Summary Record of Development Issues Committee Meeting
Public-Private Partnerships – A Perspective on
20 Years of Experience
March 16, 2021

Steve Giddings opened the meeting and welcomed meeting participants.

He introduced the guest speakers, all of whom had played major roles in the practice of public-private partnerships in support of international development:

- AnnaMaria Shaker, Chief of Staff of the Deloitte US International Development Practice within Government and Public Service.

- Michael Metzler, Director of USAID Private Sector Engagement Hub.

- Heather Kulp, Manager of Strategy and Analytics for Chevron.

Michael Metzler led the discussion:

USAID adopted a private sector engagement policy two years ago, which addresses mainstreaming of the Agency's private sector work. The adoption of the policy generated discussion about how to achieve its expressed vision. One observation was that USAID was never designed to work with the private sector and in recruiting for new staff it traditionally had not looked for private sector experience as a qualification.   Once it was issued, Missions were expected to adopt plans in implementation of the new policy. The review of those plans in Washington demonstrated a need for better systems and strengthened capacity at the Mission level to implement the policy.

When the Hub was launched, it built a team and mechanisms for modernizing and adapting Agency systems to improve capacity to engage the private sector. A package of recommendations is currently awaiting the Administrator's approval. It is intended to be responsive to the Administrator's November speech on her vision of the future of global development, which emphasized the important role of the private sector. Issues being addressed include:
- Adapting the HR system to attract and build needed expertise;
- Improving the reporting system to better inform the Agency on this topic;
- Establishing a consultation desk to make helpful information available to Missions and Washington offices to enhance their effectiveness in private sector engagement.

The community of practice for private sector engagement is growing in USAID. About 1,200 staff members are now included. Training programs have been designed and made available to Missions. New more flexible tools and an expanded toolbox are being designed through an incubation hub. The HUB is rebuilding how USAID interacts with

important partners in the private sector, including trough a centralized monitoring capability.

The Agency recognizes there is a need for more available funding for this work. The Administrator hopes to see a centralized fund that can be allocated to Missions for private sector engagement opportunities. There is some effort to compensate for the loss of the Development Credit Authority by USAID to the newly created Development Finance Corporation (DFC).

AnnaMaria Shaker has worked primarily with Deloitte on private sector engagement, largely in the Middle East and North Africa (MENA) region. She has observed many misalignments between public sector entities and the private sector.

USAID perspectives don't always align with those in the private sector regarding the structure, scope, and implementation of public-private partnerships. "Co-creation" and "partnership" are not always understood in the same way by USAID and private companies.

The private sector recognizes the value of USAID's convening power and relationships with local actors. One challenge for USAID is assuring that USAID interests are met in the design of private sector relationships. That is, it needs to keep in mind what is the development goal and how it will be advanced through the proposed private sector relationship. The parties also need to pay attention to how the company's internal mechanisms and USAID requirements can be made compatible.

Barriers to private sector engagement include USAID's expectation of detailed work plans from partners, specific implementation periods, and identification of expected results. The process is burdensome, and the benefits are often not evident. Creative alternatives, such as dashboards that provide up-to-date information of what is being accomplished, might be better.

She also cited a potential role for NGOs to provide capacity building to private sector firms unfamiliar with USAID processes. She cited a Jordan governance project that has used a way to make use of a private sector firm (Toyota) design to connect with local governments in order to improve environmental conditions and, in the process, create green jobs.

There are many levels of engagement, from isolated one-off contracts to enduring partnership relationships. Varying local conditions can also constrain partnering with the local private sector. . For example, rules applying to the formal sector may be disregarded in practice in local contexts where much of the economy is informal.

Heather Kulp said Chevron needs peaceful environments, good governance, opportunities for youth, and other factors which are beyond the company's control. Chevron has often been present in countries, such as in Nigeria and Angola, for a long time and their time horizon is longer than that of typical Mission strategy statements. ..

Much of Chevron's local staff is made up of local nationals. Chevron seeks partners interested in root causes and notes the previously mentioned convening and reputational capacities of USAID as valuable for advancing shared interests.

In some cases, private sector entities find it easier to deal with public entities and public entities find it easier to deal with private sector entities. For example, a Chevron effort to work with USAID and DFID in one case showed that coordination, including between two public entities, could be difficult.

Problems in relations with USAID include, for example, sometimes frequent staff changes by USAID and differences in the fiscal year between the USG and most private firms that work on a calendar year basis. These differences put a premium on patience and understanding each other's needs. Open conversation and recognition that the private sector regards its contribution as investing, not donating. At the same time, the private sector cannot expect USAID to just pay for things the private sector organization wants to do.

Transparency about what can and can't be done is helpful. For example, USAID may be facing Congressional limitations and needs to be clear with its private sector collaborator about those.

Michael Metzler, reflecting on what the other speakers had said, found that they had covered well the big issues that USAID was trying to address. The Hub has found that there was an initial discontent within USAID about how difficult each private sector engagement was to design and implement. Now, they are getting away from a limited project support role for the Hub and seeing the need as creating appropriate and available rules and processes that will facilitate productive private sector engagement.

Heather Kulp noted that USAID has been open and receptive to feedback the Agency has been strengthening its abilities for effective private sector engagement. She recognized that, just as USAID needs to be creative and sensitive to constraints for its private sector partners, so does the private sector need to be conscious of the environment in which USAID is trying to improve the overall process of public-private partnership.

Anna Maria Shaker echoed the appreciation for USAID's openness in the ongoing dialogue.

Steve Haykin led in the presentation of questions from meeting participants for the three guest speakers.

For Heather Kulp, what doesn't work?
    A. At the beginning, there was some cultural resistance in USAID. That has largely been overcome. When there is a gap or conflict between a private organization and USAID on goals, progress may be stymied. However, in her experience these gaps can be overcome with some creativity.

For Michael Metzler, what problems are the new USAID tools intended to solve?

    A. The earlier policy did not adequately address the operational "how to do it" questions. This left it to each Mission to create its own mechanisms. The new tools are intended to address, for example, how to set up a customer management system that has enough uniformity so that it can be used by many Missions and provide cross-country data useful to headquarters. There are program, culture, and process issues. The Hub focuses primarily on the process issues so that the Bureaus and Missions will be better able to address the program and culture issues.

Also for Michael, how does USAID attract new partners?

    A. The availability of tools the Hub is directing for use by private sector partners can help to make partnering easier. At the outset, however, the Hub's focus is on the internal USAID processes.

Also for Michael, what is the relationship between USAID and USDFC?

    A. There was originally concern that DFC might just duplicate what OPIC had done and the DCA staff transferred might have difficulty adapting . That has been overcome and there is now close coordination/collaboration between the DFC and USAID. The capacity of the DFC to provide equity finance for partnerships is a useful new tool. For large projects, what role for the Embassy and Mission Director?

    A. Of course, they need to engage.

How about the need for continuity in customer management?

    A. Needs to be treated as a major, ongoing responsibility, not a sideline.

Attachment:
    Speakers' bios.