

GUEST ESSAYS

CIVIL SOCIETY & THE PRIVATE SECTOR

THE PRIVATE SECTOR AND US CIVIL SOCIETY ORGANISATIONS

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INTRODUCTION

US civil society organisations (CSOs) are reassessing their relationship with corporations, and forming for-profit and not-for-profit partnerships that are slowly changing both CSOs and businesses, and developing the trust needed to work together. The trend of aligning profit and social values is no longer a new phenomenon in the USA and has created a range of opportunities and challenges for US civil society. As non-profit organisations interested in improving human welfare and realising rights, the main focus of US CSOs is on the subset of corporations that are to some extent demonstrating a real commitment to a social purpose. In this new century, if civil society is to maintain and ultimately increase its relevance, we must have the strength and courage to shape global value chains, influence the flows of financial capital, and explore how to better align a profit motive with our values and rights-based approaches. By actively engaging and helping select corporations to evolve we can begin to influence the very fabric of a new global capitalism.

Typically, CSOs' relationships with the private sector started with the receipt of funding from corporate social responsibility programmes, and have evolved into far more complex partnerships that impact on how and where a company develops its products and derives a profit. Private sector and civil society

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partnerships - based on shared assumptions and goals, aligning a company's desire to make a profit and a non-profit's drive for mission-driven impact - have existed for well over a decade and the approach is slowly spreading around the world. Increasingly many US CSOs recognise that they must accelerate their development of relationships with the private sector. Social enterprises - for-profit entities explicitly set up to drive both a social impact and make a profit - and B-corps - businesses established specifically to pursue social and environmental goals - have captured the imagination of millennial citizens. We are seeing the emergence of a generation that is intent on blurring the lines between profit and non-profit to accomplish a social good. Even as companies build and strengthen value chains and products to increase profits, the expertise they bring in generating revenue, their business development knowledge and their technical skills can offer a positive part of the development landscape.

It is important to add a strong caveat. Only a part of today's globalised private sector is interested in advancing human rights, social good or an environmental agenda. Efforts to work closely with companies can only complement and cannot replace the often very effective 'name and shame' tactics used by CSOs and human rights groups to stop unacceptable, and at times criminal, corporate behaviour. Nor is work with a responsible corporate partner without risk. Who benefits from a value chain influenced by a CSO: the donor's economy and corporate headquarters, or local communities living in poverty? Effective partnerships with the private sector must be based on shared values, best practices and a solid understanding of risks and benefits. Only then can they improve human well-being and realise human rights.

A CHANGING LANDSCAPE

With the 21st century international development landscape rapidly changing, some historical and present-day assumptions about the scope of civil society's relationship with the private sector are simply proving to be [inaccurate](#). At least this is true for US CSOs that work internationally and their partners. Differing views of the private sector are creating a range of approaches, reflecting the varied goals of CSOs in the global south and north, and of different kinds of CSOs. Differing views also reflect the extent to which negative behaviours are tolerated by a culture's elites and consumers, or even an organisation's personnel. These differences are understandable, and the diversity they reflect should be understood as strengthening civil society. The following continuum of views illustrates this evolution:

As civil society, we are generally uncomfortable with partnering and take a confrontational view with companies that must generate profits.	We want companies to make a profit but together we can shift their value proposition towards approaches that improve human welfare and rights.
We must critique all private sector practices and advocate for increased regulation.	We can differentiate between companies, or parts of a firm, and identify those that add to a collective good.
Businesses and CSOs have diverging interests, and civil society is co-opted when it receives donations from corporations	Interests can overlap and may enhance a social cause, and CSOs have the ability to help a company evolve.

The role of the private sector is closely linked to global development. Companies large and small create the jobs that underlie the wealth of all societies. Their products and services form the basis of our globalised world. We benefit from the inventions of entrepreneurs and the products created through global value chains. The private sector's contributions to the comforts of modern life are increasingly ubiquitous. Government-led development efforts inevitably try to build capacity as they try to build and expand markets. But, and this is a big but, inequalities, abuses and lack of sustainability are the hallmark of unfettered capitalism. Corporate abuses exist in all countries and many are criminal or unethical. As such, name and shame approaches used by civil society must continue.

