Public-Private Partnerships for Development

A Handbook for Business

USAID
FROM THE AMERICAN PEOPLE

CED

This handbook has been produced with input from the Committee for Economic Development and US Agency for International Development.

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The Committee for Economic Development is an independent research and policy organization of some 200 business leaders and educators. CED is nonprofit, nonpartisan, and nonpolitical. Its purpose is to propose policies that bring about steady economic growth at high employment and reasonably stable prices, increased productivity and living standards, greater and more equal opportunity for every citizen, and an improved quality of life for all.

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PURPOSE OF THIS PUBLICATION

This Handbook was developed to help businesses operating in developing countries to understand how to build public-private partnerships that will benefit their host country populations and the participating firms. The Handbook itself is an example of a public-private partnership between the United States Agency for International Development (USAID) and the Committee for Economic Development (CED), an independent, non-profit research organization. USAID and CED have collaborated on topics of mutual interest in education and global development since 2003.

CED has been a leader in promoting policy reforms to improve education in the United States and around the world. In 2002, CED published A Shared Future: Reducing Global Poverty, which among other things recommended that all relevant public and private organizations in developing countries contribute to universal education.

USAID has a history of building development alliances with the private sector for mutual and reciprocal gain. The Agency believes that non-governmental groups – including the business community – have vital roles in creating relevant interventions, development plans and sector strategies.

We hope this Handbook will help businesses consider the benefits of public-private partnerships and think through the steps they should take to build successful public-private partnerships.

Sincerely,

Charles E.M. Kolb
CED President

Joseph Carney
Director of USAID/EGAT/
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Introduction

The search for lower labor costs, raw materials, new markets, and more opportunities to diversify has led an increasing number of companies to consider investments in developing countries as part of a competitive business strategy. In fact, more than 50 percent of all foreign direct investment (FDI) was funneled into developing countries in 2004. In 2004 Asia and Australia/Oceania received $148 billion in FDI, with China alone getting $61 billion. In the same year Latin America and the Caribbean received $68 billion, a one-year increase of 44 percent; while in Africa, FDI reached $18 billion, invested predominantly in energy and mining[1].

The rise in FDI in developing countries reflects the growing trend toward business globalization, and sends a clear signal that government leaders and business executives are finding common ground on which to build new and important relationships. Public-private partnerships can help governments build capacity, and acquire and maintain assets in environments of shrinking or diminished budgets that make public sector investments difficult, if not impossible. They also allow private companies to gain new business opportunities, share risks with their public partners, and enhance the social and economic environment in which they operate. Through public-private partnerships, all parties contribute to the creation of a more stable and improved environment that offers benefits to participants and society at large.

This handbook describes the essential elements of a public-private partnership, explains the costs and benefits, and provides practical steps for initiating or joining a successful public-private partnership.

Characteristics of a Public-Private Partnership

The World Economic Forum defines a public-private partnership as “a voluntary alliance between various equal actors from different sectors whereby they agree to work together to reach a common goal or fulfill a specific need that involves shared risks, responsibilities, means and competencies (p. 8).”[2] Public-private partnerships can range from privatization of state-owned enterprises to traditional involvement of companies carrying out humanitarian aid. This handbook focuses on a narrower set of arrangements in which businesses, government and civil society come together to address a country’s social and economic development needs in such areas as education, health and micro-enterprise. Typically, these types of partnerships can be placed under one of four categories: (1) advocacy, (2) developing norms and standards, (3) sharing and coordinating resources and expertise, and (4) harnessing markets for development.[3]

In *advocacy*, a public-private partnership advances a cause or highlights an issue for global consideration. Illiteracy, poverty, and poor health care are examples of well-regarded causes for advocacy work. In *developing norms and standards*, the partnership establishes codes of conduct and standards for companies doing business in the global economy. Such codes provide a frame of reference for defining acceptable behavior. In *sharing and coordinating resources and expertise*, the partnership contributes to key development issues by sharing complementary resources and expertise from different sectors. By utilizing economies of scale in knowledge generation and dissemination, the partnership helps build capacity in developing countries. In *harnessing markets for development,* the partnership supports the development and expansion of sustainable markets and over time provides access to producer networks or incentives for businesses to invest in non-traditional markets. An important aspect of some partnerships is that they provide small businesses in developing countries with access to consumers in the industrialized world.

