

# Tomorrow's Force for Good

Poverty Alleviation and Profit Making:  
UK NGOs and Corporations as  
Tomorrow's 'Force for Good'

**Dr. Barbara Rugendyke**  
The University of New England, Armidale, NSW, Australia.

*“NGOs have trust and a supporter base. They can help to educate/inform/inspire to see that poverty reduction is made up of three players and there is a role for all three. Civil society should be challenging and encouraging the state and multinationals, to tell the story to supporters and others, with the overall aim of poverty reduction. Enterprise brings economic growth, civil society brings more relational things, the state brings infrastructure and physical things. You need all three players to generate change. Often NGOs miss the role of enterprises. To see societies change you need all players.”*  
(NGO staff member, July 2009)

This paper, based on interviews with staff at a number of the UK's largest (in income terms) NGOs, explores the ways in which UK-based development NGOs (nongovernmental organisations) engage with the private sector. It outlines what those same NGOs regard as principal conditions for 'good corporate behaviour', practices which have positive impacts on quality of life in developing nations while minimising negative social and environmental impacts. Constraints to greater NGO/private sector collaboration are also discussed, as are possible processes to ensure corporate activity works in the interests of disadvantaged communities in developing nations.

Some NGO staff described the earliest enterprise activity in which they were engaged as 'craft trading', originally established to fill returning planes after delivery of relief supplies. From these early beginnings grew the Fair Trade movement. Fair Trade has evolved from its original selling point in the back of churches and is verging on becoming main-stream in the UK. One interviewee reported that Cadbury's Tate & Lyle are now using Fair Trade sugar, and commented *"that things have almost come full circle now since the days of slavery"*. Starbucks now stocks Fair Trade produce, the Rainforest Alliance has become mainstream and NGO corporate staff sit on the Fair Trade Executive Committee.

This focus on Fair Trade is consistent with the fact that, historically, the general attitude of NGOs has been anti-corporate – that multinationals corporations (MNCs), in particular, are necessarily corrupt and that the profit motive is antithetical to development and poverty alleviation. Although NGO staff reported a *"real sea change"* in attitude in the last few years, some development NGOs still admitted to being, in the words of one interviewee, *"slightly multinational blind or shy"*. Others commented that environmental groups have been much better at engaging with MNCs.

However, there has been growing recognition amongst NGOs that enterprises, along with civil society and the state, all have a major impact on development. For some agencies, this recognition has increasingly involved them in working with multinationals, small to medium enterprises and micro-enterprises. One interviewee commented that *"the biggest development organisations in Africa are multinationals – Rio Tinto, BHP Billiton and Shell – in terms of what they spend on education, housing and also indirectly in taxes, royalties and employment. Many use funding from large banks, so most big banks are signatories to large projects. The role of MNCs is huge and requires reporting and monitoring"*.

NGO staff generally regarded their organisations as being open to extending their work with corporations, and companies as being the key to achieving change. Expanded relationships with corporations extend from large collaborative working relationships to small localised ones, including philanthropic relationships, employee engagement, to using supplied technology in the field. Many now engage staff whose role is to work with and support NGOs in their role with corporations, and to try to extend and leverage new roles with them. There is a growing recognition that NGOs *"can't do development alone. They can have a bigger development impact and on the MDGs if they work with corporations"*.

As a result, some organisations which have historically engaged in active campaigning and advocacy, and whose interactions with companies have otherwise primarily involved fundraising, are trying to look at a broader suite of ways of engaging with corporations. They are now examining what forms of engagement with the private sector will have the greatest impact, whether through campaigning, through encouraging government regulation of corporate activity, or through collaboration and fund-raising as well. Some NGOs are exploring how they can simultaneously 'play an insider and an outsider role' – how to be a critical friend and build trust so that the NGO and businesses can work together and address issues jointly. Others are now investigating the development of what one executive called 'big strategic relationships' with companies, trying to assess the merits of 'deep working relationships' with a few companies or whether to work with more 'who need leading and are open to that'.

For some, advising and working with corporations is still exploratory and serendipitous, and partly based on the use of contacts, enthusiasm and 'seeing what develops'. They don't have specific policies about working with corporations because they haven't been in active partnerships with them. Instead, issues taken up in relation to corporations are often determined by other strategic factors, either because the NGO believes they can have an impact, or in response to input from their field partners. This approach contrasts with that of other NGOs which have employed staff to deliberately and strategically build new relationships with the private sector. Of the latter, some have conducted strategic reviews of their work with corporations and realised that they are poor at working 'in collaborative mode' with companies; this has been recognised as not being best practice. In terms of developing NGOs' organisational capacity and building futures, some are trying to be better partners across all sectors, especially with the private sector. As one interviewee commented on her organisation's review, *"it proposed strategy for more integrated strategic partnerships with companies. They will hopefully unlock core competencies with partners rather than dealing with them only at the philanthropic level."* So, some organisations now have in place global corporate engagement units to manage global corporate relationships and to work with field officers to engage with corporations in integrated ways.

