

USGLC Lunch Event
Remarks from Ricardo Michel, Director of the Center for Transformational
Partnerships in the U.S. Global Development Lab at USAID
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Thank you, Patrick, for the kind introduction, and the U.S. Global Leadership Coalition (USGLC) for inviting me to speak here today. USGLC plays an important role in promoting development and diplomacy. Your focus on “smart power” is closely tied to the aims of the U.S. Agency for International Development (USAID), so it is a real pleasure to be with you this afternoon.

For those who may not be familiar with USAID, we are the foreign assistance and development arm of the U.S. government. Our mission is to “partner to end extreme poverty and to promote resilient, democratic societies while advancing our security and prosperity.”

People sometimes ask me why foreign assistance is important, and I reference our mission statement. As the last clause—‘advancing our security and prosperity’—implies, foreign aid promotes national security by helping to combat conditions that can spawn terrorism—namely, poverty, weak institutions and corruption—by promoting economic development, good governance and transparency.

It can be a hard sell when our own country is focused on economic recovery and job creation, but the fact is, sustainable development creates stronger economies. With more consumers to trade and do business with, this creates growth opportunities at home and abroad.

Let me put this in context. Today, 95 percent of the world’s consumers live outside our borders¹. Already, the poorest two-thirds of the world’s population accounts for \$5 trillion in purchasing power, and there is every indication that the economic power of low- and middle-income countries will only increase in the coming years – developing countries’ economies are growing three times faster than our own, and 6 out of the 13 fastest growing economies in the world are located in Africa².

Over the past 40 years, trade has tripled as a share of our economy, with half of U.S. exports now going to developing countries. Foreign aid has laid the groundwork for mutually beneficial trading relationships; 11 of America’s top 15 trading partners were once recipients of U.S. foreign aid³.

In addition to fostering stability, promoting economic growth and reducing poverty, foreign assistance also spreads American influence throughout the world and enhances America’s reputation and standing. In sub-Saharan Africa, for example—a region where

¹ The White House. 2015 (<https://www.whitehouse.gov/the-press-office/2015/10/05/statement-president-trans-pacific-partnership>)

² Business Insider. 2015 (<http://www.businessinsider.com/world-bank-fast-growing-global-economies-2015-6>)

³ amfAR. 2011 (http://www.amfar.org/uploadedFiles/_amfarorg/Articles/On_The_Hill/2013/IB%20Foreign%20Aid.pdf)

national economies are rapidly growing and where U.S. health assistance is focused—more than 70 percent of countries surveyed by PEW earlier this year have a favorable opinion of the U.S.⁴.

And yet, less than 1 percent of the \$4 trillion federal budget goes to foreign aid. This is a fact that few people know. And fewer still realize the benefits to Americans and American companies that stem from foreign aid.

Here in Tennessee, over \$33 billion in goods and services was exported to foreign markets in 2014, and trade supports more than 22 percent of jobs—that's 830,000 local jobs⁵.

We believe that effective development directly improves the lives of people around the world and here at home, and it contributes to a thriving international economy that serves our shared interests.

The question is, how can it be done most effectively to deliver results?

It's a question we're still answering, but USAID has a long legacy of developing and implementing innovative breakthroughs to improve lives and livelihoods, and we continue to make significant progress.

Since 1990, the number of people living in extreme poverty—meaning below \$1.25 a day—has fallen by half. And we've set an audacious target to end extreme poverty by 2030. We believe this is possible, and we have the tools and technologies today to achieve this goal. But, I would argue that reaching the remaining 1.2 billion people still living in extreme poverty will be harder to reach. And we won't get there alone, or by continuing with “business as usual.”

About a year and a half ago, we launched the U.S. Global Development Lab (the Lab) with a twofold mission: to bring together diverse partners to discover, test and scale breakthrough solutions, and to transform the development enterprise by harnessing the human capital, skills and resources of our partners for deeper and more sustainable impact.

At the core of the Lab's work is a commitment to the use of science, technology, innovation and partnership to achieve the Agency's goals.

This means casting a wide net to capture the best ideas, wherever they may come from; using hard evidence to test those innovations, and find the ones that are proven to make a difference; and making a concerted effort to scale those across our missions and our network of partners to improve the lives of millions.

