PART I

THE GLOBAL DEVELOPMENT ALLIANCE BUSINESS MODEL

CHAPTER ONE

THE PRIVATE REVOLUTION IN GLOBAL DEVELOPMENT

The U.S. Agency for International Development's (USAID) Global Development Alliance (GDA) is at the forefront of an unprecedented change in the global system of development assistance. The facets of that change, characterized by the growing importance of private resources as instruments of development, are the tightening web of economic exchange between the developing and industrial worlds with the expansion and integration of the global market; the rising importance of foundations, nongovernmental organizations, companies, and individuals in conceiving, financing, and implementing solutions to development problems; and the renewed commitment by the industrial economies to increase official aid to countries that use aid well, especially poor countries that lack access to private sources of capital.

THE TIGHTENING WEB OF ECONOMIC EXCHANGE BETWEEN THE DEVELOPING AND INDUSTRIALIZED WORLDS

Foreign aid as traditionally conceived is just one part of an increasingly dense web of economic relations between the developed and developing worlds. In fact, the growth rate of flows of goods, capital, labor, and remittances over the last three decades has far outstripped increases in aid, or official development assistance (ODA). Today, foreign aid is only the third-largest source of financial flows from the developed to the developing world (and from the United States), but it remains important for the poorest countries, which have trouble attracting private finance and mobilizing capital to address specific development challenges. Elsewhere, the most important forms of economic engagement between developed and developing countries are private flows of capital (foreign direct investment, portfolio investment, and bank lending) and private transfers (remittances) from migrants working outside their home country.[1]

INTERNATIONAL DEVELOPMENT CONCERNS US ALL

Throughout its history USAID has worked with foundations and NGOs to carry out its assistance mandate. The Rockefeller and Ford foundations, for example, joined hands with USAID and U.S. land-grant universities to bring about the "Green Revolution" of the 1960s and 1970s. In 2000, the agency spent more than half of its $7.2 billion in assistance funds through contracts, grants, and cooperative agreements with NGOs (at least a quarter of which were faith-based[2]), favoring mechanisms that delegated to implementing partners a large degree of operating control over carefully chosen programs.

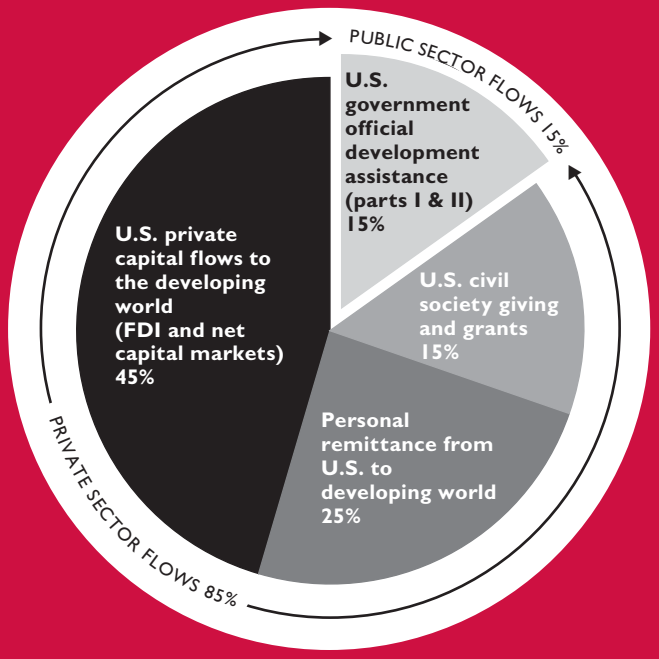
But in the last two decades independent foundations have grown rapidly in number and in wealth. Those headquartered in the United States alone now possess assets of close to half a trillion dollars. The exemplar of the new generation of private foundations is the Bill and Melinda Gates Foundation, which made $1.2 billion in grants in 2003 from a $29 billion endowment. With USAID as a "minority shareholder," the Gates Foundation is leading one of the world's largest immunization campaigns aimed at children in poor countries (chapter 5). Other philanthropic foundations are partnering with USAID to provide disaster relief, fund projects to build democracy and civil society, and restore peace and justice to conflict-torn regions (chapters 5 and 7).