NGO staff also report a concomitant emerging awareness within the private sector that NGOs are usually closest to people in communities and able to work with government and business to understand where and how the best development outcomes can be assured. For the NGOs, this presents major opportunities to forge new relationships with the private sector. The forms of engagement NGOs described themselves as having with the corporate sector are detailed below.

## Forms of NGO/Corporate Engagement

NGOs identified a range of ways in which they currently engage with corporations, ranging from longstanding philanthropic relationships, attempts to change corporate behaviour, to newly emerging forms of in-field engagement, including joint ventures. These forms of engagement are described below.

### NGOs Seeking to Change Corporate Behaviour

NGOs, as **critics of corporations**, have organised advocacy work which seeks to change corporate behaviour. Major themes of advocacy work have encompassed pharmaceutical companies and access to medicines, labour standards and global supply chains, particularly those related to markets for coffee, sugar and the extractive sector. Advocacy was seen to have influenced supermarkets, encouraging increased stock of Fair Trade produce, and some pharmaceutical companies which had committed to a two-tiered pricing system to increase the availability of medicines to the poor; these successes were reported to *“have given NGOs confidence to act on the much bigger trade issue”*. Currently, some NGOs do engage in critical campaigns where they feel there is no alternative option. Most, however, said they endeavour to engage in dialogue with companies as well as in campaigning.

Some NGOs **name and promote corporate good practice** as a positive means of encouraging good corporate behaviour, rather than ‘naming and shaming’ and lobbying against particular corporate practices. NGOs have also engaged in lobbying to encourage government regulation of corporate activity.

Through what was commonly referred to as **‘constructive engagement’**, NGOs worked with companies where the NGO believed dialogue about problems may yield positive results in terms of poverty alleviation and development. For example, one NGO reported engaging in dialogue with companies to encourage them to make products available at lower cost for the poor without watering them down or selling them in low cost sachets (which increase the cost of the item per unit of measurement). Some NGOs are in dialogue with corporations about what they see as adopting a ‘core business approach’ to corporate social responsibility (CSR). Their aim is to encourage the company to be aware of the impacts of its core business in the developing world, and to identify where the company may be having positive impacts, where these can be increased and where negative impacts can be mitigated. NGOs wish to encourage a holistic approach flowing from the highest levels in the company and extending beyond CSR. To assist companies in this, some NGOs have provided them with research reports. One example was in the provision of information about suppliers in the garment industry and how purchasing can influence supply chains and, in turn, the flow on effects of this; this requires comprehensive understanding of the impacts of core business.

### Corporate Philanthropy

Companies engage in **philanthropic activities**, funding NGO activities in various ways, including through direct financial donations, contribution of a percentage of business profits, donations in kind, corporate sponsorship of events, or advertising NGOs either directly or through co-branding of products, which also generate funds for an NGO. Some companies recognise that philanthropic activities are motivating for their staff, so employee engagement is encouraged. In more than one reported case, employees raised money to build schools. Payroll giving is a source of income for some NGOs, although this generally accounts for only a small percentage of their income. One NGO described having *“moved around tax incentives”* in

encouraging companies to produce in part to give, for example by running a production line for an extra hour in order to donate some of the proceeds. Exchanges are another form of philanthropic donation. For example, Marks and Spencer give a five pound voucher to people who donate used M&S brand clothes to Oxfam shops. In another case, World Vision UK worked with Danone in a Volvic water project, providing 10 litres of water in a developing country for every one litre of Volvic water sold. This fund raising project included celebrity-based advocacy about access to clean water.

Corporations **provide advice to NGOs**; in some cases, NGOs have sought operational and management advice from major corporations. For example, Accenture Development Partnerships, part of the company Accenture, has provided advice about NGO organisational structure to several NGOs. Other NGOs are part of a global partnership with KPMG which provides resources for capacity building projects concentrating on leadership, financial and organisational capacity development.

Companies **supply goods and services** to some NGOs. One example provided involved provision of hygiene products by a company as part of a project which incorporated delivery of hygiene education by the NGO. The NGO in turn advised the company about local conditions as a basis for product development and associated education. Corporate supply of goods and services has included company involvement in supply chains in emergency work, as part of delivery mechanisms. Supply of goods and services can also be through local content supply, particularly in extractive industries. For example, some extractives invest in local educational establishments and training for local entrepreneurs rather than importing expertise.

Some NGOs are interested in the role of corporations **in providing access to finance and as institutional investors** in poverty reduction. Their interests extend to looking beyond microfinance to mechanisms for the integration of small business into development work.

