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Management, International Operations and Bilateral International Development
“Public-Private Partnerships in Foreign Aid: Leveraging Taxpayer Dollars for Greater
Impact and Sustainability”
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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. President's 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.