The "global reach" of multinational corporations is nothing new. What is new, however, is the extent to which producers and consumers in the developed and developing worlds have become closely connected through the growth of international supply chains in nearly every sector of business activity, as the rate of growth in international trade over the last several decades has far outpaced growth in GDP as a whole. Today, raspberries grown in Chile may be harvested and packed on Tuesday and consumed in Illinois on Thursday. Packaged salads are consumed in London a day after being picked, packed, and shipped in East Africa. Running shoes made in China or fleece vests sewn in Lesotho may be no more than a few weeks old before they are bought in Toronto or Baltimore. The proportion of internationally traded goods in our market basket is at least three times what it was in 1970.

This means, in effect, that international development is everybody's business. Consumers know that they can hold companies and governments accountable through their collective buying decisions. And the many companies that rely on global supply chains for competitive advantage know the value of a positive environment wherever they source and produce traded goods. With incomes, education, and longevity rising faster in much of the developing world than in the industrialized countries, more companies are discovering that the people at the origin of their supply chains may soon become significant consumers of their products.

Companies are no longer concerned solely with managing the effects of their operations, and

U.S. RESOURCE FLOWS TO THE DEVELOPING WORLD IN 2003 — $112.6 BILLION



Source: Bureau of Economic Analysis; Conference Board; Foundation Center; faith-based groups; USAID internal estimates.

PUBLIC–PRIVATE ALLIANCES CAN ATTRACT FOREIGN DIRECT INVESTMENT TO DEVELOPING COUNTRIES BY IMPROVING THE BUSINESS CLIMATE

Like other types of private capital flows, foreign direct investment (FDI) is strongly influenced by a country's investment climate. Political and regulatory risks—conflict, confiscation, expropriation, nationalization, nonconvertibility of currency, and lax or inconsistent enforcement of regulations—are higher in poor countries than elsewhere. Most poor countries score much lower than middle-income countries on measures of corruption, efficiency of administration, law and order, quality of infrastructure, and other factors important to investors.

Despite these constraints, the share of FDI going to the least developed countries has grown steadily since the mid-1990s, suggesting that coordinated efforts to combine increased investment with improvements in investment climate would find a receptive audience among multinational firms. That expectation lies behind the efforts of USAID and its partners to foster world-class accounting practices in the former Soviet Union and to build information-technology capacity through workforce development (chapter 6).

Economic conditions in recent years have encouraged FDI in developing countries. Net FDI inflows to developing countries increased by $14 billion (9 percent) in 2004, partly reversing a steep decline in the two years following the global slowdown of 2001 and sluggish performance during the successive regional financial crises that occurred between 1994 and 2002. The net increase masks significant outflows of FDI from several countries, where companies have responded to stiffer foreign competition by seeking new markets elsewhere in the developing world.

Presently, FDI is still concentrated in a handful of middle-income countries—Brazil, China, India, Mexico, and Russia absorb more than half of all FDI worldwide—but it has generated important gains in some poor countries with good economic policies, among them Lesotho, Mauritania, Moldova, and Mozambique. In Mali, with help from USAID and alliance partners, the nascent sugar industry is poised to reap the largest single foreign investment in the country's history (chapter 8).

Sources include: Foreign Aid in the National Interest—Promoting Freedom, Security, and Opportunity (Washington, DC: USAID, 2002) and Global Development Finance 2005—Mobilizing Finance and Managing Vulnerability (Washington, DC: World Bank, 2005).

the public perception of those effects; increasingly they have become willing to deploy their capabilities—their business assets and their people—to contribute to the communities and countries in which they operate. Although still keen to avoid contributing to environmental and social problems, trend-setting firms such as GE (with its "ecomagination" initiative to help GE customers improve operating performance while simultaneously improving environmental performance) now think much farther ahead. Forward-thinking companies seek out opportunities to link their business investments to complementary efforts toward the achievement of a greater good—such as the sustainability of resources on which the company depends, the vitality of its present and future customer base, the quality of the economic and political institutions that affect its operations, or the development of quality standards that build markets (for example, by enabling buyers to make judgments about products).

