflexible instruments, overly earmarked money and processes, lack of incentives at leadership and middle management levels, outdated procurement rules and stifling regulations, and a very aggressive counter-bureaucracy that support the United States as the “largest wallet” rather than a “catalytic wallet.”

It is important to note that partnerships are not *the* solution to every global problem, but rather one important approach. Yet they offer the promise of collaboration to tackle some of the world’s most intractable issues; issues that no entity can solve on its own. Some challenges will continue to require the U.S. government or other governments to lead with development assistance. For example, the response to pandemics including Ebola and Zika must be led by government, but we have seen that they can never be wholly solved by government acting alone. Other challenges, including human rights, democracy promotion, and governance issues, do not necessarily lend themselves well to partnership approaches.

Partnerships, however, represent just one facet of how development agencies can engage with the private sector. The United States, and other bilateral donors, should look to strengthen their existing development finance institutions (DFIs); in the case of the U.S. government, this means the Overseas Private Investment Corporation (OPIC). OPIC and other DFIs offer financing instruments (loans, loan guarantees, and risk insurance) to private sector entities seeking to make investments in developing countries. This support for the private sector is critical in countries where access to finance is limited, but demand remains high for investment, and OPIC and other DFIs can help to “crowd-in” private investment.

The momentum around private sector engagement and partnerships as key drivers of international development is growing. Expanding and improving partnership policy and mechanisms should a focus of U.S. government agencies as they continue to be world leaders in international development.

In closing, I offer the following responses to the Chairman and Ranking Member's specific points of inquiry with respect to this hearing.

1. Please discuss your views on how the U.S. government partners with the private sector to leverage U.S. taxpayer dollars.

The United States operates in several kinds of public-private partnerships for international development:

1. **Development finance instruments that make use of guarantees and loans to "crowd in" the private sector.** This approach is led by OPIC and other development finance instruments including the Development Credit Authority (DCA).

    - The U.S. government should lift the ceiling on OPIC lending and insurance and allow it to increase its number of full-time employees. The U.S. government should also raise the lending ceiling for DCA instruments.

2. **Mixed finance for large infrastructure projects.** While the U.S. government has largely moved away from global infrastructure investment in recent years, U.S. government actors including the Millennium Challenge Corporation (MCC), the U.S. Trade and Development Agency (USTDA) and multilateral organizations including the International Finance Corporation (IFC) invest in infrastructure projects including privatized roads and airports.

3. **Partnerships that bring together a government agency such as USAID or the State Department and one or more private sector actors, including for-profit companies, business associations, NGOs, and others.** These are funded by grants and combine public and private assets and resources for a specific development objective.
    - USAID has been a world leader in public-private partnerships (PPPs), highlighted by its successful Global Development Alliance (GDA) model. Since it was established in 2001, USAID has engaged in over 1,600 PPPs in every region of the world.

2. What are the benefits and challenges of these public-private partnerships?

Benefits:

- PPPs bring needed private sector financing to the table.
- Companies bring their global supply chains, Foreign Direct Investment (FDI), formal jobs, attention to environmental and labor standards, and new technologies.
- Involving companies in a development project can also lead these initiatives to be more effective and efficient. This is especially the case when a company has a clear

business interest in the initiative. Long-term business interests in the communities where PPPs are implemented can bring scale and long term engagement.

Challenges:

- Partnerships require that the U.S. government answer a couple of challenging questions that are not present in traditional development projects. The first relates to forming partnerships - "how do you get people to work with you who don't work for you?" The second relates to durability of the partnership – "how do you keep people working with you who do not work for you?"
- Partnerships are more time-intensive to structure than traditional development projects.
- It can be difficult for companies to work with U.S. government systems.

3. What can businesses do that the U.S. government cannot?

In addition to providing needed financing, private sector partners also bring other important resources to partnerships – technical expertise on topics including health, agriculture, and technology; innovation; their supply chains.

4. How are the interests of the U.S. government safeguarded when partnering with other entities?

I will use USAID as a proxy for the answer to this question.

USAID has sought to balance its fiduciary duty to taxpayers and the US Congress and to its beneficiaries with the changing world that I described above. There have been several innovations that are within the Federal Acquisition Regulations and USAID's policies and procedures. These include the release of a partnership "Annual Program Statement" which explicitly invites outside actors to submit statements of interest on potential partnerships that address areas of need in developing countries. Second, USAID has developed something called the Collaboration Agreement and something else called the Broad Agency Announcement which allows USAID to try new approaches to engaging with private actors and co-designing projects.

USAID also engages in various forms of due diligence with various new partners.

