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# Seizing the Opportunity in Public-Private Partnerships

STRENGTHENING CAPACITY AT THE STATE DEPARTMENT, USAID, AND MCC

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## EXECUTIVE SUMMARY

Public-private partnerships can be game-changing mechanisms for solving development problems. They are used to leverage a range of resources, expertise, and access from nontraditional actors to tackle issues from economic growth to building civil society. Because partnerships leverage resources that public agencies cannot easily access, they can be used to bring market-based solutions to public-goods problems such as infrastructure and access to clean water that can catalyze further development. They have been used successfully for more than a decade by U.S. development agencies to create supply chains, increase employment, and support research and innovation, among many other accomplishments.

Despite the increasing popularity of partnerships, significant challenges remain to building and maintaining them. Although other sectors, such as the for-profit private sector and the non-governmental organization (NGO) sector, are seeking greater and deeper partnerships with the public sector in the United States, the ability of U.S. development agencies to partner with others continues to lag. Limited systems, incomplete capabilities, and a lack of incentives in place in U.S. development agencies continue to hamper partnership building, and development agencies are not reaping the full benefits that could come from leveraging powerful private-sector assets.

If we want to take full advantage of these other actors, it will require a fundamental rethinking of how the U.S. programs and delivers foreign assistance to include the range of assets and experience in private-sector and nontraditional actors that have the potential to create transformative solutions to development issues. Effective partnerships bring in the wide range of assets and experiences from private-sector and nontraditional actors that have the potential to create dynamic solutions to development challenges. Grants and contracts from U.S. development agencies must shift from an approach of “biggest wallet with the largest rule book” to a position of “catalytic wallet with a flexible rule book.”

Ultimately, the U.S. government should make partnerships the *starting point* for development projects and programming in a variety of circumstances, including most work in middle-income countries, countries that are graduating from receiving U.S. foreign assistance, and sectors such as supply chain development and economic growth. These contexts are target-rich environments in which many partners are available, which make them obvious candidates for partnerships. In other situations partnerships might be more difficult to build but could supply critical development needs, such as in humanitarian crises, fragile states, or places in which the state does not provide basic services like education or access to clean water. Currently there is no accepted typology for when partnerships could be most effective, but this question should be a part of the longer-term research agenda to help governments determine when to approach partnerships when they program their foreign assistance monies.

This paper will provide an initial survey of the use of development partnerships by selected aid agencies, begin a discussion of current challenges to building partnerships within the U.S.

government, and identify strategic opportunities for change. Because of the increased interest in using development partnerships in U.S. government agencies, the lessons learned from these partnership initiatives during the past 10 years and other models of successful partnership initiatives are important resources.

Although many U.S. government agencies are involved in international development activities and partnerships, this report will make particular use of detailed descriptions from the partnership initiatives at the U.S. Agency for International Development (USAID), namely the Global Development Alliance. The report will also draw on the partnership-building process and capabilities in the U.S. State Department, particularly in the Global Partnership Initiative; the President's Emergency Plan for AIDS Relief; and the Millennium Challenge Corporation (MCC).

To be more effective in partnership building, some overarching challenges should be the focus of current and future reforms in USAID, the State Department, and MCC. This paper will examine some of the problems that hinder U.S. government agencies from being as effective, and offer some initial recommendations:

- The first is the need for clear leadership in the administration, Congress, the top levels of development agencies, and partnership offices within the agencies. Congressional and executive agency leaders often reference partnerships in their speeches and in their internal communications, but they are almost completely divorced from the actual planning, resource allocation, and personnel incentives that animate these institutions. Leaders need to take responsibility for aligning incentives, allocating resources that reflect partnership building as a priority, and supporting processes that enable program design and project planning to include strategic engagement with the for-profit private sector, both local and multinational, and other private actors.
- There must be a fundamental shift in the way that U.S. government agencies prioritize and deliver foreign assistance. This encompasses coplanning with private-sector actors (such as philanthropies, NGOs, local and international firms, and civil-society groups) for program design and planning efforts. Aligning interests in partnerships works best when project development and partnership efforts are codesigned and when partners are not brought in at the end of an internal U.S. government discussion or process.
- Partnerships should be a core part of country strategies and should be a mainstream part of how U.S. government development agencies do their work. In the meantime, there is still a need for centralized money or set-aside money as an incentive and to provide resources for opportunities that come up in the partnership arena.
- As part of moving from an approach of biggest wallet with biggest rule book to catalytic wallet with flexible rule book, agencies also need to embed partnership building into how they think about procurement and other operational issues such as monitoring and evaluation. This report will also address the operational challenges that agencies face in terms of procurement regulations, planning and implementation, partnership governance, monitoring and evaluation, and scalability and sustainability.