The attainment of strategic goals usually involves partners—governments, NGOs, or other firms in the same region or sector—whose interests parallel the company's in essential respects, even as their goals remain distinct. Using ideas developed by thinkers such as James Austin, Michael Porter, David Grayson, and Adrian Hodges, leading corporations have learned how to get more bang from their buck by linking core business activities to projects that improve local conditions where they operate, enhancing their competitive position in the process.[3]

Cisco Systems, Inc., for example, has demonstrated the potential of fusing social and economic goals. Through its successful program of Cisco Networking Academies in some 150 countries (chapter 6), the world's leading producer of computer networking equipment trains skilled network administrators and so has removed a constraint to the company's growth while providing jobs to tens of thousands of secondary-school graduates.

When companies join with aid donors, nonprofit organizations, and host governments to raise quality and productivity, introduce better handling and transport practices, and improve the health and skills of the workforce, they reinforce domestic demand for the rule of law, transparent regulation, and more effective protection of property rights. In so doing, they make the country more attractive to other investors. Once it takes root, foreign direct investment (FDI) can reduce poverty and propel a country to sustained growth by creating jobs and building wealth and capital resources through export earnings, domestic supply responses, and other effects.

Today USAID's partners in sustainable development include global firms in agriculture (Mars, Inc., chapter 3), natural resources (The Home Depot, chapter 3), energy (Chevron Corporation, chapter 4), and technology (Cisco Systems, Inc., chapter 6).

NEW PLAYERS, NEW MONEY

As the volume and speed of international flows of goods and capital have grown, so too have movements of persons. Immigrants, both temporary and permanent, recent and not so recent, have become a powerful potential force for development, remitting billions of dollars annually to their countries of origin. By placing more money in the hands of the poor, remittances directly reduce poverty and vulnerability. Because a large share of remitted funds is spent on health and education, remittances also constitute an important form of social investment.[4] Well-educated, long-term immigrants contribute more than money; they improve access to capital, technology, information, foreign exchange, and business contacts for firms in the country of origin and help smooth the way for FDI. Diasporas have played an important role in the transfer of knowledge and finance to countries such as Armenia, where the diaspora helped rebuild after a devastating earthquake in 1988 (chapter 5). Recognizing this, USAID is working to increase the development effectiveness of personal remittances through

LEVERAGING PERSONAL REMITTANCES FOR ECONOMIC GROWTH WHILE BROADENING ACCESS TO FINANCIAL SERVICES

The portion of their income that immigrants send back to their home countries is the second-largest and fastest-growing source of financial flows to developing countries. Expected to exceed $160 billion in 2005, personal remittances amount to more than double the official aid provided by industrial countries. Remittance volumes have quintupled since 1990 with the rising tide of migration and growth in migrants' incomes.

But the transaction costs of remittances remain unnecessarily high for the small transfers typically made by poor migrants, depriving migrants and their families of much-needed income. The cost of such transactions is often well below the fees paid by customers.

Remittances reduce poverty in the developing countries from which immigrants come by directly increasing the incomes of the recipients and helping them deal with crop failure, health crises, or children's education. They also provide a source of savings and capital for investment, usually in education, microenterprise, and better health—all of which have a high social return. In Guatemala, the World Bank estimates that remittances have reduced the severity of poverty by 20 percent.

The developmental impact of remittances can be increased by policies that help poor migrants and their families gain access to reliable, low-cost financial services for sending and receiving remittances. With its alliance partners, USAID is encouraging expansion of banking networks, building competition in the remittance transfer market through the introduction of new technologies and new competitors, and facilitating the participation of microfinance institutions and credit unions in providing low-cost remittance services.

Sources include: Global Economic Prospects 2006—International Remittances and Migration (Washington, DC: World Bank, 2005).

diaspora groups in the United States and nonprofit organizations serving migrants' interests.

MORE AID, FOR COUNTRIES THAT USE IT WELL

Since 2002, the industrial countries have publicly recognized the need to increase foreign aid for countries that cannot yet gain access to private flows of capital but that have adopted policies that enable them to make good use of increased aid. Substantial increases in ODA are expected in 2005–06 to meet commitments the developed countries made at and after the 2002 Monterrey Conference on Finance for Development.[5] African countries are likely to be the largest recipients of future increases in ODA. The Africa Action Plan announced at the G-8 Leaders' Summit in Kananaskis, Canada, in June 2002 suggested that "in aggregate half or more of our new development assistance could be directed to African nations that govern justly, invest in their own people, and promote economic freedom."