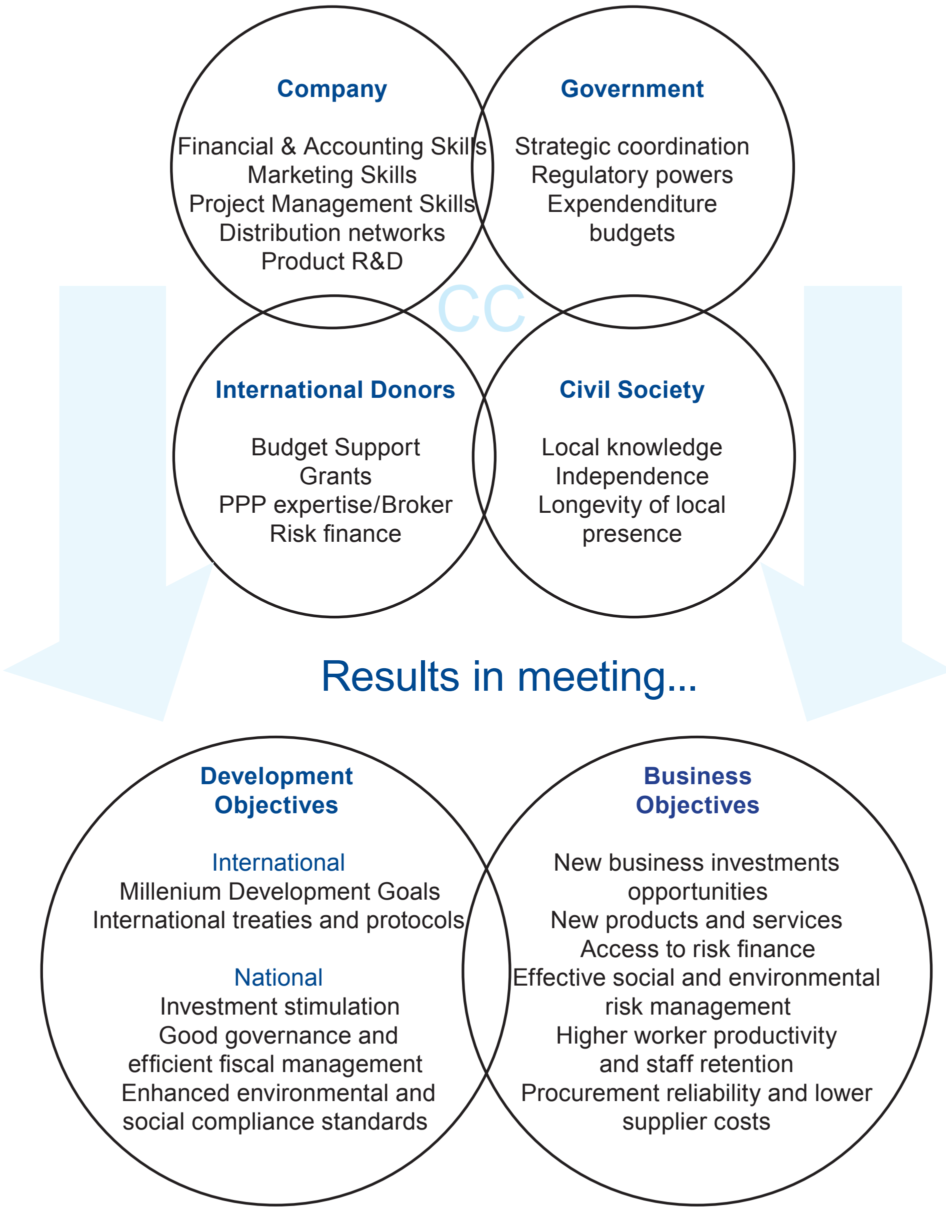
A successful partnership depends on the engagement and coordination of participants from different sectors. Some partnerships are based on formal, legally binding contracts and others are based on non-contractual agreement, such as a memorandum of understanding. In a contractual partnership the focus is on meeting the terms of the contract. In a non-contractual partnership the focus is on building trust and working in cooperation with other partners' needs and motivations. And thus, requires greater patience and understanding. The focus of this handbook is on non-contractual partnership.