⁴ Pew Global. 2015 (<http://www.pewglobal.org/files/2015/06/Balance-of-Power-Report-FINAL-June-23-20151.pdf>)

⁵ USGLC. 2014 (<http://www.usglc.org/tennessee/facts-figures/>)

Overall, USAID is pursuing a new model of development focused on partnering with a diverse array of partners to create innovative, cost-effective, and results-oriented development solutions. And we believe the private sector has a unique and growing role to play in global problem-solving, particularly when efforts are linked to a shared value approach or inclusive business approach which engages the bottom-of-the-pyramid markets as suppliers and producers in their value chains.

USAID was one of the first development agencies to embed public-private partnerships into its foreign assistance model. While private sector engagement has always been a part of USAID's strategy, we truly integrated these partnerships in 2001 with the development of the Global Development Alliance (GDA). Since the launch of the GDA 15 years ago, USAID has executed more than 1,500 public-private partnerships with more than 3,500 partners, leveraging over \$20 billion.

So, through this journey, we've learned a lot about what makes partnerships effective. We know from experience that our most impactful partnerships with the private sector are those which clearly align commercial interests with development objectives; tap into companies' core capabilities; and employ models that are cost-effective, scalable, and sustainable in the long-term without the need for ongoing U.S. government assistance.

USAID's approach to private sector partnerships is informed by the changing context of the global development sector. In the 1960s, when USAID was formed, public capital accounted for 71 percent of financial flows to the developing world. Today, it stands at only 9 percent. Ninety one percent of financial flows from the United States to the developing world are now from private sources⁶, so we know that working with the private sector is not a luxury; it's a necessity.

While intersections between the private sector and international development are not exactly new, what those intersections look like has changed a great deal for USAID as the development landscape has shifted.

- USAID was established with a well-defined private sector development strategy in the early 1960s, focused on creating the conditions that businesses need to thrive. While this is still an important part of USAID's engagement strategy, we knew we also had to think about the potential of business to contribute to progress across a full range of issues we care about.
- With the launch of the GDA, we were able to tap into business capabilities to not only address economic growth, but to problem solve on issues ranging from education and health to agriculture and economic growth. The formation of the GDA was groundbreaking in that it allowed for a mechanism to systematically implement public-private partnerships in a number of sectors, and co-create solutions with the private sector.
- GDAs allow USAID to truly engage the private sector as a full partner, sharing risks, responsibilities and rewards, and further increase the long-term sustainability of development activities.

⁶ CSIS Executive Council on Development. 2013 (http://csis.org/files/publication/130304_Nesseth_DevCouncilReport_Web.pdf)

- Today, we are increasingly focusing on multi-stakeholder alliances and collective action platforms to achieve greater scale and address major global challenges. These approaches are hallmarks of several major Presidential Initiatives that seek to marshal donor resources and achieve impact at a massive scale.

So where do we go next?

We know we need to continue to strengthen models for mobilizing collective action to address systemic challenges that no single company or donor can tackle alone. As a community, we've gotten better at "transactional" partnerships that address specific gaps in a specific value chain in a specific country, but how do we then take such partnerships beyond that level, to additional sectors, countries or regions?

We need to continue to build the business case by generating more evidence of how pursuing inclusive business models and other sustainability investments can deliver tangible results. Either by contributing directly to the P&L, or by supporting long-term drivers of business value—like attracting and retaining talent, and strengthening trust with local communities.

For USAID, we need to critically evaluate our partnerships with the private sector to understand the development outcomes they have delivered. Beyond individual examples, we don't yet have enough evidence on partnership effectiveness and long term sustainability.

So there is much work yet to be done.

Despite these challenges, I remain fundamentally optimistic about our potential as a global community to make progress towards eliminating extreme poverty, and in so doing, fostering stable societies with which we are able to partner on economic, security and diplomatic issues.

At USAID, we are committed to partnering with the full diversity of stakeholders who share our vision. It's time to think of foreign aid as one of a number of tools—alongside other financial flows, trade, and the creation and spread of new technologies—that promote sustainable development abroad to the benefit of all, here and overseas.

As you can see, there are clear overlaps between the missions of USGLC and USAID. USGLC plays an important role in engaging policymakers, educating the public and building support for America's international programs. We must continue to work together, sharing information and acting as leading voices and conveners to elevate diplomacy and development alongside defense to build a better, safer world for all.

To learn more about USAID's partnerships with the private sector, read [Partnering for Impact: USAID and the Private Sector](#).