In March 2002, in the first major presidential address on foreign assistance in decades, President George W. Bush announced a New Compact for Development centered on the Millennium Challenge Account (MCA). By vowing to boost U.S. development assistance by 50 percent over three years (a $5 billion annual increase over current levels), the President proposed the largest increase in U.S. aid since the Truman administration. The United States has increased ODA even beyond President Bush's pledge. U.S. assistance increased from $10 billion in 2000 to $19 billion in 2004—a quarter of the total from the countries of the Organisation for Economic Co-operation and Development and the largest increase in any five-year period in postwar history.

MCA provides development assistance to countries that rule justly, invest in their people, and encourage economic freedom.[6] A year later, the President announced his Emergency Plan for AIDS Relief, a five-year, $15 billion, multifaceted approach to combating HIV/AIDS; it is the largest commitment ever

THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT'S NINE PRINCIPLES OF DEVELOPMENT ASSISTANCE

Today, USAID's principles of development assistance reflect a global consensus about development that includes all of the factors discussed above. The agency's nine principles are:

1. OWNERSHIP Build on the leadership, participation, and commitment of a country and its people.

2. CAPACITY BUILDING Strengthen local institutions, transfer technical skills, and promote appropriate policies.

3. SUSTAINABILITY Design programs to ensure their impact endures.

4. SELECTIVITY Allocate resources based on need, local commitment, and foreign policy interests.

5. ASSESSMENT Conduct careful research, adapt best practices, and design for local conditions.

6. RESULTS Focus resources to achieve clearly defined, measurable, strategically focused objectives.

7. PARTNERSHIP Collaborate closely with governments, communities, donors, NGOs, the private sector, international organizations, and universities.

8. FLEXIBILITY Adjust to changing conditions, take advantage of opportunities, and maximize efficiency.

9. ACCOUNTABILITY Design accountability and transparency into systems and build effective checks and balances to guard against corruption.

by a single nation to an international health initiative. In his second term, President Bush supported the debt-relief plan approved by the G-8 leaders at their July 2005 summit in Scotland (involving immediate cancellation of $40 billion in debt owed by 18 countries to international financial institutions) and unveiled a $1.7 billion aid plan for Africa, the centerpiece of which is a plan to fight malaria, a leading killer of children there.

Using aid well requires political will, functioning institutions, and a coherent, homegrown strategy to reduce poverty and promote equitable, sustainable economic growth. To have maximum development impact, projects must be consistent with the development priorities of the host country, as expressed in its national development strategy or in a poverty reduction strategy devised in cooperation with the World Bank and the International Monetary Fund (IMF). Projects that fit within the strategy are more likely to be "owned" by the ultimate beneficiary, and more likely to benefit from active participation of the host-country government and local NGOs, citizens, and other stakeholders. Properly planned, they do not duplicate or compete with other efforts by the beneficiary or other donors, and do not impose onerous conditions or reporting requirements on the recipient.

Owned projects are more likely than those imposed by outside actors to complement other development efforts and to contribute to and benefit from synergies and spin-offs. They are less likely than projects that are not integrated or consistent with the host country's development priorities to be undermined, intentionally or unintentionally, by conflicting government policies or to see their support eroded by claims from competing projects and priorities.

There is ample evidence that aid usually is not the limiting factor on national development. Development progress depends, first and foremost, on governments having the political will to rule justly, promote economic freedom, invest in people, and create an environment in which competition can flourish.[7]

Competitive, well-regulated private markets are indispensable because they are the most effective institution ever devised for allocating resources efficiently, for fostering innovation, and for communicating information that helps consumers and producers make decisions. Regulatory frameworks should aim to build the public's confidence in private markets to protect property, enforce contracts, and generally respect the rule of law.

A NEW MINDSET FOR NEW CHALLENGES

Guiding the new global consensus about development are goals established by the international community. In September 2000, 189 heads of state ratified the Millennium Declaration, one of the most significant United Nations documents of recent times. The declaration articulated a set of Millennium Development Goals (MDGs) focused on reducing poverty, improving the quality of people's lives, ensuring environmental sustainability, and building alliances to make globalization a positive force for all the world's people. Specific targets and indicators have been set for each of the goals, to be achieved by 2015.