Types of Partnerships

Although the term 'public-private partnership' commonly refers to voluntary alliances between the private and public sectors, the partnership often includes a third sector—the civil sector of non-governmental organizations. Hence, two sectors ('bi-sector') or three sectors ('tri-sector') may come together for partnership projects.

Once the partnership is formed, the success of the partnership project relies on the strength of the alliance and the competencies that are brought to bear on the project. Private companies bring financial resources, project and management skills, and quality control. The civil sector brings local knowledge, commitment to the community, and longevity of local presence. The public sector brings regulatory powers, strategic coordination, expenditure budgets and a holistic vision of the project, within the context of community and country-wide development goals. Michael Warner, Director of Stakeholder Negotiation Services, a company that trains public-private partnership brokers, visually depicts each sector's core competencies and how combining these competencies meets both business and development objectives.

Leveraging Partners' Core Competencies To Optimize Business and Development Goals[4]



II

Business Incentive for Public-Private Partnerships

"Companies in diverse sectors around the world face increasingly complex risks and opportunities for shareholder value and project success linked to social and environmental issues. Partnerships with civil society and public sector agencies can be a highly efficient way to manage these challenges successfully and thrive in business terms."
Rob Lake, Henderson Global Investors, U.K.

The idea that public-private partnerships benefit the public is only part of the story. Beyond corporate social responsibility, a private company can achieve important business objectives through a partnership. The business incentive for a company is two fold: (1) participation may serve *direct business interests,* such as workforce development, new markets, and risk mitigation; and (2) it may serve *indirect business interests,* such as enhanced reputation and brand dentification.[5] The following case studies offer a glimpse into the experiences of companies who have benefited from a public-private partnership.

Cisco's Networking Academy Alliance

Partners: Public sector—USAID, United Nations Development Programme (UNDP), Japanese International Cooperation Agency. Private sector—Cisco Systems, Inc. Non-governmental organization—International Telecommunications Union (ITU).

Challenge: In the early 1990s, Cisco sought to correct a key constraint to the company's growth, namely a shortage of qualified administrators to operate the company's products.

Response: In 1993, Cisco began developing a community-based ICT platform to train high school administrators to operate its programs only to find greater interest among students who readily learned the ins and outs of operating Cisco products. The initial project was so successful that by October 1997 Cisco launched its Cisco Networking Academy Program in 64 schools in seven states in the United States. In 2000, Cisco met with development partners during the G-8 Summit and pledged $3.5 million to support training academies in 24 of the world's least developed countries. UNDP and USAID also pledged support, while the United Nations Volunteers and Peace Corps pledged skilled volunteers to help support the new academies.

Partner Contributions: Cisco provided funding, curriculum, equipment, and technical assistance. USAID offered funding, scholarships for women and guidance from its missions and its technology experts. UNDP provided funding and guidance from country offices and the UNDP technical team. ITU supported the alliance with funds, in-kind and technical assistance and policy advocacy. The Japanese International Cooperation Agency contributed technical assistance through its professional volunteer program.

Result: The partnership has established more than 200 Cisco Academies in 41 countries and enrolled 10,000 students, 30 percent of them women. More than 5,800 students have earned their associate's certificate through these academies.

Source: USAID/Office of Global Development Alliance, available at http://www.usaid.gov/our_work/global_partnerships/gda/pdf/GDA_Report_Jan2006_Intro.pdf. Accessed February 2006.

World Cocoa Foundation: Sustainable Tree Crops Alliance (STCA)

Partners: Public sector--USAID and US Department of Agriculture. Private sector—World Cocoa Foundation (WCF), comprised of 45 chocolate industry members, including The Hershey Company, Nestle Products, Kraft Foods, et al.). NGO—Smithsonian Institution. Multilateral research group—International Institute of Tropical Agriculture (IITA).