## NGOs as Suppliers to the Private Sector

NGOs have provided **specific advice at the invitation of companies**; some NGOs regard themselves as having strong expertise to provide 'philanthropreneurs', believing they can work with them and lend expertise. At the same time, multinationals are increasingly asking what their role in human development can be, seeking advice from NGOs; they want better educated employees and, in Africa in particular, are concerned to address HIV Aids and its effects, for when this impacts on company employees it affects the company. NGOs reported provision of advice about supply chain issues in relation to company codes, about labour standards to supermarket chains, about social and environmental impacts of corporate activities and about the 'bottom of the pyramid market' – in the latter case helping to build understanding about communities, local cultures and business practices, appropriate price points and distributional issues in the local context, with a view to supplying useful products at prices within reach of the poor. One NGO supplied advice to a major company about the role of women in value chains and how the corporation can more effectively meet the needs of women. Another mentioned providing advice about devising new systems to eliminate the use of child labour in production chains. Many NGOs felt they could lend expertise to companies; this is often in effect 'unpaid consultancy'. Some NGOs were prepared to offer advice without receiving payment because this allowed them to keep an independent voice and, if necessary, to be critical of companies.

On occasion, NGOs have actively engaged as **researchers**. One NGO described having been asked to do some basic research at the community level for a pharmaceutical company, to assist to build understanding of the extent of local knowledge about the use of malaria medication. This was not without controversy though, raising fears the NGO would be perceived as advertising the company.

Where NGOs believe they can impact on businesses, they will sometimes **lend their brand**, but most don't want to 'sell' their brand too cheaply and have historically been risk averse. Some are more open to co-branding now, but only *"if the prize is seen to be big enough to be worth taking a risk. However, this is only where positive practice is seen and what is involved depends on the sector and the business"*.

## The NGO as 'Go-Between'

In one model of collaboration with corporations, the NGO acts as a **broker**, bringing together different actors. For example, one agency reported collaborating with a national bank to source funds for a rural micro credit scheme, while supply and demand side companies in the local value chain brought in local extension workers and agricultural suppliers of seed and fertiliser, to increase production of potatoes and find markets for crops. This involved working with a local community in a post-conflict situation where there was little trust of either government or the private sector.

Another NGO reported that a chief focus of programme work was around making markets work for the poor, partly through enterprise development, but also by **bringing local enterprises together with companies**. This involves identification of gaps in the market, encouragement of enterprise development, sourcing of funds to help to establish new enterprises and provide business mentoring skills, while trying to deliver a social return to investors. Such work was described as key in locations like those in Central America where there is no wholesaler. One NGO has worked with hotel chains in the Caribbean to facilitate the use of local produce from local organisations rather than hotels using imported produce. There are debates though about whether this creates a dependency on the company, so value chains need to be examined closely.

## Joint Ventures

Rather than companies chasing opportunities for charitable activities, companies and NGOs sometimes collaborate with a common objective in **active field partnerships** where shareholder value is delivered through joint work. One example provided at interview involved examination of supply chains and how they can incorporate local people. Supply chains have emerged as an issue for NGOs since the publication of the Millennium Development Goals (MDGs). Some companies are interested in how they can benefit local supply communities, so people continue to produce rather than leave their communities for urban areas in search of work. Here the business case is clear, as are the benefits for local people. Another example relates to the reality that three hundred million people do not have access to grid based electricity in India; without power these people cannot enter the information age. One NGO, based on their links with poor communities and understanding about how those communities work, hopes to engage with companies to work out how to supply green energy to these people. A further example involved collaboration in development of a soap product for low income households.

One NGO executive reported that, after a company donated goods for distribution by the NGO, the NGO took company executives to see the reality on the ground. This created interest and passion amongst company executives, who subsequently joined with the NGO in lobbying government. The NGO representative believed that this sort of **joint lobbying**, where the company and NGO speak with a united voice, is likely to have more impact than the NGO working alone. Further joint lobbying and political campaigning in relation to the climate change agenda is likely, with NGOs described as, *"partnering with unlikely bed fellows in pursuing a climate change agenda"*.

Some NGOs reported a shift from being a critic of corporations toward discussions about **joint deals** in relation to Climate Change. Some companies, including World Mail, National Grid, Marks and Spencer and Cadbury were involved in a group working to push the US government on emissions; all reportedly made 50-80% target reductions for their own companies.

## Social Enterprises

With a specific purpose to alleviate poverty, social enterprises have been formed by some NGOs. In a few cases, social enterprises which have been successful as businesses have been purchased by corporations, on the basis that their social mission is maintained under new ownership. One NGO reported experimenting with low cost small scale solar panels for the poor, with the potential to power a single light from the sun. Working on 'bottom of the pyramid' provision, they are hoping to form a social enterprise or involve a company in social enterprise production and provision.