Thankfully, there are corporations that explore ways to avoid the harm caused by an unfettered desire for profit. Their leaders and employees want to contribute to social good by promoting positive human development. People have been tracking the increasing private sector engagement in development for [some time now](#), and this is something that will probably only continue to grow. US civil society has been actively figuring out how and where engaging the private sector actually improves lives. Undoubtedly the future will include approaches to human welfare that leverage the public, private and non-profit sectors. Nation states are looking for solutions at scale, and the challenges facing our planet and societies are systemic in nature and require integrated responses, rather than responses limited to specific sectors and silos.

In today's changing development landscape there is an undeniable increase in the prevalence of the private sector. This makes sense. All official development assistance (ODA) adds up to just over US\$150 billion per year and the various sub-totals are unlikely to increase. Aid flows have been so modest that it is unreasonable to expect them to have economy-wide impact. In comparison, the volume of private resources flowing across borders or available within a country for its development is measured in trillions of US dollars.

US CSOs are aware that we are just one actor among many interested in advancing human well-being and promoting positive social change. Most investments for social and climate causes occur outside civil society. The private sector's approach to social and even political causes is very diverse. Corrupt practices tied to unaccountable elites coexist with effective philanthropy and partnerships, although rarely in the same company. For civil society, this means that knowing which company to work with remains essential.

Most social investments by US companies are focused on local communities and diverse causes, from the disabilities and LGBTI movements to homelessness or conservation in the US. The tools they use include sponsorships, cause-related

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marketing, corporate social investments, shared value and work redefining value chains.² A similar pattern has spread to globalised multinational corporations, whose business models, from tea and chocolate to micro-banking and delivery systems, increasingly depend upon sustainable value chains or building markets that include marginalised populations. Corporations such as Mars and Unilever bring markets to select populations and they are seeking scale. In the words of one study:³

“In addition to financial support, companies and their foundations can contribute valuable technical expertise and convening capability to help build the supporting ecosystem of institutions, value-chain linkages, human capital development, and public policies that is often essential to scaling market-based solutions.”

The role of the private sector in development is complicated by the trend of donor governments increasingly using private contractors to deliver aid or implement human services. It is important to recognise the difference between companies that seek to make a profit by selling a product or service in the market and contractors whose primary goal is to make a profit by delivering a service to the government. Contractors are not to be confused with CSOs or public-private partnerships that involve the US government and the broad private sector. They deliver development programmes or other services for a profit.

Starting in the 1990s, the US Agency for International Development (USAID) has increasingly used for-profit entities that it can direct to deliver the services it wants. This trend accelerated after many US CSOs withdrew from Iraq after the US invasion or boycotted USAID in Afghanistan. As a result, most of the best known US CSOs, from Save the Children US to World Vision USA, are not even among the top 20 recipients of USAID funding. Private firms, such as Chemonics International, Abt Associates or DAI, are far more central to US bilateral development assistance than US CSOs. These groups deliver effective development outcomes for their main client, the US government. For these companies, speed and responsiveness to USAID are more important than being responsive to local interests or a changing local context.

Private contractors are not part of civil society but some still claim a CSO brand. As donor-driven firms are focused on making a profit from managing development assistance projects, they can create confusion in the minds of local government or civil society actors. A contracting firm should not be confused with a non-profit CSO.

² Maria May Seitanidi and Annmarie Ryan, ‘A Critical Review of Forms of Corporate Community Involvement: From Philanthropy to Partnerships’, *International Journal of Nonprofit and Voluntary Sector Marketing*, No. 12, 2007, p. 249.

³ Jane Nelson, ‘Scaling up Impact through Public-Private Partnerships’, in ‘Getting to Scale: How to Bring Development Solutions to Millions of Poor People’, ed. Hosono Akio Chandy Laurence, Kharas Homi and Linn Johannes, Brookings Institute Press, 2013.

HOW TO PARTNER

Not all of CSOs' work with the private sector is a partnership; some CSOs are engaged in purely contractual agreements to deliver a particular service for the donor. But any effective partnership requires strong relationships and openness to collaboration. Partnerships work best when they are based on trust and commitment to common goals. Even after a decade of exploring what does and does not work, joint programmes that involve CSOs and corporations remain complex undertakings, albeit ones that can, and often do, yield positive and synergistic results. In response to member demand, InterAction has instituted a private sector working group where member US CSOs can network, learn from peers and exchange tools and approaches to build the capacity needed to become viable partners. By sharing approaches, US CSOs have developed better vetting tools that ensure common data and identify socially responsible corporations. Over time the group's purpose has shifted into helping InterAction members to better measure and report on their work. Ultimately, the group aims to help both civil society and the private sector to build more effective partnerships.

