



# Business and International Development: Opportunities, Responsibilities and Expectations

*A Survey of Global Opinion Leaders in Business, Civil Society and the Media*



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## Business & International Development

**H**ow do companies and other key actors such as NGOs, investors and the media define the concept of 'international development' and do they use it in their everyday activities, decision-making and communications?

**W**hat are businesses doing today to support and strengthen the developing countries and communities in which they market and manufacture their products and services, and what still needs to be done?

**W**hat conditions are necessary and what challenges must be overcome for corporations and their development partners to address the needs of developing countries in an effective, sustainable and mutually beneficial way?

**H**ow high is their awareness of the Millennium Development Goals?

**W**hat are the key drivers that determine a company's decisions to engage or not to engage in international development?

# Introduction & Methodology

Following is a report of a survey on the role of business in international development fielded by the Corporate Social Responsibility Initiative at Harvard University's Kennedy School of Government, Prince of Wales International Business Leaders Forum, and Edelman.

The sample for the study included in-depth, one-on-one interviews with:

- 25 executives from global Fortune 500 companies. The companies were randomly selected from the following nine broad industry sectors: transportation and shipping; financial services; telecommunications and electronics; food and beverage; retail; equipment and manufacturing; energy and utilities; pharmaceutical and health; and service industries. The executives represented a variety of functions, including public affairs; corporate social responsibility; government relations; trade regulation and legislation; sustainable development; corporate citizenship; environment, health and safety; global communications; and community relations.
- 10 randomly selected senior executives at global NGOs whose work is focused on a range of environmental, human rights, social enterprise and development issues;
- six journalists who cover economics and/or international development topics for global top-tier English-language media outlets; and
- four sell-side analysts from major investment firms.

All respondents were ensured of complete anonymity and confidentiality.

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# Executive Summary

## **Current Definitions of and Approaches to "International Development" Vary— Sometimes Based on Philosophy, Sometimes Terminology**

Multinational corporations, NGOs, and others involved in international development lack a common and coherent understanding of this concept because it invokes such a wide range of terminology and approaches and often has not been translated into the language of the marketplace.

## **All Agree Business Should Work on Various Development Issues**

Despite differences in definitions, all respondents agreed that the private sector is central to development in emerging markets—for both good and bad.

## **Jobs and Enterprise Development Are Top Priority**

Business, NGOs and the media all agree that business can be most effective by creating jobs and building local businesses.

## **Business Is Most Successful When Pursuing Core Business Objectives and Competencies**

Companies recognize that business' most successful contributions to development are those that harness the unique assets and competencies of a particular company.

## **Governments Must Lead—Corruption, Poor Infrastructure Are Obstacles to Business Involvement**

Obstacles, such as corruption and weak infrastructure in developing countries, and some trade and other policies of developed countries, limit the role that business chooses to play in international development.

## **Each Sector Outlines Ideal Roles for other Actors**

Business people, NGOs, and journalists each provided fresh insight into how sectors other than their own play a role in international development, what they are doing well to date, and how they can be more effective.

## **Productive Partnerships Require Better Listeners, More Sharing**

Business and NGOs agree that partnerships can yield excellent development results, but have not yet lived up to their potential. They succeed most when all parties provide core assets, management attention and relevant expertise and when NGOs are willing to collaborate on market-based solutions, as well as addressing broader policy issues.

*Business people, NGOs, and journalists each provided fresh insight into how sectors other than their own play a role in international development, what they are doing well to date, and how they can be more effective.*



# Defining “International Development”

Among all respondents, there were diverse views on what ‘international development’ entails. For some, the term specifically and unambiguously relates to economic growth and development. For others—especially NGOs, but also a number of business respondents—the term signifies the combination of economic development and social and environmental indicators of progress. Several spoke very clearly of ‘raising living standards’, ‘empowering people’, ‘building local institutions and capacity’ and ‘economic inclusion’ as well as growth.