Overall, the trend has been towards growing engagement between NGOs and corporations, from NGOs' primary relationship with corporations as funders to new forms of collaboration with corporations as partners in the field. Some NGOs receive little funding from corporations, but seek to engage with them in new ways. One has set up a unit with three full time staff in attempting to drive new relationships with corporations; many now have corporate strategy personnel, as NGOs move more towards what they call 'strategic engagement' with corporations. They are not seeking corporate cheques to fund programme work, but rather are increasingly seeking to work with corporations in programme work, hoping to develop core business activities. Thus, for one interviewee: "*This is about core business and realising mutual benefits; it is not just that we want to do good and get us a decent press story, it is about asking businesses how are you helping people?*". Many argued that strategic partnerships with corporations are absolutely fundamental and that, within partnerships, corporations and NGOs need to be challenging each other about what works and what doesn't in terms of delivering development outcomes. The triple bottom line is the objective – work which is about the profitability of the business as well as improving life for people, but in an environmentally sustainable way.

Some interviewees believed corporations are seeking to engage more in the current economic climate, although since the recession companies have had to see the business benefit in engagement with NGOs. It is no longer just about corporate social responsibility as an 'add on'; businesses have to see financial benefits, core benefits to their overall programmes. Corporations now perceive ways in which NGOs can be useful on the ground. Encouraging NGOs to work with companies was therefore described as "*mature and realistic*" but, at the same time, many NGOs were reluctant to sacrifice their role in advocacy work. However, NGOs increasingly recognise the importance for corporations of benefitting from any new relationship. In order for there to be a deep and sustainable NGO/corporate relationship, there need to be satisfying outcomes for the corporate which are consistent with corporate objectives, beyond just wanting to 'do good'.

## Principal Conditions for ‘Good Corporate Behaviour’

NGO staff identified a range of conditions which they hold to be markers of ‘good corporate behaviour’. These are outlined below:

- Payment of fair wages.
- Provision of good working conditions: there have been NGO campaigns directed at, and discussions with, sportswear, footwear and textiles companies. Much campaigning related to these organisations occurred around the Olympics and focussed on labour rights and working conditions.
- Amongst interviewees, use of child labour was universally regarded as abhorrent. Some of the agencies reported being part of a coalition against child labour and trafficking.
- Provision of workplaces free of harassment and sexual exploitation.
- Most NGOs excluded working with corporations engaged in production of weapons, tobacco, alcohol, baby milk formula and pornography.
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- Payment of taxes and transparency in this were considered essential. The development of self-sufficient and self-sustaining communities occurred in the west through taxation and the provision of public infrastructure and goods. Reasonable and appropriate payment of taxes, allowing governments a broad base of income, was widely regarded as one of the major ways through which companies can impact on the developing world. Thus, high taxation of companies working in the global South was universally seen by NGO interviewees to be important, as was a well working taxation system in developing nations. For one interviewee, *“there needs to be some sense in the company that it is good in the long term for them to supply public infrastructure though taxation”*. As well, there was general agreement about the necessity of transparency in taxation. Multinationals are often able to avoid paying tax; this was a major issue for NGOs, with a common view that corporations should pay what the law required and should not use tax havens; in this regard, repeated mention was made of the Ethical Transparency Initiative, which was founded by Transparency International.
- Transparency related to FDI (Foreign Direct Investments) on the part of corporations was widely regarded as being important. Transparency was seen to relate to accounting in all jurisdictions, as part of ‘publish what you pay’. As well, companies are effectively influential over politicians, and need to be transparent about what they are seeking through their own advocacy, including demonstrating this matches their public statements about corporate social responsibility. Some NGO staff suggested issues around corruption and disclosure of information need to be addressed, including transparency for companies involved in extractive industries. Some also thought companies are beginning to see that there could be value for them in transparency.
- NGOs thought it important that corporations look carefully at their role in value chains in agriculture and consider that it might be in the interests of business and development to integrate small holders into value chains. As one interviewee expressed it, *“business practices need to be both pro-poor and sustainable in relation to supply chains and long-term sustainability.”*
- A two-tiered pricing system was regarded as important to enable the poorest groups to access essential goods. In relation to pharmaceuticals, some described a *“tough combat*

*critique*” which has led to constructive discussions about access to medicines, pricing and developing countries. One company has made a commitment to a two-tiered pricing system and NGOs report civil discussions at meetings with senior people about this issue.