5. How can we further leverage and multiply the impact of U.S. taxpayer dollars in foreign aid in the future?

Given that private investment is so central to international development, it is important that the U.S. government continue to empower the instruments that leverage global private investment. This includes:

- Follow through on CSIS's 2013 bi-partisan Development Council recommendations: 1) Make Broad-based Growth the Central Organizing Principle of U.S. Development Policy including shifting $350 million from other foreign-aid accounts to economic-

growth activities and promoting entrepreneurship through development finance and technical assistance.
2) Align U.S. Development Instruments with the Private Sector including: Program 25 percent of development agency funds through partnerships, Simplify and streamline partnership formation, coordination, and planning and Leverage U.S. business practices, supply chains, and training

- **Doubling USTDA's budget from $60 million to $120 million.** USTDA has 30 years of experience in project preparation and documented success in completing high-quality infrastructure projects. USTDA Director Lee Zak is an incredibly able leader.

- **Increasing OPIC's combined statutory ceiling for financing and risk insurance and allow OPIC to retain some of its profits.** This capital can be used to pay for hiring the additional full-time employees that OPIC needs to source and structure deals in the United States and overseas.

- **Further emphasizing partnerships and ensuring the flexibility to create them throughout USAID. While partnerships have largely been mainstreamed within USAID, there is opportunity for further emphasis on this throughout the Agency.** USAID needs some additional "centrally managed" money that USAID missions should be able to access and this money should be managed by USAID's Global Development Lab. USAID should continue building the capacity of its policy and personnel towards more flexibility, more utilization, and more creativity.

- **Continuing to shift the operational culture towards private sector engagement.** There have been a significant set of cultural and generational changes, including changes in incentives, that have created spaces for innovators within the U.S. government. Partnerships have become much more "democratized."

- Reflecting this mindset change, USAID's mission even states that it "partner to end extreme poverty and promote resilient, democratic societies while advancing our security and prosperity." However, there are still some people within the U.S. government with a different theory of change; These folks still view themselves as having the largest wallet in the roo, see the private sector as basically bad, have a very hard time accepting that a company might be making a profit in a developing country and view a "business case for development" with suspicion. There are a separate set of problems related to success in partnering including several parts of the USG reaching out to the same company or seeing the private sector as "just a purse" or another "funding account." The solution is constant messaging and modeling of good partnership practice from senior management at agencies like USAID, State and the MCC.

- **Move toward networked multi-stakeholder partnerships.** USAID is moving away from smaller, one-time partnerships to these types of coalitions and should continue doing so, while engaging more and more kinds of partners locally. Ultimately, USAID's goal should be to work itself out of a job.

Testimony for the Record
Michael Goltzman
Vice President, International Government Relations & Public Affairs
The Coca-Cola Company
Before the Senate Subcommittee on State Department and USAID Management, International Operations and Bilateral International Development
July 12, 2016

Chairman Perdue, Ranking Member Kaine, Members of the Subcommittee, thank you for the opportunity to discuss an important area of the US government's work overseas - - Public-Private Partnerships in Foreign Aid.

On behalf of the more than 700,000 Coca-Cola system employees globally, we are pleased to participate in today's hearing. As our Chairman and CEO Muhtar Kent often states, neither business, government nor civil society can solve society's greatest challenges on its own. It is only through collaboration and creating a "golden triangle" of partnership that we can make progress toward addressing global development challenges and specifically the new Sustainable Development Goals (SDGs). As someone who has worked for The Coca-Cola Company both at our corporate headquarters and also in North and West Africa, I can speak from first-hand experience about the positive impact that public-private partnerships have on local communities.

The Coca-Cola Company has been a proud partner of the US government, and with USAID and the State Department specifically, for many years. Although there have been many collaborations between The Coca-Cola Company and USAID and the State Department, I would like to focus on three that illustrate our belief that we can do more good for more people when we act together than we can when working alone:

1. **Project Last Mile**, a partnership between the Company, USAID, the Global Fund on HIV/AIDS, Tuberculosis and Malaria and the Bill and Melinda Gates Foundation, to build supply chain and distribution capability in African Ministries of Health; and
2. The **Water and Development Alliance (WADA),** a partnership between The Coca-Cola Company and USAID to increase access to clean water and to improve water stewardship in developing countries.
3. **Coca-Cola MENA Scholars program**, a partnership between The Coca-Cola Company, Indiana University's Kelley School of Business and the US Department of State that brings 100 Arab college students to Bloomington, Indiana for a month of business and social entrepreneurship training.

1) Through our work on **Project Last Mile,** we share Coca-Cola's logistics, supply chain, distribution and marketing expertise to help African governments maximize their own capacity to deliver critical medicines and medical supplies the "last mile" to remote African communities. To date Project Last Mile has reached regions within seven countries including: Tanzania, Ghana, Ethiopia, Mozambique, Nigeria, South Africa, and Zambia. This work clearly demonstrates the value of public private partnership because through our joint work we are able to increase significantly the efficiency of the US government's aid that supports the purchase of medications to treat HIV/AIDS, tuberculosis and malaria. For example, the US government and other major donors, such as the Global Fund, provide the vast majority of the funding to African governments for the purchase of these critical medicines. Through the Project Last Mile partnership, we ensure that we are sharing the most up-to-date private sector models for distribution, marketing, and supply chain efficiency

with African governments. We help establish systems to track out of stock products; create human resource systems that allow governments to track employees' objectives and performance, and benchmark private sector spending on third-party services to ensure optimal use of public funds.