*“I think it talks about markets, economic viability and sustainability of communities, and understanding and broadening of education about the importance of issues related to economic inclusion.” —FINANCIAL SERVICES COMPANY*

*“I think it’s clearly a combination of economic development, a sustainable livelihood, poverty alleviation and reduction, and environmental stewardship.” —NGO*

*“I would say efforts, primarily financial, to spur economic development overseas.” —MEDIA*

*“International development to me and us means the development of organizations and organizational capacity and capability in other countries.” —FOOD & BEVERAGE COMPANY*

Many respondents reported that, because of its imprecision and potential for misinterpretation, they do not use the term “international development” in their work, even though most agreed that they deal with issues relating to international development and developing countries on a regular basis.

Instead, business people are more likely to use terms that stress the impact of corporate activities on local communities (e.g., “corporate citizenship,” “economic footprint,” “community impacts,” “supply chain management” and “global business standards”), while NGO leaders are more likely to use language that reflects the specific areas in which they work (e.g., “environmental sustainability,” “poverty alleviation,” “economic inclusion,” “fair labor standards,” etc.).

## Good or bad?

There was a range of both implicit and explicit views on whether international development is a good or bad thing for poor people in developing countries. While many respondents saw it in terms of improving conditions, several were less optimistic.

*“...just lumping poverty alleviation and economic growth together is problematic. ...a lot of bad things happen in developing countries, even in the name of international development and some of those include the financing of large infrastructure and extractive projects that really have no poverty alleviation benefits, and in fact, exacerbate poverty and environmental degradation.” —NGO*

## UN Millennium Development Goals and International Development

The Millennium Development Goals (MDGs) are an ambitious agenda for reducing poverty and improving lives that world leaders agreed on at the United Nations Millennium Summit in September 2000. For each of the eight goals, one or more targets have been set, most for 2015, using 1990 as a benchmark. The MDGs are an accepted framework for many in the international

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development community. Many corporations are actively participating in programs that will impact the achievement of the MDGs, although this is not necessarily their stated mission.

### ***Among companies: Varied level of awareness and relevance of MDGs for business***

Some of the major companies interviewed were well-versed in the MDGs:

*"I think they are an opportunity to help companies think about their vision and their responsibility in a higher level way than they probably have chosen to think about them. A way to organize and think about corporate citizenship and social responsibility objectives. I think they can be tremendously helpful and can serve as a bridge between the public and private sector. They are relevant to our company."*

—TELECOMMUNICATIONS & ELECTRONICS COMPANY

However, many of the private sector respondents were either *"unaware"* or *"only vaguely aware"* of the Millennium Development Goals. Many of those who were aware of them commented that the goals are too *"general"* and *"aspirational."* A number of corporate respondents focused on the practical challenges of implementation—both generally, and in terms of determining their own, most effective corporate role in implementing the MDGs.

*"I would describe them as nice. ...but they have no teeth. They don't have a lot of backbone. ...They are not relevant to our company."* —FINANCIAL SERVICES COMPANY

### ***Media more skeptical about MDGs***

Almost all journalists interviewed were more skeptical about the MDGs:

*"I'm not impressed because they are very general and no one can say 'no.' It should be a more concrete commitment as to what we are going to do."*

*"It's this skepticism about the UN efforts making any difference. My readership is not impressed by some big UN effort."*

The Millennium Development Goals (MDGs) are an ambitious agenda for reducing poverty and improving lives that world leaders agreed on at the United Nations Millennium Summit in September 2000.

## UN Millennium Development Goals

1. Eradicate extreme poverty and hunger
2. Achieve universal primary education
3. Promote gender equality and empower women
4. Reduce child mortality
5. Improve maternal health
6. Combat HIV/AIDS, malaria and other diseases
7. Ensure environmental sustainability
8. Develop a global partnership for development

## NGO leaders highly aware of MDGs, but frustrated

NGO leaders were aware of the Millennium Development Goals, which most described as highly relevant to the work they do. A few NGO respondents expressed frustration that they and other organizations outside government, including companies, were not sufficiently included in the development of the goals or in ongoing policies and plans for their implementation:

*“The goals are relevant, but they could have been a lot more relevant if a greater effort had been made to invite knowledgeable NGOs and other groups into the process. Many important groups are still on the margins of the discussion.”*

## Perspectives on Business in International Development

### Companies are currently active participants

Although few of the companies interviewed actually use the term “international development” in their work, all of the business leaders in the study reported that their companies are actively involved in supporting the local communities in which they invest and market their products and services, both in traditional markets and in the emerging markets of the developing world.