- Adherence to environmental standards was considered essential. As well, interviewees stressed the importance of appropriate environmental protection legislation, along with the ability to enforce such legislation.
- In relation to climate change, NGOs argued the need for carbon accounting and consistency in approach in the measurement of carbon footprints. Some NGOs have been working to identify ‘leaders and laggards’ in relation to climate change impacts; others primarily focus on the positives. Climate change will have major impacts on the poor world, so some NGOs are involved in debates about whether they should be campaigning about this within the UK, about shared responsibility for cuts in emissions and funding for countries worst affected by climate change. NGOs have engaged in discussions about auctioning carbon permits – some carbon intensive sectors are against buying carbon permits – and about how the revenues should be used. There is debate about the same issues in developing countries. NGOs have examined how climate change issues affect supply chains and some major corporations have ‘come on board’ with a progressive business agenda on climate.
- Multinationals should be able to demonstrate that they are not only using expatriates in their operations: they should be using local content supply.
- There should be legal requirements related to CSR; expenditure of a percentage of a company’s profits in a country should be legally required.
- There is need for a human rights framework. In this regard, an NGO executive commented that emphasis on positive practice was important, and not necessarily about a corporation building a school for a community, but *“to ensure local people are empowered to demand their rights ... it is also about encouraging people to see they have a right to demand a school from government.”*
- In relation to extractive industries, prior informed consent and community engagement are necessary before establishment of new industries. Mechanisms to ensure royalties and taxes are paid need to be built in to any new business ventures.

In all, as one NGO executive commented: *“The question needs to be asked of companies, is this a ‘greenwash’ or genuine engagement? We need to ensure that companies are not closed to what may have an impact on the developing world. There is a need to be open and recognise different agendas, to look specifically at what needs to change”*. However, although NGOs had a range of clear ideas about what constituted principals of good corporate practice, when it came to working more collaboratively in practice with corporations in pursuit of those principals, a wide range of constraints was identified. These are outlined in what follows.

## Constraints to Collaboration Between NGOs and the Private Sector

While, as a whole, NGOs described themselves as being open to working in new ways with corporations, an array of factors has historically constrained the expansion of collaborative relationships with the private sector. Some continue to do so. These are outlined below.

**A fear of corporations** was identified by some NGO staff; historically commerciality and companies were not seen as being at one with the charity sector. This was regarded by some as a 'naive view' which is changing, but still persistent. Traditionally, NGOs have not been entrepreneurial, so scepticism from 'old world' staff is pervasive, these worried that NGOs will be in danger of operating as marketing tools for corporations. Some, as well, still hold a fund-raising/donor view of the private sector. Generally, 'cultural fit' issues arising from different *raison d'être* were identified, resulting from the difference that companies are motivated by dollar returns and NGOs by cause related concerns.

**NGO operational structures** were identified by a number of interviewees as problematic; many NGOs have affiliated branches in a range of donor nations which are loosely federated but don't, in practice, work closely. This makes it difficult for the branch NGOs to work together. Some NGOs are actively developing a more unified structure to facilitate working more easily with all actors on the ground. MNCs find it easier to talk to NGOs who can deliver in some way in all countries in which they operate, and want NGOs to accredit company policies or to work with them more broadly; several NGOs commented that they were not well structured to be able to accommodate this, so restructuring and capacity building are necessary to enable constructive work with companies.

**The NGO 'partnership' approach** at the field level often creates difficulties; many NGOs work through local partners and cannot instruct people in various offices or partner organisations. Without an international federal structure, there is no subsidiary relationship. So, while NGOs to some extent engage with MNCs, they are not seeing real possibilities to work collaboratively in the field because of these structural issues. Resulting from this, some NGOs perceive greater opportunity to work at the micro-enterprise development end of the commercial spectrum. Other NGOs described having worked historically through their own employees in the field and being slow to work with local field partners. They are shifting towards working more with local partners at the grassroots level, which involves drawing in the private sector as well as local governments, churches and community organisations; however, they are still 'feeling their way' as to what this may mean in practice.

NGO staff identified '**short termism**' as problematic; companies often extract benefits, then leave host communities. Longer-term sustainable activity with development outcomes needs to be encouraged.

**The 'bad press'** some NGOs have given some companies is seen to have 'stuck', even when those same companies have sincerely sought to improve their practices. Although some NGOs are seen as wishing to be at the forefront publicly in terms of their ethical stance about corporate behaviour, for others the debate has moved to focussing on positive engagement and working more effectively in constructive partnerships with corporations. Conversely, NGOs which had decided not to 'name and shame' individual corporations believe it is easier now to establish constructive working relationships with them, without corporations seeing them as 'anti-business'.

For some companies **engaging in dialogue is in itself an outcome**, a 'means to an end'; the company can announce they are in dialogue with an NGO about an issue, for public

consumption, but nothing changes on the ground. NGOs hope to see positive change on the ground.

Some church-based NGOs believe companies may not want to work with them **because of their strong Christian stance**, even though the church-based NGOs largely do not work exclusively in partnerships with other church-based organisations; being overtly Christian is not politically correct. Some Christian NGOs' expressed desire is to see spiritual as well as social and economic transformation; this stand creates sensitivities in relationships with corporations. One faith based organisation commented that companies requested clear explanations about the meaning of the organisation's Christian identity; this posed obstacles, so that some companies will not work with them. However, others argued the reverse that companies like to use the Christian NGO to lend legitimacy to company operations, realising that churches have close links with thousands of ordinary people. As well, some in the church do not wish to be aligned with corporations, because of the risk of compromising their own stance. So, for them, collaborative working relationships are possible only where Christians either 100 per cent own the company, or where they own large shares of companies and fund on commercial bases. Some church-based NGOs will take little income from corporations for similar reasons.