2) Through the **Water and Development Alliance** (WADA), Coca-Cola is partnering with USAID to address the lack of access to clean water and sanitation that create a significant drag on communities' development. According to the World Health Organization's Joint Monitoring Program 2015 report, 319 million sub-Saharan Africans and 260 million Asians lack access to clean water, and hundreds of millions of people across the developing world lack access to sanitation. Lack of clean water access means that women and girls spend significant amounts of time and energy fetching water for their families, which takes them away from education and productive economic activity as well as creating other obstacles for sustainable local development.

   - In response to the severe clean water access challenges faced in Africa, The Coca-Cola Africa Foundation (TCCAF) introduced its flagship program, RAIN, in 2009. RAIN is The Coca-Cola Company's (TCCC) contribution to helping Africa achieve the United Nation's Global Sustainable Development Goals on clean water and sanitation access. The program has reached over 2 million people across 37 African countries through 2015. And by the end of 2020, it is estimated that TCCAF and its partners will measurably transform 6 million Africans' lives through water-based initiatives, sanitation, and hygiene; economically empower up to 250,000 women and youth; promote health and hygiene in thousands of communities, schools, and health centers; and return up to 18.5 billion liters of water to nature and communities.

   - These programs improve access to safe water in communities reducing the incidence of water-borne diseases and eliminating the dangers of retrieving water from distant and inaccessible sources. USAID and Coca-Cola have partnered on 35 programs in 30 countries across the developing world since WADA's inception in 2005, including 30 programs in 20 African countries. With over $39MM of investments to date, the WADA partnership has reached 520,000 people with water, 210,000 people with sanitation, and put 400,000 ha under improved watershed management. In June of this year, Coca-Cola and USAID extended the Water and Development Alliance through 2021, with two additional programs in development in Madagascar and Nigeria and many more to come.

3) Through the Coca-Cola MENA Scholars program, the Company is delighted to work with the US Department of State to help create the next generation of entrepreneurs across the Middle East, North Africa and the Near East. More than 500 college students have participated in the program, including the latest class of scholars which arrived in Indiana two weeks ago to develop business plans for their social or business entrepreneurship ideas. Whereas entrepreneurship is cultivated in many young Americans, most Arab college students are seeking job opportunities with large companies or government bureaucracies. Through this partnership, we have the objective of providing young people with both the skills and confidence to be their own bosses, by developing coherent business plans that can create jobs in their home countries. Many of the scholars have gone on to create small and medium-sized enterprises (SMEs), including public relations firms, restaurants, and NGOs, and we have even hired a few as interns and employees both in the region and in the United States.

Since Coca-Cola is a local business in every country where we operate, our beverages are produced locally, using local ingredients, local employees in local factories and distributed through local networks to the outlets where consumers purchase them. We pride ourselves on being a local business that contributes significantly to local employment and economic activity. As a local entity, with a strong tradition of community investment over our 130-year history, we also feel a responsibility to help address community challenges, such as water stewardship, women's economic empowerment and building stronger local communities.

While the United States remains the Company's leading market for our beverages, 80% of our sales comes from outside of the United States. Partnerships with the USG allow the Company to expand the scope and impact of our interventions, to play a positive role in contributing to local communities' development and to ensure that our work leverages the broader development initiatives financed by the US government and other donors. Furthermore, by partnering with the US government and others in ways that complement our expertise and resources, we can be assured that our development partnerships are as impactful as possible. In short, as noted earlier, we are stronger together than we are alone.

Since our overseas sales are so important to the Company's global business, much of the work done at our corporate headquarters supports our business outside of the United States. In fact, one out of every 6 jobs at our global headquarters in Atlanta, Georgia is directly tied to our international business.

The most challenging aspect of working on public-private partnerships with the US government has been the time it takes to go from identifying an opportunity to implementing it on the ground. However, the US government is not unique in this respect. When The Coca-Cola Company works with other governments around the world, we face similar timing challenges. In addition, the US government has made improvements that create greater flexibility, speed and willingness to collaborate. For example, The Coca-Cola Company works both with USAID's dedicated partnership office as well as the USAID Innovation Lab, and these efforts have improved the efficiency of our interactions.

In general, governments often have legislative mandates on which types of development programs can be used for specific funding sources. In the development world, government agencies often refer to these legislative mandates as the "color of the money," which limits how that money can be spent. For example, some funding could be specifically mandated to treat specific diseases, and the rigidity of these mandates can make it challenging at times for companies. However, to date, we have been able to overcome these challenges in partnership with the US government agencies involved.

As public development assistance funds continue to face budgetary hurdles, it is important that the private and public sectors coordinate more closely to achieve mutual development goals. Coca-Cola has learned that its local business is only as sustainable as the community it serves. Programs such as Project Last Mile offer a clear model for future collaboration that bases aid in programs valued and supported by both business and civil society actors. Our focus is continuous improvement, measuring results and capturing lessons that will allow us to take these partnerships to even greater scale for shared benefit of all.

Thank you.