

S S G A D V I S O R S

*Collaboration. Innovation. Sustainability.*

PUBLIC PRIVATE ALLIANCES:  
ADVANCING THE US GOVERNMENT DEVELOPMENT  
AGENDA IN THE BRIC COUNTRIES AND BEYOND



*A White Paper by  
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## US Foreign Assistance and the BRICs: What to do?

The BRIC countries (Brazil, Russia, India, China), along with South Africa represent unique challenge for US development assistance. On the one hand, these countries possess enormous internal capacity for development, including strong educational systems, viable governance structures and vibrant, even world-class companies and firms.

While these countries possess considerable internal capacity, they also face enormous development challenges, including widespread poverty, environmental degradation, lack of government transparency, HIV / AIDS epidemics, etc. These problems, if left unchecked, could undermine the tremendous economic progress that these countries have made in the last decade. Moreover, these challenges not only represent significant internal constraints to development in the BRIC countries; these problems can also directly impact smaller, neighboring countries as well.

With their high levels of internal capacity and resources, these countries are not conducive to the traditional donor-recipient relationship that the USG has operated under for nearly half a century. Advisors and consultants focused on capacity-building may not be welcome in countries that produce legions of world-class engineers, MBAs and scientists each year. Newer foreign assistance programs, such as Millennium Challenge Corporation (MCC) would seem to offer a better approach because host-country governments retain control over US foreign assistance investments. However, MCC funds come with high degrees of conditionality for performance - terms the political elites in these countries are unlikely to accept or even acknowledge. Thus, the question arises whether or not the US government has the right instrument for engaging these countries on their development challenges.

## Public- Private Alliances: A Tool for Engaging BRIC Countries on the Development Agenda



*USAID discusses HIV in the workforce with Mittal Steel and De Beers in South Africa.*

The unique characteristics of the BRIC countries offer a prime opportunity for the USG to focus on public-private alliances (PPAs), particularly with host-country firms and foundations, as the principal means of engagement on the bilateral development agenda. The collaborative nature of alliances, where partners share risks, responsibilities and rewards, ensures that host-country counterparts will feel they are being engaged on an equal footing, rather than as a recipient of US funding and expertise. Alliances with host-country companies are also more cost-effective as they tend to rely more on utilizing local firms and NGOs, thus reducing reliance on expensive American or international firms and organizations for implementation.

Alliances not only offer a better, more cost-effective means for advancing US government objectives in strategic countries, they also serve as an anchor in the broader bilateral relationship, which inevitably experiences ups and downs. Alliances provide an on-going and practical partnership that can focus on longer-term shared values, such as the

growth of small businesses, improved transparency, battling HIV / AIDS, etc that can give policy-makers something positive to talk about and highlight when other elements of the bilateral relationship are facing challenges.

In Russia, for example, USAID's rich tapestry of Global Development Alliances (GDAs) with Russian companies has been an important point of engagement in a larger and far more complex bi-lateral relationship. Indeed, it can be argued that the shared agenda of USAID and the Russian business community is a principal reason why the Russian government has allowed USAID to remain when Peace Corps and other programs have been eliminated or greatly curtailed.



*Russian orphans are among the many beneficiaries of USAID's long-standing collaboration with the Russian business sector.*

Alliances not only offer an opportunity to engage the private sector in host-countries; they also create opportunities to work with regional and local governments in new and exciting ways. Again, in Russia, USAID forged very dynamic relationships with several Russian regional governments as partners in alliances with Russian and international companies. These relationships created opportunities to work with regional officials on improving competitiveness and local government transparency.

#### **PPAs: Making Limited Dollars Do More in the BRICs**

The combined GDP of Brazil, Russia, India, China and South Africa is several trillion dollars and the total US assistance budget for these countries totals less than \$300 million annually or less than a fraction of a percent of the overall economies of the BRICs. Thus, in order to have any relevance in these countries, the USG must stretch each dollar spent to maximize its impact. Here, alliances play an important role not only because they offer the prospect of additional co-funding from the private sector. In Brazil, the US Embassy partnered with more than 100 companies on a joint Corporate Social Responsibility (CSR) initiative that has leveraged some \$100 million in private sector resources..

While leveraging of funds can be an important motivating factor for USG agencies to build alliances in the context of these countries the additional resources leveraged are still miniscule relative to the level of the economy. Therefore, to have an impact, alliances do more than simply leverage money and other resources from the private sector. The best alliances create an impact multiplier achieved through changed business practices of large private sector partners. If a large firm, such as a Tata or SeverStal changes its company practices based on what it learns through an alliance, the impact of a USAID investment will be multiplied many-fold. For example, in Russia, USAID, through successive GDAs with SUAL and then its parent RUSAL, was able to transform the company's approach to local economic development, not only across Russia, but even internationally in Africa and other regions where the company now has operations. In India, the US Embassy and USAID was successful in pushing companies, such as Tata, ICICI Bank and others to adopt HIV prevention programs for their large workforces - enabling the US government to impact hundreds of thousands of workers using only very limited resources. In the BRIC countries, with their large economies and robust institutions, the USG needs to focus on those alliances, which strengthen the scale and sustainability of impacts and have a transformative effect on development.

#### **Public-Private Alliances: Getting Strategic**

While some USAID Missions and Embassy programs in the BRIC countries have made effective use of alliances, going forward there is a need to embed alliances at the core of a multi-year strategic planning process. In the BRIC countries, the USG should consider an alliance-centric strategy as the primary tool to ensure the development

agenda remains a key focal point of engagement in the larger bilateral relationship. Shifting to an alliance-centric strategy requires not only a different approach to how a Mission or an Embassy allocates its development funding resources, it also requires changes in operations. Alliances tend to be labor-intensive for US government staff, requiring significant investments of time to build the necessary relationships with host country private sector partners and then in managing those relationships during the implementation of alliance-supported activities. The collaborative nature of these alliances also means that navigating the myriad of US government procurement and legal requirements can require considerable staff time, both in-country and back in Washington. These changes in the role of US government staff working on alliances mean that job descriptions, AEFs and staff training need to reflect the different workload and staff requirements that an alliance-centric strategy demands. Thus, an alliance-centric strategy requires more than a change of attitude, it requires a change in the very way the US government operates its foreign assistance programs in these countries.

PPAs provide the USG with a unique tool for engagement on the development agenda in the BRIC countries. The collaborative nature of PPAs allows the US government to engage with host-country firms and foundations in a true partnership, where risks and responsibilities are shared jointly. This partnership better reflects the broader USG engagement in these countries, where political and business elites will want to be on a more equal footing with the USG on resolving development challenges. Equally as important, PPAs help ensure that agencies such as USAID remain relevant and effective in some of the most exciting and dynamic economies in the world.

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