*“If corporations are going to trade and use the local resources, then they have a requirement to work with local governments and organizations to actually try to better the current situation.”* —EQUIPMENT AND MANUFACTURING COMPANY

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—EQUIPMENT AND MANUFACTURING COMPANY

### NGOs and journalists recognize important impact of business—for both good and bad

NGO and media respondents also recognized the important impact of companies on development. Several focused on the potential positive contributions of business, while others argued strongly for the need to prevent potential negative impacts of business activities:

### Harnessing positive contributions of business...

*“The biggest opportunity for the private sector to make an impact is to focus on their own supply chain—what they’re buying, who they’re buying from, what the social practices are, what the environmental practices are. ...If every company worked on their own footprint and their own supply chain, it would be amazing.”* —NGO

*“I would say there is a series of ways that the private sector contributes to development, but I think you would start off with just private investment in middle income and poorer countries. Foreign direct investment”* —MEDIA

*“It’s about global corporations realizing that there is a demand—among low-income consumers for their products and services. That’s the new frontier—in terms of growth for the companies. And that in order to do it right and contribute to international development—and the alleviation of poverty—they better do it in partnership with those who know the poor best, who are usually citizens organizations and grass-root development groups.”* —NGO





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—NGO

### **...and preventing negative impacts of business**

*“There is recognition that companies are far richer than local governments and companies have huge operational presence and exert a huge pressure on local environments, not just environmentally, but also the local people, social capital. And for that reason, companies should be playing a major role...not just going into an area, raping the environment and then seizing what they can and moving onto the next pasture. They should take more responsibility for their actions...” —NGO*

*“...I think the difficult part is that it’s voluntary and there’s no accountability. So, they [companies] can say whatever they want and do whatever they want and—you really—there’s nothing you can do about it. ...on the good side, the flip side of that is, maybe they are able to make some changes and decisions with a bit more freedom and speed than political processes sometimes take.”—NGO*

## Multinationals can help best by creating new jobs and building local businesses

All the survey respondents were asked to rank a set of business contributions to development. The findings are summarized in Table 1.

Business executives in particular, but respondents from all groups surveyed identified the private sector’s capacity to create jobs and build local businesses as the essential foundation for long-term development and the area where business could add most value or make the most impact. This activity was clearly top priority, followed by “ensuring environmental sustainability,” “training a country’s local workforce” and “tackling bribery and corruption.”

Representatives of specific corporations predictably stressed the importance of development outcomes with a direct relation to their core business area (e.g., combating HIV/AIDS for pharmaceutical companies, improving farmer livelihoods and quality for food companies, increasing access to information technology for technology companies, promoting gender equality for companies marketing their products to female consumers). But creating new jobs and building local businesses emerged as the dominant concern among all business leaders, regardless of their core business, regional penetration or scale of operation.

*“The ones that generate profits make the most business sense, so establishing facilities and creating jobs are, in my opinion, the best thing a company can do.”*

—FINANCIAL SERVICES COMPANY

*“The biggest contribution I think would be creating jobs—much more so than say philanthropy or anything like that—building factories in the developing world. I suppose selling consumer goods to the developing world...bringing technology, whether it’s cell phone technology or transportation or energy. It’s important infrastructure.”*

—MEDIA

### Development Activities

On a scale of 1 to 9, where 1 is no role and 9 is a major role, how great a role do you believe business should play in these activities?

AVG. RANKING  
N = 44

TABLE 1

|  |     |
|--|-----|
| Creating jobs and building local businesses            | 8.1 |
| Ensuring environmental sustainability                  | 7.3 |
| Training a country’s local workforce                   | 7.1 |
| Tackling bribery and corruption                        | 7.0 |
| Consulting with governments on market-based strategies | 6.7 |
| Investing in infrastructure                            | 6.4 |
| Promoting gender equality and empowering women         | 6.3 |
| Combating HIV/AIDS and other diseases                  | 5.9 |
| Investing in higher education and new technology       | 5.8 |
| Fostering universal primary education                  | 4.9 |

# The Business Case for Engagement in International Development

Responsible conduct has increasingly become a guiding principle in many corporations' overall business strategies. Corporations explained that by conducting their operations with consideration for the well-being of local populations, they can establish a vital environment for doing business, better manage risk, improve the quality of life in developing countries, and increase profitability over time.