Challenge: About 70 percent of the world's cocoa comes from West Africa. However, one-third of the annual crop was being destroyed by deforestation, fungal diseases and insects, devastating the most important tree-based commodity for West Africa.

Response: In 1999, key stakeholders in the cocoa industry met and formed an alliance after research discovered that existing support structures for farmers were extremely limited. The alliance piloted innovations in productivity, marketing and trade, and tested and validated farm diversification. Successful practices were then integrated into national and regional development efforts.

Partner Contributions: USAID brokered the alliance, gave financially and formulated the purpose and objectives for the STCA. The Smithsonian and IITA brought their agricultural research expertise on Sub-Saharan Africa and IITA served as an implementing partner for piloted projects in all of West Africa's major cocoa producing countries. WCF gave financial resources and helped create new markets for small cocoa farmers.

Result: To date, more than 60,000 farmers have graduated from farmer field schools and improved their productivity, increasing 30 to 50 percent. This alliance has enabled chocolate companies to secure long-term supply chains while protecting the livelihood of 1.5 million rural producers from dangers and risks posed by crop pestilence and market instabilities.

Source: USAID/Office of Global Development Alliance, available at http://www.usaid.gov/our_work/global_partnerships/gda/pdf/GDA_Report_Jan2006_Intro.pdf. Accessed February 2006.

Chevron Corporation: Angola Partnership Initiative

Partners: Public sector—USAID and United Nations Development Program. Private sector—Chevron. NGOs—Africare, CARE, Save the Children, and World Vision.

Challenge: By 2002 most of Angola laid in ruins after a 27-year civil war.

Response: Chevron had been active in social and economic development for decades but only in regions where the company operated. When Angolan President Jose Eduardo dos Santos asked for help to rebuild the country, Chevron Chairman and CEO Dave O'Reilly responded with the creation of the Angola Partnership Initiative and a five-year agreement to work with donors and NGOs. Since it did not have adequate capacity to manage a large-scale development programs, Chevron gave $10 million to USAID to support existing programs that aligned with what the company wanted to do. USAID's implementation partners – Africare, CARE, Save the Children and World Vision – were brought into the partnership to carry out programs in targeted regions.

Partner Contributions: Chevron created the Angola Partnership Initiative, gave financially, and shared in the oversight of program design and implementation. USAID shared its understanding of large-scale development and also gave financially. The NGOs offered their local knowledge and expertise and success in implementing programs.

Result: USAID received assistance that accelerated its development programs, particularly with regard to Angola's local private sector. NGOs expanded their programs, reaching many communities that otherwise would have been left out. Chevron developed new relationships with government ministries, such as agriculture and health, which in turn improved the environment for Chevron and other companies' workforce. For its efforts, Chevron successfully negotiated a 20-year extension of its operational rights with Angola's government and agreed to set aside $80 million for additional development projects. In return, many communities in Angola improved socially and economically.

Source: USAID/Office of Global Development Alliance, available at http://www.usaid.gov/our_work/global_partnerships/gda/pdf/GDA_Report_Jan2006_Intro.pdf. Accessed February 2006.

Unilever and others: Global Partnership for Handwashing with Soap

Partners: Public sector—World Bank (Water and Sanitation Program), UNICEF and USAID. Private sector—Unilever, Procter & Gamble, and Colgate-Palmolive. NGOs—Academy of Educational Development (AED). Academia—London School of Hygiene and Tropical Medicine (LSHTM).

Challenge: Diarrheal disease and respiratory infections account for the high incidence of early death among children in less developed countries. These diseases are due significantly to the lack of proper hand washing with soap.

Response: In 2001 Unilever, Proctor & Gamble, and Colgate-Palmolive, joined a public-private partnership to lower the incidence of diarrheal disease in the developing world. Based on hygiene studies, the initiative sought to lower the incidence of diarrheal disease by as much as 35 percent through the use of soap and proper hand washing. Unilever provided the partnership with soap products for distribution in Peru, other South American countries and Vietnam.

Partner Contributions: World Bank, UNICEF and USAID offered their knowledge on public health and development, along with financial resources. Technical assistance and research based findings came from LSHTM and AED. Unilever, Proctor & Gamble and Colgate-Palmolive brought their marketing skills and soap products to the global campaign.