A number of interviewees saw **danger in publicising best practice examples**. Although their publication can prompt learning, the danger is that companies cite such examples as arguments against the need for regulation. Thus, rather than operating from a climate of fear, the stance on the part of some companies is to do as little as possible; the enormous influence through companies' power relationships facilitates this stance.

**Companies often neglect to consider whether contracts allow them to 'do the right thing'**. For example, they need to ensure contractual obligations regarding price and time frames don't work against their suppliers also complying with regulations. Thus, MNCs need to examine closely the activities of joint venture suppliers.

Even as they view corporations as key to achieving change, for many NGOs there are questions about **how much time** can be devoted to joint projects or other corporate work. Although open to further engagement with corporations, this has to be weighed up against resources. So, for some, the extent of their engagement remains project specific, built on a principle of constructive engagement and weighing up what the organisation seeks to achieve in each case.

For NGOs here is a need to look **beyond profit at the impacts of core business**, but for the private sector this is not automatically the best point of view. One interviewee commented that NGO staff and supporters are concerned that talking about enterprise leads to an *"is it trade or is it aid debate"* and argued that this is a false dichotomy.

Some NGOs admitted to **struggling with scaling up and replication**; they recognise that some published examples of best practice involving NGO work with companies could be widely beneficial. Scaling up and replication are the bread and butter of companies, but to be able to imitate this, as one NGO commented: "huge capacity building is needed among NGOs". However, one NGO reported success in 'scaling up' in India, in work involving a water filtration company cooperating in tsunami relief. The company provided water filtration technology for displaced people, and is now doing this on an ongoing basis, to reduce high levels of sodium in the water. Working in partnership with an NGO they have produced a water filter, which has been bought by local communities; the technology has been diffused by women's groups.

Some NGOs have only one corporate strategist, in one case among over 200 employees. They acknowledge they **haven't thought well beyond fundraising from corporations**. For others, corporate relations have straddled departments between marketing, advocacy and programmes and the comment was made that, *"The marketing people don't see the field opportunities"*. This limits the ability of NGOs to diversify their forms of engagement with corporations.

Often **no strong business case is able to be made** to support what NGOs think corporations need to do, which makes it difficult to 'sell' a new approach to them. More research needs to be done about the business case for changes NGOs suggest, which may make such changes more attractive to corporations.

NGOs have often **not focused on how to work strategically with companies**, so often their approach has been reactive. One reported often being approached by companies, saying *"you'd like to do this, how can we help you?"* NGOs are attempting now to be more proactive, to explore how to work with businesses for mutual benefit, where historically they have *been "a little bit intimidated by business, perceiving there to be an unequal power relationship. They are not going in to companies saying 'we can do this for you, we can work with you in this way'".*

Sometimes, **'exclusion policies' on the part of NGOs have been problematic**. One organisation generally excludes collaborative work with extractive mining companies, which has led to problems when national organisations wish to work with mining companies. In federated structures, often national NGOs have their own checks and balances which may differ from those of other organisations in the network. Thus, a 'global approach' to collaborations with MNCs remains problematic. As well, conducting research at the local level for companies leads to a fear that this could be seen as advertising for the company.

Some identified a need to **encourage business leaders themselves to push for change**, rather than having NGOs lobby business. Thus, one NGO executive commented, *"The pro-development business approach has been killed by business. There is a need for a broad strategic approach – the whole CSR industry feeds off itself. Until business gets serious about independent monitoring and transparency, it will be hard".*

## For the Future...

As detailed below, representatives from NGOs believed a range of strategies could assist to contribute to greater poverty alleviation as an outcome of the work of MNCs in developing nations.

Often the **baseline for companies is compliance with local laws**, which in some cases is a minimum of expectation. Some NGOs were concerned that: *“if there are examples of good practice in one country, how can you meet the same standards in another, which may be beyond their required minimum standards, without having the same fight?”* Thus, for them, international standards are the way forward, so minimal national laws cannot be used as a ‘get out’. NGO staff claimed that companies often lobby to prevent national governments from changing local laws in favour of higher environmental and labour standards.

**The development of special zones** was a concern for NGO staff, where companies relocate to places where employment rights are suspended. To the NGOs, companies should avoid locating in economic protection zones, or, if a company is working there, they need to ensure that they adhere to global standards around labour conditions.

Many interviewees mentioned **the need for regulation to enforce environmental costs to be internalised by the company**. Although there need to be best practice examples, *“you still need legal regulation to catch laggards as well. It can be a distraction focussing on one company when thousands aren’t doing the right thing. Regulation here is the answer”*. Some were very concerned to encourage government regulation of companies, particularly in the context of the recession and related fiscal problems, flow on effects of which are perceived to be that labour standards often aren’t enforced.