As a starting point, it is important to understand each group's motivations. Large corporations, particularly if they are working through an associated corporate foundation, are interested in promoting their brand, responding to the interests of employees and having a social impact. When the project involves a company itself or its value chains, increased markets or more sustainable profits are also likely to be considerations. Often all of these considerations play a role. CSO staff are sometimes surprised that a very strong commitment to advancing social good often exists within a company. When this happens, it offers an important reminder that individuals who work for a CSO do not have a monopoly on social causes.

When exploring the potential of working with a corporate partner, CSOs typically look for the scale that can only come through a market, the sustainability of a programme that pays for itself and other forms of leverage to achieve a greater impact, after they have secured some form of funding that increases their social impact. Most CSOs apply extensive vetting procedures consistent with their organisational norms. However, while almost all CSOs would commit to not engaging with the tobacco industry or with corporations involved in producing weapons, beyond this, there is no commonly agreed upon framework that civil society actors use to determine who to work with. Still, shared vetting norms have slowly begun to coalesce into best practices. CSOs have little interest in working with companies that in some way harm or violate their missions.

How partnerships are designed is also critical. Development is increasingly being seen by donor states as a means of

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advancing their economic interests, and the US is no exception. If the impact of a partnership does not significantly tilt toward marginalised rights holders it may cause more harm than good. Criticisms continue that US CSOs marginalise the interests and roles of local groups in the global south. For example, environmental CSOs have been criticised for arranging deals with governments and multinational companies that exclude local groups, particularly on issues such as bio-prospecting.⁴

Partnerships can be hindered by differing or unclear assumptions. If a corporation provides funding, it could be said that the partnership will inevitably be distorted by the power associated with resources. Power dynamics are implicit when funding is received from any donor. This means that assumptions and deliverables must be clear. A CSO that seeks funding without having a clear values frame in place to shape or define a partnership with a corporation may find that its programme becomes led by other interests. This risk can be addressed by having clear norms and expectations set up front.

It is important to note as well that the greatest benefits of working with a company are often not financial. The sharing of technical knowledge can have a far greater impact. Also important is the potential social impact of a value chain that is more sustainable or better adjusted to the needs and livelihoods of its workers living in poor conditions.

WHAT WORKS

The diversity of CSO-private sector partnerships is best illustrated through some concrete examples. Each partnership has challenges, and none of the corporations or CSOs involved are without flaws. Procter & Gamble (P&G), the world's largest producer of consumer goods, has made a commitment to bring health and hope to communities by providing the most basic human need: clean drinking water. Their partnership with World Vision has helped position P&G to deliver on a commitment to provide 15 billion litres of water by 2020.⁵ What began in 2007 as a small-scale project in rural Malawi has developed into a dynamic, strategic partnership delivering access to clean water in 34 countries. The partnership has already delivered more than one billion litres of clean drinking water, by serving communities living in poverty during emergency responses and through community development projects.

The greatest value is generated when partners combine their capabilities, which entails that resources flow two ways with equal worth to each partner.⁶ A good example came when P&G invented a new water treatment system and implemented it in collaboration with World Vision as a temporary solution to the need for clean water in World Vision's programme areas.

⁵ Keith Kall, 'Master Class on Partnerships: World Vision and Procter and Gamble', 2016.

⁶ James E. Austin, 'The Collaboration Challenge', Jossey-Bass Publishers, 2000, p. 104.

Cargill and CARE US have seen their partnership evolve over decades. The two organisations started collaborating in 1958, and as Cargill, a global provider and marketer of food and agricultural, industrial and financial products and services, expanded and grew its business across the globe, it also broadened and deepened its contribution to the work of CARE. CARE's partnership with Cargill does not imply that all of the company's products, approaches and value chains are beyond reproach. It does illustrate, however, that like World Vision and P&G, CSOs can begin to shift the business models of transnational corporations.