The MDGs are ambitious and not likely to be met through conventional top-down approaches to development, no matter how well funded. Instead, the combined efforts of many stakeholders, working in cooperation, will be required in a push-pull approach that offers more and better targeted aid while simultaneously stimulating domestic demand for honest, transparent governance. But coordinating multiple partners with diverse interests to achieve shared goals requires specific skills from all partners, including firms and governments. Firms must learn to accommodate stakeholders other than shareholders and regulators in their planning and operations. Governments, for their part, have to learn to "govern by network."[8] In this new model of governance, with implications for business as well as government, officials do more than manage people and programs in hierarchical structures—they

manage relationships among a shifting range of partners and marshal the resources of those partners to produce public value.

USAID's emphasis on working in partnership, rather than in isolation, is an expression of the Bush administration's recognition of the sources of national strength and security in the modern world. It also reflects a broad change in the role of donors in development. Traditional donors, including foreign governments, the World Bank, and the United Nations, know that they are no longer the sole sources of development resources, ideas, or efforts. "To effect change and improve the living conditions of billions of people in a sustainable manner," reads a recent report from the United Nations, "partnering with civil society and business is more than just an option . . . it has turned into a necessity."[9]

ORIGINS OF THE GLOBAL DEVELOPMENT ALLIANCE

Conceived by USAID career staff during the transition to the Bush administration, the GDA concept was heartily endorsed by Andrew Natsios, incoming USAID administrator, and Colin S. Powell, then secretary of state, who featured it in testimony to Congress in May 2001 as a new approach to implementing foreign assistance.

A team of leading thinkers in USAID, supplemented by several key political appointees, fleshed out the concept and began implementation.[10] Career foreign service officer Holly Wise was appointed as founding director of the newly created GDA Secretariat in November 2001. The team built on and expanded USAID's long history of working in partnership with NGOs, foundations, and international organizations. In addition, USAID's ties to private companies, previously limited, were rapidly expanded. In keeping with the new realities of development assistance, in which the private sector and civil society were playing larger roles, USAID would welcome its partners as equals, to participate not only in the implementation of development projects, but now also in their identification, design, and funding.

USAID AND THE POSTWAR EVOLUTION OF DEVELOPMENT ASSISTANCE

Although USAID's predecessors date back to the Marshall Plan, the Truman administration's Point Four Program, and Eisenhower's International Cooperation Administration, among others, USAID in its present form was created by President Kennedy in 1961, following passage of the Foreign Assistance Act.

The new directions stressed in the 1961 act were a dedication to development as a long-term effort requiring country-by-country planning and a commitment of resources on a multiyear, programmed basis. The new focus was to achieve economic growth and democratic, political stability in the developing world to combat both the spread of ideological threats such as communism and the threat of instability arising from poverty.

Alongside USAID's four regional bureaus, three functional bureaus and one office manage the agency's transnational themes or "pillars":

- Global health
- Economic growth, agriculture, and trade
- Democracy, conflict, and humanitarian assistance
- And a cross-cutting pillar, the Global Development Alliance

Historically, USAID has moved away from providing so-called budget support to foreign governments (the direct funding often used by European aid agencies), preferring to target its efforts on specific development goals through cooperation with private voluntary agencies, international and local NGOs, and, in recent years, private companies whose goals and practices complement those of USAID and the countries in which they operate.

With an annual budget of almost $14 billion (less than one-half of 1 percent of the federal budget) and a staff of about 7,500, the agency manages programs in more than 100 countries, in close partnership with NGOs, indigenous groups, universities, American businesses, international organizations, other governments, trade and professional associations, faith-based organizations, consulting firms, and other U.S. government agencies.

USAID is led by an administrator appointed by the President and confirmed by the Senate.

No longer would the agency necessarily be the "majority shareholder" in the alliances it forged. The key would be to unite the skills and resources of several partners, including private companies, each with its own special strengths, and to apply them to a problem that no one actor could solve alone. The GDA initiative thus represented a shift in the role of USAID, from being primarily a funder of development projects to being an equal partner and manager of collaborative public–private relationships.