Result: Thousands of young lives were saved from diarrheal disease. The partnership helped strengthen public health systems, an essential development objective in communities. The soap companies expanded their reach into new markets, increased demand for their products, established important ties to key government agencies and NGOs, and demonstrated their commitment to socially responsible causes.

Source: Water and Sanitation Program, London School of Hygiene and Tropical Medicine and World Bank, available at http://www.globalhandwashing.org/Publications/Attachments/WSP_H_Lessons_07Octo02.pdf. Accessed February 2006.

A Road Map for Public-Private Partnerships

How does a company get involved in a public-private partnership? What are the various stages in the life of a partnership? A World Bank funded report, “Putting Partnering to Work,” which examined tri-sector partnerships in 20 countries, documents the evolution of a typical partnership and describes how such arrangements come together. The report outlines a four-staged process for the creation of a partnership that includes: (1) *exploration*, (2) *building,* (3) *maintenance and* (4) *closure and community sustainability.*

Partnership Exploration

In the *exploration* stage a company interested in pursuing a public-private partnership should first conduct an internal assessment and then outline a process for selecting a partner. The following guidelines can be used to conduct a meaningful internal assessment and select an appropriate partnership.

Step 1 – Internal Assessment

- Identify the company's objectives/goals in the context of local/ global economic, social and environmental conditions.
- Assess whether the company's business strategy will align with a partnership.
- Identify the company's core competencies that will contribute to a partnership.
- Identify the benefits sought for the company and how can they be achieved through a partnership.
- Assess the company's commitment and availability of resourc es needed to develop a partnership.
- Analyze the potential costs, risks and benefits of entering into a partnership.
- Assess the legal issues surrounding a partnership.

Step 2 – Partner Selection

During the partner selection process, a company may be approached by local groups/donors, or initiate its own search for a partnership. In the first scenario, the company might be faced with choosing among organizations. In the second scenario, the company, informed by research, seeks out a partnership. To assist in the search, the *Business Guide to Development Actors*, published by the World Business Council for Sustainable Development, provides profiles of donor groups (multilaterals and bilaterals) and non-governmental organizations that have been engaged in these new forms of collaboration. The profiles introduce key development actors and describe the ways in which their goals and strategies converge with the interests of businesses. Before making a decision, consider the following general characteristics of a good partner:

- Shows respect for the company's values and way of doing business
- Supports the alignment of business interests with development objectives

- Has past success in building partnerships
- Maintains a good organizational track record
- Values transparent communication
- Views the company as an equal partner, not just a funder
- Contributes complementary competencies
- Demonstrates a willingness to contribute comparable amount of resources (e.g., volunteers, finance, materials, expertise)
- Maintains good credibility and relationships with national governments and local communities
- Brings extensive knowledge about its own sector and its culture(s)
- Has flexibility in carrying out partnership activities

Overall, a good partner is familiar with business culture and values, has credibility and expertise in its field, and has complementary resources

for the partnership. However, there are some exceptions of partners who lacked prior field experience but were able to forge an effective partnership. In these cases, the partners' strong local knowledge and dependable network with local government officials compensated for the lack of prior field experience.

Step 3 – Cost-Benefit Analysis

As with any business venture, a public-private partnership strives for benefits while minimizing the costs and risks. Listed below are some possible direct and indirect business benefits from a public-private partnership.

Some possible **direct** gains:

- Increased human capital
- Improved organizational efficiency
- Organizational innovation
- Improved products and services

Some possible **indirect** gains:

- Accomplished social and environmental objectives
- Increased social capital (enhanced reputation and credibility)
- Decreased community dependency on company resources
- Increased community use of government and civil society resources
- Added a legal mechanism for U.S. firms to compete fairly with foreign firms.

Besides the benefits, there are costs and risks. One major cost is the time it takes to build trust among partners and to learn about the other partners' culture and motivation. Time is also needed to design a project and manage it. Other investment costs involve financial resources and human capital.