The necessity to **strengthen companies in the global south to “sustain parameters around how business happens”** was stressed. Companies, it was claimed, do only as much in terms of environmental and social responsibility as it doesn’t affect their profit and are usually not paying the true cost of production. But, nations fear investment going elsewhere, so they don’t wish to restrict what companies do; unfortunately, as one interviewee put it *“at the moment there is a ‘rush to the bottom’ to see who can offer the best deal”*. NGOs saw a need for good companies based on ‘solid principles’. Companies need to be encouraged to sign up to principles like SA8000 and ISO systems.

**A more legislative approach with mandatory standards, rather than voluntary codes or initiatives to encourage good practice was strongly supported**; in this there is necessity for ‘a level playing field and language level’, which would involve disclosure about payments, contracts, human rights impacts and assessments. One executive commented that there is no corporate advantage now in being a leader in CSR. Success involves not just working with developing country government policies, but beyond those. This involves encouraging change in the way local government policies work where they are weak; companies can be a part of that change. A good example of an effective relevant initiative is the Canadian Devonshire Initiative. If companies adhere to high standards of behaviour in developing countries, then others are pushed to do the same. Donor country governments can also play a role in encouraging this; the Devonshire Initiative should be replicated, to encourage responsible foreign investment.

**Multiple checks and balances are necessary** to ensure that corruption doesn’t prevent companies commencing operations in developing nations. Equally, corruption in corporations was mentioned as an issue which needs to be addressed. The comment was made that, *“NGOs need to work with them to encourage equity. But national governments where the corporate is based are duty bearers in this regard”*.

The Global Compact and the Global Reporting Initiative were identified as offering great opportunities, but how effective they will be in practice is uncertain. If some businesses operate as outlined in these initiatives, this won't necessarily pressure all others to change, but this was seen as a good starting point.

Governance is an extremely important, but very complex issue. Several NGO representatives referred to instances where the World Bank pressured national governments to implement policies to allow companies to pay reduced tax, so less was paid to the national government for five years. The NGOs' view was that companies should pay local taxes, but pressures from the IMF and the World Bank could undermine this. **Host country governments need legislation as a basis for regulation of corporate activity.**

MNCs' head quarter governments need legislation similar to the U.S. Alien Torts Act, so that **if companies take advantage of weak governments they can be held to account.** Thus, as one interviewee commented, *"We need to ask what more can the UK government do to control human rights abuses regarding UK companies active in developing countries?"* For another, there "should be a risk of legal action against companies which don't take the view that human rights are everyone's responsibility". In all, if home country governments play a complementary role to host country governments and set higher requirements the expectation is this would push up global standards. Where a country sees potential for risks, there is a need to publish both Social Impact Assessments and Environmental Impact Assessments to ensure identification and mitigation of risks.

Home governments can take a nuanced approach to private sector engagement. FDI is neutral in itself. In some instances though, if pushing FDI as a means to development, good development outcomes are not automatic. It is important to assess whether a company is operating in a sustainable way and whether there are good development outcomes.

Some countries have argued at international trade talks that foreign and local companies should be subject to the same rules. This works in favour of foreign companies. One NGO executive reported that his organisation did not agree that host governments should not be allowed to support local companies. Linked to this, local sourcing of expertise and materials was considered important.

Some interviewees regarded it as problematic that there is a **lack of systematic data from both NGOs and companies**, so case studies alone are often used to support a position. For the future, improved quantitative data would reduce reliance on occasional qualitative case study examples. Others emphasised the related need for some mandatory reporting requirements for companies. At the moment, it is impossible to view information in a comparative way.

**Tiered pricing systems** were suggested for the least developed countries so products, particularly pharmaceuticals, aren't only available to the middle class. An interviewee suggested, *"it isn't enough for companies to just see there is a market and gain a licence to operate there."*

Companies could be encouraged to co-operate with governments in infrastructure provision, ensuring the impacts are positive beyond the company and that the infrastructure is appropriate for wider use. Where local governments fail to enforce standards about the development of infrastructure for community use, real problems are created. One staff member commented, *"There is a push for liberalisation from the World Bank, which has downgraded social labour standards. Companies are very nervous about political discussions at the national level. They don't want to jeopardise their own place there"*.

There is debate about trade rules and a Good and Services Tax plus scheme, including whether social and environmental issues should be incorporated into trade rules. Developing countries

are against any rules which would discriminate against them. The suggestion was made that, rather than withdrawing the right to trade, additional incentives could be offered for compliance. This is driven by trade rules in importing countries.