Some of the key drivers identified by business as to why companies should become more engaged in international development issues include the following:

From stockholders to employees, from local governments to consumers, responsible international development is increasingly regarded as the “quid pro quo” for globalization and market expansion.

## Improving the basic operating environment within a local market

*“[An African country] needed to develop their transportation infrastructure and build more mills within the country. As a company working there, we could have said, ‘We have no role in this; you guys need to figure it out.’ Instead, we went in there and said to them, ‘In order for you to be competitive in the long run, you need to do these things. We can help you on some things, and you can probably get help from others on these other things. But let’s behave as partners and try to figure this out together.’ We benefited by having a more diverse base of countries to source out of, and they benefited because they have a viable industry in the long run.”—RETAIL COMPANY*

## Responding to heightened societal expectations

From stockholders to employees, from local governments to consumers, responsible international development is increasingly regarded as the “quid pro quo” for globalization and market expansion. All respondents reported heightened expectations of the role that the private sector can and should play in international development.

*“I think that personally I would like to feel the goods I purchase have an ethical footprint. As a corporate person, as well as a citizen, I see the practical value of companies investing in these areas. There is a growing societal consensus that companies ought to do more, and I share that.”—FOOD AND BEVERAGE COMPANY*

## Managing risk and identifying opportunity

Risk and opportunity—not humanitarian need—drive most decision-making on corporate investments

Not surprisingly, corporations focus primarily on the commercial potential of a given project when making decisions about markets and foreign direct investment, not on the humanitarian urgency or extent of the need in a specific country or region.

*“If you can find activities that relate directly to our core business —if there is a business case and if there is a win situation for us and for the developing country then in those situations it makes sense for a business to get engaged in development. If not a win-win situation then companies would do it for an image or charity point of view and you don’t really get a sustainable relationship between businesses and these countries.” —RETAIL COMPANY*

*“You always have to tie it into something that is in keeping with your company’s objectives and goals and what are things you can sustain over time, and if you are trying to take too big a bite out of the apple you are less likely to be successful.”—RETAIL COMPANY*

Respondents from all groups observed that corporations are increasingly replacing traditional philanthropic activities with a more integrated and strategically focused approach, which aligns their corporate citizenship, corporate responsibility or philanthropic activities more closely to business strategy and core corporate competencies and assets. In this context, companies devote their money and their resources to development activities that are consistent with—and actively contribute to—overall business objectives.

Business respondents argue that their increasingly pragmatic, business-focused approach to traditional philanthropic concerns reflects a firm commitment to the countries in which they establish markets and actually strengthens their involvement in international development. By focusing on core competencies and long-term business opportunities, they argue that corporations can make more significant and sustainable contributions to local communities than they could have provided in the past through more traditional philanthropic support.

*“Once upon a time, it might have been sufficient to just throw money at a social or environmental problem. These days, the received wisdom is that you should apply the same professional processes to [development issues] that you do to other business issues.”—FOOD AND BEVERAGE COMPANY*

*“The company that is really easy to work with is the one...that recognizes that the impact it has is not just philanthropy, or the goods and services it provides, and the income it provides through its employment and the wealth it creates for its employees and its shareholders, but actually recognizes that it has huge environmental and social impacts. And actually manages those positively.”—NGO*

.....

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—FOOD AND BEVERAGE COMPANY

## Examples of International Projects Based on Business Objectives and Competencies

- Healthcare companies supporting improved access to essential medicines and improved local capacity to meet health needs
- IT companies improving access to technology
- Energy companies supporting affordable energy access
- Water companies partnering with others to improve water and sanitation
- Finance companies and companies sourcing locally to increase access to credit and business skills
- Professional services firms sharing their management expertise with local NGO, government and business partners
- Food companies improving access to nutritional foods and/or supporting local farmers’ livelihoods

Moreover, NGOs said they trusted those corporations that couched their activities in developing countries in business terms more than those who avowed a desire to simply “do what’s right.” The challenge today, for those committed to international development, is to find the areas in which development objectives and profitable corporate strategy and risk management overlap.