In addition to costs, there are risks. Fortunately, there are mitigation strategies to minimize many of these risks (shown in the table on pages 16 and 17). The table outlines some of the common risks associated with partnerships, along with corresponding mitigation strategies.

If the benefits are seen to outweigh the costs and risks, the next step is to secure the human and financial resources for the partnership. Experience has shown that it is critical to find a *champion* for the project from the senior executive level. A champion mobilizes and secures the necessary resources to build the alliance and drive it to a successful outcome. This champion should also elicit commitment from institutions and other participants. In case of unforeseen management changes, the champion should groom others in the role of leadership and advocacy.

Partnership Building

"Successful partnerships are those shaped around common or shared activities that first and foremost deliver against the individual aims of each partner...,"
From BPD's "Enduring Myths, Enduring Truths: Enabling Partnerships Between Business, Civil Society and the Public Sector."

This stage is about consensus building and building *trust* among the partners. It is important at the very start of the relationship to set a tone of honesty and transparency by having candid discussions about each partners' underlying motivations and expectations of the partnership. One corporate representative recommended that potential partners "Take time to learn internal structures, business processes and politics, and *know* each other's *negatives list* (downside) early on – get it out of the way." Building trust requires:

- A capacity to understand and speak from a business standpoint
- Transparency and honesty
- Respect for both the positives and negatives of each partner
- Sufficient time to develop a relationship

Risks of a Public-Private Partnership

Risks

Reputation
- Potential loss of reputation because a partner reneges on agreement

Expectation
- Unrealistic expectations from the community

Project
- Potential partners face irreconcilable interests
- Complementarities among partners lacking
- Financial weakness of the project may lead to unsustainability
- Other business competitors benefit from outcomes of the partnership (Free Rider problem)

Legal
- US Foreign Corrupt Practices Act which prohibits all forms of bribery by US firms
- Intellectual property (IP) issues

Political
- Potential disruption of project due to government instability, unexpected changes in legislation, and inadequate security of investments
- Project becomes target of strong political opposition

Reputation
- Implement a thorough pre-screening of partner(s)
- Clearly articulate the limits to engagement (timeframe, resource commitment, etc.)

Expectation
- Include community leaders in stakeholder consultations
- Use media to communicate with the public about project

Project
- Select a partner that has the ability to bring comparable amount of resources Identify core competencies of partnership early
- Develop a budget accounting for various contingencies
- Invite competitors into the partnership

Legal
- PPP is an appropriate way of bestowing benefits to government
- Discuss upfront and agree on any IP issues and put in agreement

Political
- Partner with local business and social institutions; obtain political risk insurance
- Postpone partnership activity until change in political climate

Mitigating Strategies

Much of the time spent in building trust is in the joint activity of developing the terms of an agreement about the partnership, typically in a Memorandum of Understanding (MOU). The MOU serves as an important tool to hammer out the purpose for the partnership, what resource commitments each partner will bring and how the partnership will be run. A good MOU will avoid many common pitfalls of partnership building, spell out the governance and management structure, and establish a dispute resolution mechanism. Other important features include an agreement by all partners on the explicit goals and objectives of the partnership, clear-cut roles and responsibilities for each partner, and a realistic timeline to keep the work focused and moving forward. To give traction to the MOU, engage those communities and local governmental authorities who will actually implement the partnership's program. MOUs may be signed by high level government officials but are often implemented by lower level government officials who should be informed in advance.

The importance of the local government's buy-in to the project cannot be overstated since long-term benefits of the project are contingent upon the local government's continued support. If there is no buy-in from the local, state, and national government, the partnership project likely will be short-lived. The idea of buy-in is about local ownership. Without local ownership, the project itself will be doomed or severely weakened in the long run. Along with the buy-in of the local government, local business and local civil society can do much to make sure that the project is sustained. The Business Partners for Development used its experience with Natural Resources Cluster to create a checklist of the key elements to include in a partnering agreement. **(See Key Elements of a Partnership Agreement on the next page.)**

Partnership Tool: Key Elements of a Partnership Agreement

Following is a checklist of key elements to include in a partnering agreement:

- The objectives of the partnership (both shared and individual)
- Joint work plan encompassing activities, schedules and performance indicators, resource commitments, roles, and responsibilities
- Funding arrangements (if applicable)
- Decision-making principles
- A mechanism to resolve differences
- Procedures for communicating among partners
- Measures to strengthen the capacity of partners to implement their commitments
- Measures to mitigate external risks and threats to the partnership
- Strategies for dealing with staff turnover or succession
- A strategy for communicating to constituents and other interested parties
- Procedures for monitoring and measuring the impact of the partnership
- Exit strategies

Source: Business Partners for Development, available at http://www.bpdweb.com/docs/main1or 5.pdf. Accessed November 2005.