**Enforcement of standards and regulations remains problematic.** However, one interviewee argued the need for sophisticated contextualised understandings about what this might look like and how flexible approaches should be. So, the dilemma in relation to child labour was expressed thus, *“if you take the labour from the child, you may take the income from the family”*. Further, as one NGO executive expressed it, *“the issue now is ‘what would broad compliance look like?’*. It is fine to have standards in your own countries, but you can’t control or enforce them overseas. There is legislation, like the Alien Torts Act in the U.S. and Australian legislation around paedophilia, which provided a potential basis for pursuing companies which commit human rights abuses, but we haven’t got there yet’. In discussing how this could be achieved, another commented, *“there are only negative incentives for companies at the moment and we have not yet had a discussion about the possibility of positive incentives”*.

**Contract transparency is important,** especially in the mining industry where the implications of activities can last for 20 to 30 years, well beyond the life of a regime. If there is an expectation of publication of contracts, an additional check is effectively placed on corporate behaviour. The IMF recommended this as long ago as 2005. Companies need not only to ensure they are more transparent, but to sign up to industry standards like the Extractive Industry Transparency Initiative, or the Ethical Trading Initiative. Effective policies need to make it easier to set up beneficial arrangements for the host country, particularly in encouraging local business and in finding ways to keep money in the country.

NGOs emphasised the **importance of Trade Unions in ensuring labour rights**. Thus, the comment was made that: *“it is essential to engage with trade unions in looking at supply chain work. Sometimes companies are talking to NGOs to improve their public image, but there is a suspicion that at times they are doing so instead of speaking to Trade Unions. Talking to NGOs cannot be a substitute for talking to worker representatives”*.

Several NGOs referred to the work of John Ruggie with the UN related to business and human rights. As one described it, *“he took UN norms which were killed off by business 4-5 years ago and has been trying to work at the UN level, working on the extent to which you can create human rights legislation with obligations for business”*. A range of companies, including The Body Shop and National Grid have piloted the use of the UN norms, which present a human rights framework as a basis for doing business. Thus, *“there has been an explosion of interest in human rights and how we ‘do’ this in our businesses. There are 3000+ companies and more involved. A big shift has occurred in the last five years in response to ‘the human rights crowd’”*. In this regard, mention was also made of the importance of Mary Robinson’s involvement in developing the Business Leaders’ Initiative on Human Rights. Using UN standards and independent monitoring as a basis, corporations need to align their own company standards with best practice standards. NGOs observed positive shifts in practice amongst the pharmaceutical companies, and some sportswear companies now obtain independent monitoring but this is yet, and needs, to happen in relation to climate change. As one NGO staff member commented: *“companies may have a lousy climate footprint, but an excellent HIV policy for workers – they may be now taking the health and safety of workers seriously, but have the worst climate footprint. The issues can be very complex”*.

Several interviewees argued that it should be easier for communities and individuals to pursue cases against companies through their home governments. Their impression is that it is comparatively easy to be sued by a company, but harder for the community to take a stand against a company or subsidiary to seek compensation, especially if the subsidiary is sold off.

Rather than focussing only on regulation, some saw the need for 'sticks as well as carrots'. Guidance should be provided to companies and incentives offered for 'good practice'. Tax breaks for corporate activities "*which have a positive triple bottom line kind of effect could be important*". However, one NGO staff member suggested:

*"...the incentive should be that a company recognises that it is in their own interest to do this. Already, there are plenty of good opportunities to showcase good practice. This [incentives for good behaviour] is not necessarily the best use of government resources. There is genuine interest when companies do good. There is already genuine change. There is already scrutiny by the press, media and NGOs. The genuinely good will be recognised."*

Many NGO staff claim they can **achieve more through active partnerships with companies than through adversarial approaches**. For many, their ongoing role would be in dialogue and attempting to educate, for, as an NGO staff member commented: "*the interesting thing is trying to get business to see that poverty is structural*". Most NGOs, though, still reserve the right to publicly criticise corporations; as one interviewee said of her organisation: "*the organisation cannot compromise itself, and sometimes criticism may be the only way forward*". This was reiterated by another spokesperson thus: "*Being in dialogue doesn't mean that NGOs have to be silent*". Some NGOs expressed the view that there should not be expansion in engagement with corporations for expansion's sake. For another, "*there is a level ground around regulatory frameworks which is not reflected at all in strategies for engaging with the corporate sector*".

In general, there was a perceived need to keep in mind the principles of constructive engagement and to explore what might deliver outcomes for NGOs' field partners. An important impact of the trend towards increased engagement with corporations though is that NGOs are beginning to pull together in exploring how they can better work with corporations in the interests of the global poor. Despite major constraints, NGOs are working in varied new ways with the private sector. There is growing consensus among UK-based development assistance NGOs that working collaboratively with corporations to reshape corporate priorities and behaviour to focus more strongly on poverty reduction, as an essential outcome of corporate activities in developing nation, may be tomorrow's force for good.