The new plan required changes at USAID—from the manner in which assistance projects were conceived to the specific modalities used to pay for them. But it drew on significant strengths within the agency and decades of agency experience in promoting sustainable development in countries around the globe. Notable among those strengths were USAID's extensive overseas presence, its credibility with developing-country policymakers, a dense network of NGO partners, and its history of alliances and partnerships.

FORERUNNERS OF THE ALLIANCE APPROACH WITHIN THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

The concept of public–private alliances has strong precedents in USAID. The Matching Grant Program in the Office of Private and Voluntary Cooperation, established in 1980, enabled USAID to support international, indigenous, and U.S.-based NGOs that cultivated relationships with for-profit firms, foundations, and other partners previously outside the USAID orbit. When NGOs secured funds from such partners, USAID could match the investment and so expand budding NGO–private sector relationships and build the capacity of NGOs by challenging them to bring dollar-for-dollar resources to the table. By the mid-1990s, the agency was encouraging NGOs to develop relationships with companies. Conservation International's program with Starbucks Coffee Company, which began in 1997, was a product of that new emphasis (chapter 3).

THE OFFICE OF GLOBAL DEVELOPMENT ALLIANCES: CHANGE AGENT

The Office of Global Development Alliances (GDA) reports to the administrator of the U.S. Agency for International Development (USAID). In pursuit of its goal of institutionalizing public–private alliances within USAID, it provides support and services to agency staff and partners as they conceive and develop alliances. It also provides guidance for prospective alliance partners. GDA has a core staff of six people: five program specialists and the director.

But GDA represents a significant evolution in partnership thinking at USAID, particularly in the role accorded to private firms and philanthropic foundations in the definition as well as in the execution of international development activities. Partners in public–private alliances include organizations that have never before partnered with the U.S. government.

Other GDA forerunners at USAID were the New Partnership Initiative (NPI), which ran from 1995 to 2000. NPI focused on engaging local NGO partners and stakeholders overseas. It encouraged an alliance approach, but with limited staff and financial resources. The Global Trade and Technology Network (1994–2004) used an Internet platform to facilitate linkages for trade among small and medium-sized businesses in the United States and overseas.

Non-USAID initiatives also influenced the GDA business model. The World Bank's Business Partners for Development, a pilot project from 1998 to 2001, convened and seed-funded four public–private alliances. Still other initiatives sprang up simultaneously with GDA—among them the U.N. Global Compact. A direct initiative of Secretary-General Kofi Annan, launched in July 2000, the U.N. Global Compact encourages companies to abide by 10 social and environmental principles to promote responsible corporate citizenship.

A CLEAR VISION

With the creation of the GDA Secretariat, USAID Admininstrator Andrew S. Natsios also authorized the creation of a modest incentive fund to support demonstration projects as well as training and other activities required for transition to the GDA model.

With intellectual and financial resources from the GDA Secretariat, reforms in hiring and procurement policies, and a small number of successful projects that demonstrated the dynamism of the new approach, public-private alliances were progressively adopted by USAID's field staff, who began to explore alliances with partners in their geographic and sectoral spheres. Staff in the agency's bureaus and regions have been a steady source of alliance initiatives, complementing the many good ideas submitted in response to GDA's annual program statement.[11]

The patterns of adoption of the alliance approach by the agency's bureaus and missions reflected their priorities and the differing contexts in which they operate. In some cases alliance opportunities were already obvious; in others, they had to be sought out through the diligence of staff. Several bureaus formed alliances at the bureau level; others delegated responsibility for alliance building to their country missions. Some concentrated alliance-building in a specific sector, such as health or education; others did not. Some preferred to begin with a few large alliances; others looked for small demonstration projects to test the concept. All have supported the alliance approach with funds, outreach, and good ideas. It is now ingrained, and thriving, in all bureaus.

In GDA's first years, four dozen alliances, often global or multiregional in scope, were managed by the functional bureaus organized

SOME LESSONS LEARNED ON ORGANIZATION CHANGE

1. Nothing succeeds like success. A few early successes demonstrated the potential of the GDA model to internal and external audiences. USAID's alliances with Chevron Corporation (chapter 4) and Cisco Systems (chapter 6) played this role.