The need for a joint work plan that spells out all expectations of the partnership and for an exit strategy that is thoughtful and well crafted are two elements in the partnership building process that deserve closer scrutiny. To lay out a comprehensive work plan may take more than a year. To shorten the time, work out an MOU in principle first and then use the MOU as a driving force to work out the practical details through an Activity Agreement. Raising the issue of an exit strategy too early can deflate enthusiasm for the partnership. Knowing when to introduce such discussions is needed to maintain motivation and energy for the partnership.

Maintenance

When partnerships fail, it is often due to poor day-to-day management. A successful partnership requires carrying out the terms of the initial agreement, maintaining communications and transparency among partners, and conducting periodic monitoring and evaluation of partnership activities. Because of their relative importance, the last two points deserve further explanation.

Ongoing communication strengthens the partnership and allows all parties to share in the latest news about partnership activities and minimizes misunderstandings and disagreements. The project work plan can serve as a useful tool in the communication process because it outlines the various deliverables, identifies resources, and specifies partner input on the project. It also engages the different partners on a regular basis. Ongoing communications, outside of project concerns, helps partners keep abreast of relevant changes in the business, political, and internal conditions of partnering organization(s). Knowledge of such changes enables partners to respond appropriately with flexibility and understanding. One approach to gathering information about circumstantial changes is through an analysis that considers Strengths, Weaknesses, Opportunities and Threats (SWOT).

A *monitoring and evaluation* plan should be in place from the start and continue through the life cycle of the partnership's project and should include appropriate experts to ensure that desired outcomes are met and their impact measured. A good monitoring mechanism, such as the SWOT analysis, will give information at regular intervals on the project's status while an evaluation consolidates those periodic reports and documents the costs and benefits associated with the project. A thorough evaluation also provides valuable insights, lessons learned, and recommendations for future partnership activities. Development organizations like the World Bank and USAID can provide technical experts and an evaluation framework with indicators to assess whether social development goals are being met.

Partnership Tool: Checklist to Evaluate Partnerships

- Sustainable benefits delivered through the partnership
- Intended outcomes achieved
- Unintended/unexpected development outcomes or business benefits
- Negative consequences of the partnership for communities, government, or business
- Evidence that the partnership has 'added value'
- Financial and non-financial costs and benefits of the partnership
- Evidence of institutional changes (in business, government agencies, or civil society organizations)
- Key lessons from the partnership are recorded, reflected upon, and disseminated within the partnership (with respective constituents and other parties)

Source: From BPD's, "Putting Partnering to Work," p. 26, 2001

Closure and Sustainability

Partnership projects invariably come to an end – at least an end to what it was initially conceived to do. How well the project ends depends in part on the exit strategy and sustainability plan. An abrupt end to a project without proper preparation may bring about unintended and unwelcome consequences for partners and communities. The lack of a well-thought out exit strategy could leave reputations tarnished and leave communities unprepared to carry on the work of the project.

Exit Strategy Options

The nature of the project, the amount of available resources, the strength of the partnership, the political and economic climate of the host community and country, and the availability of other partners are some of the factors that must be weighed when deciding on a specific exit strategy.

There are two basic options in an exit strategy, namely *closure* or *continuation*. In a closure, the company ends its active role in the project on a predetermined date. In a *continuation,* the company carries the project forward in some capacity. In this second option, the partnership might (1) expand by replicating the project in another community or country; (2) address gaps in the project and elicit the help of other partners; (3) reshape itself by shifting and altering responsibilities among the partners and refocus on a different project; or (4) extend the original timeframe to achieve its vision.