*“Companies need to figure out where they can have the most impact and really make sure that, whatever they are doing, they are having an impact and not spreading themselves too thin and not trying to tackle too many of areas in which they may not have a tremendous amount of impact or control.”*—RETAIL COMPANY

*“Corporations, NGOs, multilateral institutions – each one has its own unique agenda. The important thing is to discover where those agendas align.”*—NGO

## Challenges for Business

**B**usiness respondents, journalists and several NGO leaders expressed concern, however, that current expectations are often unrealistic and place far too much faith in the ability of the private sector to solve all development problems—whenever and wherever they occur.

Throughout the developing world, the ability of corporations to strengthen and support local communities is often contingent on factors that are outside of the private sector’s direct control.

Business leaders identified a variety of conditions that must be met and critical concerns that must be addressed in order for corporations to play an effective role in international development. These involve both internal issues (including the strengths, capacity and strategic interests of the company itself), external issues (including the actual conditions in the country and the overall market environment), and relationship or stakeholder management issues (including the fact that business, NGOs and governments often speak ‘different languages’, and operate to different timetables and goals).

*“Sometimes there is too much pressure put on companies to solve social and environmental issues, and it’s not really [their] expertise. It’s not [their] skill level. I think that is the big thing companies need to look at. They should be undertaking efforts where they can really make a difference, and they should be mindful of things that are beyond their control.”*—MEDIA

.....  
*“Sometimes there is too much pressure put on companies to solve social and environmental issues, and it’s not really [their] expertise. It’s not [their] skill level.*

—MEDIA

### **Internal Challenges**

Respondents noted the degree to which internal organizational factors influence—and often limit—what companies can, should and are willing to do in response to specific development needs. Business people repeatedly explained that a corporation’s potential impact in a specific community is determined largely by its industry sector, its scale of operations and market penetration in a specific country, and its organizational knowledge, skills and expertise. Some respondents also expressed frustration that their corporate boards and senior management are skeptical about participation in international development activities.

*“When you get to a certain point of work in international development, you can potentially hit a brick wall. Everything you’ve done so far fits very nicely with what the company’s products are and consumer profiles are. But if you go beyond that, there is a question mark about how far can you go and still be true to your shareholders.”*—FOOD AND BEVERAGE COMPANY



*“As you would expect with huge corporations, there is quite a gap between what head office agrees to and believes is happening and what is happening on the ground in – you know, Vietnam or Zambia ...I think companies, even those with the best of intentions, are facing problems in terms of trying to get those codes of conduct, those human rights policies, etc., to work throughout the length and depth of their organization, which is a major issue they face...some are now beginning to approach NGOs to seek help in how best they could try and do that.”—NGO*

*“I think the biggest challenge is articulating a business case. I think everything you do should be tied into your business objectives. It sounds so esoteric. To get support for things that are so lofty is just a challenge, and it doesn't mean a good or bad company but it is the reality.”—TELECOMMUNICATIONS AND TECHNOLOGY COMPANY*

.....  
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—NGO*

## **External Obstacles**

In addition to the strategic interests and internal capacities of corporations, conditions within countries and local communities also play a crucial—and often an inhibiting—role in determining the private sector's impact on international development. All respondents consistently identified a number of concerns that currently limit their ability to invest in and support local communities, including:

- widespread bribery and corruption in country governments;
- political uncertainty and the ongoing threat of violence, terrorism and religious extremism;
- impact of AIDS and other health crises;
- government resistance to foreign investment and development (e.g., bias toward local investment, restrictive trade regulations, etc.);
- lack of judicial reform and reliable legal systems;
- substandard education;
- lack of technology and technical capacity;
- the absence of a free local media;
- poor infrastructure;
- the absence of uniform international standards for global business development.