2. Invest in staff. GDA developed a two-day workshop on alliance building for USAID staff in Washington and in the field. GDA's *Tools for Alliance Builders* guides staff (and external partners) seeking to build alliances.

3. Adapt and change. Once it became clear that changes were needed in USAID's traditional processes to facilitate alliance building, the agency responded with a new solicitation tool (the annual program statement) and a new funding instrument (the collaboration agreement).

4. Respect the organization's existing strengths and culture. USAID is a decentralized organization that empowers those closest to problems in the field. Accordingly, selection and management of alliances now takes place at the mission level so that partnerships closely match the objectives of USAID field staff.

5. Tell your story to all who will listen. GDA delivers its message about public–private alliances around the world and down the hall.

6. Make it easy to say yes. The administrator ensured that GDA had a small incentive fund to encourage innovative alliances built by USAID missions. GDA asks people inside and outside the agency to accept a new way of doing business. Setting up meetings, writing the first draft, paying for the conference call — all help make it easier to begin the discussion.

7. Establish honest metrics, and use them. GDA has simple metrics to measure success. One is the number of new alliances built over time. Another is the amount of money leveraged by the agency. GDA keeps "alliance-like" activities off of the list and has excluded some of the very large global health alliances that would have skewed leverage numbers.

8. Reward and recognize. GDA recognizes the "Alliance of the Year" and the USAID professional who does the most to support alliance building each year. In 2005, the Alliance of the Year was the Balkan Trust for Democracy (chapter 5).

USAID'S INNOVATIVE APPROACH IS ATTRACTING ATTENTION . . . AND WINNING PRIZES

November 2005. For its groundbreaking use of public–private partnerships to achieve significant development results, USAID's Global Development Alliance (GDA) has been named the inaugural winner of the Lewis and Clark Award for Innovation in Collaborative Governance. The award is a joint effort of the Weil Program on Collaborative Governance and the Ash Institute for Democratic Governance and Innovation, both located in Harvard's Kennedy School of Government. The award celebrates real-world success in collaborative governance across government, business, and civil society.

"GDA represents the evolution of a loose bundle of partnership models into a more disciplined and deliberate rubric for the sharing of discretion between parties whose interests overlap but are far from identical," noted John D. Donahue, director of the Weil Program, in announcing the award.

April 2005. GDA was selected from among 1,000 applicants as one of 18 finalists for the Innovations in American Government Awards. Often referred to as the "Oscars of government," the Innovations Award is a program of the Ash Institute, administered in partnership with the Council for Excellence in Government. GDA was a semi-finalist for the award in 2004.

around USAID's other three pillars—economic growth, agriculture, and trade; global health; and democracy, conflict, and humanitarian assistance.

By 2003, GDA had initiated hundreds of contacts with corporate partners and played an active role in either facilitating the creation of public–private alliances through the appropriate USAID bureaus and missions, or directly initiating alliances through GDA incentive funds.

In addition to corporate contacts, GDA built relationships with foundations, surveying the landscape of foundation donors in an effort to coordinate USAID efforts with the interests and priorities of public, private, and corporate foundations in the United States. The unprecedented philanthropy of Bill and Melinda Gates and other wealthy individuals had recently emerged, and part of GDA's role was to prepare USAID to accommodate itself to the sudden "supply shock" of increased funding for vaccines and HIV/AIDS.

But GDA also cultivated relationships with smaller foundations that were taking an active interest in development issues. Executives of the Case Foundation, for example, joined USAID in planning support for initiatives such as a network of computer stations in Jordan and a social enterprise venture to provide revenue-generating products to rural producers in Kenya and Tanzania (chapter 8).

Several bilateral donors are adapting the alliance approach to their own agencies. For example, GDA has met with senior officials in Japan, Spain, and other countries to discuss how they can use public–private alliances in their own operations. The United Nations Development Programme (UNDP) and the German foreign aid agency (GTZ) have developed alliance initiatives and policies on a parallel track with GDA. In reference to UNDP's work with USAID and Chevron Corporation in Angola, former UNDP administrator Mark Malloch Brown declared that the Angola Enterprise Fund created by the alliance could "set an example for how public–private alliances can benefit the poorest in a very tangible way."