Continuation Strategy

If feasible, some type of continuation strategy is advisable given the benefits for all parties involved. For business, the continuation of a project ensures good feelings from the beneficiaries/communities, enhances the reputation of the company, and helps secure valued relationships and continued access to the country. For government, its own reputation and credibility are improved because of its role in addressing the needs of its people. For the community, the lives of its members are improved economically, physically, environmentally, or educationally.

When to Talk Exit Strategy

Although it is better to formulate an exit strategy early, it is not always possible in practice since partners often do not know where they will be or whether their institutional priorities will remain unchanged in 3-5 years. But there are advantages to discussing an early exit strategy, particularly in managing the expectations of beneficiaries. A community that is informed in advance of a project's termination will be less disappointed than a community that is not informed.

An early exit strategy also forces partners to ask themselves how the project will end, or whether it can be sustained after its completion. Early discussions about the issue of sustainability can motivate partners to search for ways to continue a worthwhile project. An exit strategy with a sustainability plan should be crafted during the partnership building phase so that all partners can agree on the project design—from beginning to end—without conflicting expectations. This approach also encourages the search for in-country community, civil society, or other government partners to carry forward the work of the project.

Whether or not a sustainability plan can be discussed and incorporated early depends in part on the partners' relationship. Partnerships with a history of trust can more readily come together and formulate an exit strategy. For example, the Siberian-Urals Aluminum Company (SUAL), approached USAID for help in rebuilding the local economies of communities in which their factories were located. A sustainability plan was designed early in the partnership because SUAL and USAID had worked together in the past and there was an established sense of trust and credibility.

However, early agreement on a sustainability plan for some partnerships is unrealistic. Mutual trust and some signs of a successful partnership may need to come first. In such cases, designing a sustainability plan will come later. **(See Amcham example on page 24.)**

Although a continuance strategy is preferable, there are situations in which such an option is either unrealistic or inappropriate. An exit strategy of *closure* is called for when the project involves emergency aid, when the host country becomes unwelcoming, or when participants cannot be counted on for future commitment. But even under these instances it is important to execute a good closure in which there is clear communication to help participants and beneficiaries of the project know what is happening and what they can expect. Clear communication minimizes confusion and misunderstanding, and maintains a positive partner relationship in an environment of trust.

Amcham

The American Chamber of Commerce of Nicaragua created an Education Committee in 1999 to garner private sector support for education. Members of the committee were looking to accomplish Amcham's larger goals of encouraging foreign investment, creating a more skilled workforce and broadening the tax base would require a stronger education system. The committee of representatives from local and multi-national companies at first decided to create a school sponsorship program in which each company picked a school to sponsor and then developed their own program tailored to meet the needs of the school. The Academy for Educational Development (AED), an international NGO, and USAID soon after approached Amcham to join in an existing partnership to improve the quality of education of sponsored school by introducing a series of educational reforms under a program known in Nicaragua as "Model Schools."

Amcham members were not fully convinced that this approach would reap results. Amcham members were familiar with school reform programs that provided physical materials, such as textbooks and classrooms. However, they had little experience with the major components of the Model School program, which included active learning methodologies, community participation, and student government. But after seeing dramatic improvements in test scores, the committee decided to convert its Amcham-sponsored schools into Model Schools, which they continued to support even after AED and USAID ended their involvement.

Source: USAID/GDA, "Education Global Development Alliance Public-Private Alliance in Education Report," April 28, 2006.

Where To Go from Here?

Public-private partnerships can achieve positive outcomes for businesses and communities. A PPP can help a company prosper economically while at the same time help a community meet its basic needs or make improvements in other ways. Each successful PPP is unique yet many share similar traits. This handbook introduces success-making traits and a roadmap to developing partnerships.

To learn about or to partner with U.S. government development projects overseas, go to USAID's Global Development Alliance (GDA) website at **www.usaid.gov/our_work/global_partnerships/gda/who_who.html** and view its contact list. The GDA office will help your company begin a partnership process by sharing the various types of projects that are possible and by introducing key individuals who can identify and set up projects according to regions of interest and types of work.

IV

End Notes & References

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