The partnership has evolved, becoming more strategic, and was cemented with a Rural Development Initiative launched in 2008. The programme has helped over 100,000 people improve their livelihoods. CARE's work with Cargill includes [six components](#). These areas provide a good summary of the types of overlap that may be found within a well-established CSO-private sector partnership:

1. Philanthropy and programme collaboration: collaboration has focused on increasing food security in vulnerable communities by improving agricultural production, expanding access to markets, improving nutrition security and strengthening community governance.
2. Expertise sharing: knowledge has been shared of production technologies, child labour issues and on-the-ground conditions.
3. Policy and advocacy: Cargill has supported CARE's advocacy when needed, including advocacy for the Roadmap to End Global Hunger and the Global Food Security Act, complementing CARE's advocacy role. At the national level, CARE and Cargill often work together to encourage local and national governments to co-invest in joint initiatives.
4. Consumer engagement: CARE and Cargill are seeking to build a network in which other corporations join initiatives around responsible supply chains or agriculture and nutrition.
5. Employee engagement: in Honduras, CARE and Cargill established a creative model of pairing local Cargill teams of volunteers with each of the schools that CARE serves.
6. Inclusive value chains: in the cocoa-producing regions of Côte d'Ivoire and Ghana, CARE supports farmer communities in improving basic education services so that parents see the value of sending their children to school instead of working in the fields. Through their interactions with Cargill's cocoa business representatives, farmers have been able to develop a greater appreciation of the importance of the quality of their cocoa beans and the link between quality and commercial value.

These partnerships are not solely the purview of large US CSOs or global corporations. [Lutheran World Relief](#) (LWR) is a medium-sized CSO with programmes focused on farming families and small-scale producers. A programme with agro-industrial concern Agropesa/ECOM in Peru is improving

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the sustainability of the cocoa value chain. For example, co-funding of the Pro-Cocoa Project improved the living conditions and increased the incomes of 90 cocoa-producing farming families in Huánuco Department over 26 months. In the area of peacebuilding, LWR is also working with mining company Gold Fields in Peru to strengthen the production and marketing capacities of small-scale dairy producers, improve incomes, create sustainable jobs and support citizens' abilities to manage and mitigate conflict.

Beyond CSOs, the US Holocaust Memorial Museum partnered with Google Earth to use satellite technology to visualise the devastation in Darfur, Sudan.⁷ The Clinton Global Initiative has also mobilised billions of US dollars of investments around social and climate causes, much of it from outside the traditional sphere of civil society.

CONCLUSION

US CSOs and the private sector can benefit from their collaborations in many ways. For example, CSOs may be able to access better technologies, tap the professional knowledge of major consulting firms and leverage resources well outside the realm of ODA. There are clear examples of CSOs changing corporate value chains for the better, increasing the environmental sustainability of companies and decreasing the damage done by poor business models to people living in poverty.

And yet, working with the private sector should not be seen as a panacea. It is not hard to find corporations that actively harm human rights, destroy the environment or support corrupt states. Good corporate partners are hard to find. The learning curve to develop shared value in a partnership is often fraught with mistakes, and developing partnerships is something that requires patience and trust on both sides. Partnerships that involve CSOs, the private sector and governments are even more complex. Governments are often reluctant to change their bureaucratic structures for the private sector and companies are often unable to give these partnerships the time they deserve. US CSOs often find themselves in the middle, focused on trying to leverage two very different actors. Still, the effort is often worthwhile. When these joint efforts are successful, their positive impact is often impressive.

Donor governments have turned to private contracting firms because they want to control the nature and impact of their projects. This may at times make sense, such as when building a road, but it is harmful if the programme is focused on a partnership with civil society to promote rights or democratic practices. However well-intentioned they are, global north donors cannot successfully use for-profit contractors to advance rights or civic institutions. Development is ultimately about a partnership, and in this case the negative distortions of a profit motive can be significant.

⁷ LaFleur, Lael Brainard and Vinca. 'Global Development 2.0. Can Philanthropists, the Public, and the Poor Make Poverty History?', in 'Making Poverty History? How Activists, Philanthropists and the Public Are Changing Global Development', ed. Lael Brainard and Derek Chollet, Brookings Institution Press, 2008, p. 19.

As US CSOs explore diverse ways to engage with companies, the lessons they learn need to be documented and researched. More importantly, the insights gained must be shared with the global south. Some key questions need to be asked: when do CSOs actively change the behaviours of a corporation and when and how are they simply co-opted by resources? Can we develop norms that frame the best practices of partnerships with the private sector and government?

If we fail, it will be hard to achieve, let alone sustain, the Sustainable Development Goals. Our best case scenario is that these nascent partnerships accelerate the evolution of a more people and rights-centred capitalism. We have a way to go, but it is important to take steps that encourage a shift.