1. Other categories of growing assistance are international giving by independent and corporate foundations, other corporate giving, and transfers (including in-kind transfers, such as know-how and scholarships) by NGOs and educational institutions.

2. U.S. General Accounting Office, "USAID Relies Heavily on Nongovernmental Organizations" (Washington, DC, April 2002).

3. See, for example, Michael E. Porter and Mark R. Kramer, "The Competitive Advantage of Corporate Philanthropy," *Harvard Business Review*, December 2002, pp .5–6, and David Grayson and Adrian Hodges, *Corporate Social Opportunity: Seven Steps to Make Corporate Social Responsibility Work for Your Business* (Sheffield, England: Greenleaf, 2004). Grayson and Hodges define corporate social opportunities as "commercially viable activities which also advance environmental and social sustainability."

4. See *Global Economic Prospects 2006—Economic Implications of Remittances and Migration* (Washington, DC: World Bank, 2005).

5. ODA increased to $78.6 billion in 2004, the highest level ever. The United States is the largest aid donor in volume terms, followed by Japan, France, the United Kingdom, and Germany. Net ODA from the United States in 2004 was $19 billion, about a quarter of the world total, and a 14.1 percent increase in real terms from 2003. Source: OECD Development Assistance Committee and World Bank.

6. The Millennium Challenge Account began with nearly $1 billion in funding in 2004, and President Bush has asked that the 2006 amount be tripled, followed by annual funding of $5 billion. The administration requested $4.1 billion for USAID programs for the fiscal year that begins in October and runs through September 2006. The agency also would help manage and disburse some of the funding for other U.S. aid programs, including a requested $2 billion for the Global HIV/AIDS Initiative and $3 billion for the MCA. USAID proposes allocating more money to countries that have demonstrated a commitment to reform but do not meet strict MCA criteria.

7. The Report of the United Nations Commission on the Private Sector and Development estimates that developing countries have $9.4 trillion dollars in private financial assets that cannot be fully mobilized for development, largely because of corruption and inadequate legal protections for property and contracts. In one developing country, according to the World Bank's *Doing Business in 2004—Understanding Regulation* (New York: Oxford University Press, 2004), it takes 203 days to register a business; in another enforcing a contract takes 1,459 days. Such barriers to business formation and entrepreneurship keep businesses small and informal.

8. Stephen Goldsmith and William D. Eggers, *Governing by Network: The New Shape of the Public Sector* (Washington, DC: Brookings, 2004).

9. See, for example, Jan Martin Witte and Wolfgang Reinicke, *Business UNusual — Facilitating United Nations Reform through Partnerships* (New York: United Nations, 2005).

10. The members of the USAID task force that gave life to GDA were (in alphabetical order): Colleen Allen, Thomas Anklewich, Joan Atherton, Chris Brown, Lawrence Brown, Letitia Butler, Rebecca Cohn, Pamela Cullen, Judith Gilmore, Carol Grigsby, Martin Hewitt, Scott Kleinberg, Kenneth Lanza, Bob Lester, Adele Liskov, Drew Luten, Delbert McCluskey, Linda Morse (chair), Kathleen O'Hara, Dana Peterson, Patricia Ramsey, Curt Reintsma, Wade Warren, John Wilkinson, and Holly Wise. For "outstanding teamwork in the conceptualization and articulation of the GDA business model," the team received USAID's Meritorious Unit Award in 2001.

    The members of GDA's interim secretariat were (in alphabetical order) Joseph Fredericks, Robert Goodwin, Martin Hewitt, Yumiko Ikuta, Jillian Inmon, Kurt Low, Linda Morse, Suzanne Nolte, Curt Reintsma, Reyna Rice, Lane Smith, and Holly Wise (interim director). The team received USAID's Meritorious Unit Award in 2001 for "outstanding teamwork, critical thinking, and innovation in the development of operational details and an implementation plan to support the GDA business model."

11. GDA's annual program statement for fiscal year 2006 was issued on November 10, 2005. The annual program statement specifies the type and scope of projects that may be considered for funding. It is available at www.usaid.gov/gda and on www.fedgrants.gov.