As this list illustrates, stability and sustainability are key ingredients in companies' decisions to engage—or not to engage—in specific countries or regions. In making corporate decisions, business leaders look for local communities with stable and reliable legal, social, political and economic environments that allow a company to predict both the risk of its investment and the potential for making a positive contribution to the community over time. In many countries around the world, the combined effects of corruption, illiteracy, censorship, and unpredictable political climates has resulted in highly unstable, non-supportive market environments that discourage corporate expansion and thus undermine the potential for private sector involvement in international development.

*"What they can't change are places where there is no rule of law or where the conditions of life and education are so rudimentary that there's nothing for them there. There has to be a kernel for them to grab hold of."* —MEDIA

*"I think the greatest need is in Africa, but I am not sure corporations, because of the governments there, can be as effective as we otherwise could be. It's the same situation with the Middle East because of the political situation there..."*

**TELECOMMUNICATIONS AND TECHNOLOGY COMPANY**

Both business and NGO respondents expressed concerns that these obstacles are preventing businesses from investing in areas such as Africa and the Middle East, which have urgent development needs but highly unstable social, political and market environments. Business leaders described an enormous – and increasingly widening – gap, as the private sector commits to investing in and contributing to the development of some regions of the world, but not others.

*"I think the greatest need is in Africa, but I am not sure corporations, because of the governments there, can be as effective as we otherwise could be. It's the same situation with the Middle East because of the political situation there. If based on need, I would probably do it in the reverse order with Africa at the top. On the other hand, because East Asia is developing so quickly and they are more open to Western ideas and opportunities, I think we have more opportunity to make change there. Same thing with Latin America, which is why I would rank them higher even though the need is higher in Africa and the Middle East."* —TELECOMMUNICATIONS AND TECHNOLOGY COMPANY

Table 2 examines private sector respondents' perceptions of the opportunities for business to invest profitably and contribute to local development in five key regions of the developing world.

## Areas for Development

TABLE 2

Please rank the following regions of the world, in terms of business's opportunity to both advance international development and produce growth and returns.

| <i>N = 24</i> | <i>Average Ranking<br/>(1= greatest opportunity; 5= least)</i> |
|---------------|--|
| East Asia     | 1.7  |
| Latin America | 2.5  |
| South Asia    | 2.6  |
| Middle East   | 3.9  |
| Africa        | 4.2  |

## Managing stakeholder relationships

Another challenge in increasing business engagement relates to the need for companies to work more closely with non-traditional allies, sometimes current critics, in the NGO and development community.

Even when the different parties have the best of intentions to work effectively together, they often bring very different motivations, languages, procedures, timetables and governance structures ‘to the table’.

Understanding one another’s language, for example, can be a key challenge for prospective development partners. Business leaders, journalists, NGO leaders and investors use different terms to express the same concepts, and a single term may have multiple meanings, depending on the user and the context. *“It’s always difficult at first to work with an NGO,”* explained a business leader. *“It’s a question of vocabulary. We use the same words sometimes with different meanings, but once this first obstacle is overcome, it isn’t difficult to work with them.”*

Another relationship-based challenge cited by several business respondents related to their developing country business partners and the challenges these partners face in meeting product quality specifications and other international standards;

*“Of course, people in developing countries are far from our customers or western consumer markets so it is hard for them to understand what the customer wants. Also, there is difficult in meeting our product quality specifications and delivering in the right time and the right quantity. These are things we encounter and we invest a lot of time to make sure suppliers can meet our requirements.”* —RETAIL COMPANY

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—RETAIL COMPANY

## Roles and Responsibilities—Beyond Business

The survey respondents were asked to evaluate the role other key partners in development – developing country governments, developed country governments, multilateral institutions, NGOs, investors and the media – can and should play. Each respondent was asked about his or her own group as well as about peers.

### **Developing country governments: must share responsibility and increase accountability**

A majority of all respondents agreed that developing country governments represent the most crucial—and currently the weakest—link in the international development chain. Respondents repeatedly stressed that it is ultimately the responsibility of local country governments to provide stable and sustainable environments for investment. The most urgent areas that they said need to be addressed by local country governments include:

- reducing corruption and increasing transparency;
- promoting judicial and political reform;
- enhancing local capacity in infrastructure, education, technology, fair wages and other areas that contribute to a stable environment for private sector investment;
- implementing policies that encourage foreign investment.

Without such improvements, business people insist, the private sector will not be able to make effective and sustainable contributions to the development process – regardless of the urgency of the need or the commitment of businesses and other development partners.

*“They really need to get their house in order if they want the private sector to take a more active interest in development.”* —PROFESSIONAL SERVICES COMPANY

### **Developed country governments: more trade and more effective aid**

The primary role of developed country governments is to make it easier for the private sector to become actively and productively involved in the international development process. Respondents consistently identified the following ways in which that developed country governments should work more aggressively to facilitate private sector involvement in international development:

- providing direct financial investment in developing countries;
- providing financial incentives (e.g., tax breaks) for private sector involvement in international development;
- lowering tariffs and subsidies that distort the market and put producers in developing countries at a disadvantage;
- working in partnership with the private sector, NGOs, multilaterals and other groups to solve development problems.

*“I think the commission for Africa set up by the UK government is a very commendable way of tackling a situation with the cooperation of the private sector and almost handholding the private sector to help them along the path to international development.”* —FOOD AND BEVERAGE COMPANY

### **Multilateral institutions: most agree on their potential value, but are critical or unclear of their actual role**

Many business leaders expressed the view that, in an ideal world, multilateral institutions would serve as the ‘glue’, or connectors, that hold the international development process together. In this regard, business respondents consistently described a number of important roles that multilaterals should, but often do not currently fulfill, including:

- coordinating and facilitating the development activities of other partners in development;
- providing a balanced, objective perspective on key development issues;
- instituting uniform investment frameworks and global standards for development that will enable companies to do business in a both competitive and a responsible way;
- monitoring the adherence of corporations, governments and other development partners to global standards and practices.

Respondents’ criticisms of multilateral institutions were primarily confined to multilaterals’ role in assisting the private sector in international development. The traditional lending, emergency relief and other direct development programs that such institutions provide were more favorably evaluated. Corporate respondents’ frustrations were compounded by their general lack of knowledge of what multilaterals currently do to support and empower corporations in the development process. Whether this was a lack of effective communication on the part of multi-lateral institutions, or a lack of effort by companies to seek out information, was not clear.

*“I wish I could tell you what it is that they do, but I can’t.”* —PHARMACEUTICAL AND HEALTH COMPANY

.....

*Many business leaders expressed the view that, in an ideal world, multilateral institutions would serve as the ‘glue’, or connectors, that hold the international development process together.*

## NGOs

Business respondents and journalists regard NGOs as both ‘*useful partner’s* and ‘*out-of-touch nuisances*’. Opinions split along a line of each respondent’s own perception of the main aim of NGOs. Many of those who saw NGOs as partners with real knowledge of local situations think of them as valuable players in the international development process. Those who focused their comments on “*campaigning*” NGOs often believed they were a hindrance to making real progress in development. However, other companies acknowledged the value of the NGOs campaigning and monitoring role, “*to keep things honest and confer credibility.*”

Business respondents expect NGOs to work on the following aspects of international development:

- provide localized knowledge of conditions on the ground to partner groups;
- raise the profile of important issues that may be beyond public recognition;
- monitor the actions of the private sector and multinationals.

*“They have local knowledge, so there are a lot of ways which, if you have people on the ground, you can provide local knowledge for a project.”*—MEDIA

*“There’s also a monitoring role. NGOs can help monitor projects and make sure things go as they should go.”*—MEDIA

*“The bad ones are really only campaigning to get attention and to raise funds. They are not really interested in collaboration; they are more interested in confrontation. They have lawyers not scientists, like to use the media to spread their message.”*  
—FOOD AND BEVERAGE COMPANY

NGOs themselves see the need for a variety of groups that, together, can accomplish all of the above goals.

*“You need to have a whole spectrum of NGOs that [span from] the heavy critique at one end through the campaigning role... through to a collaborative one.”*

.....  
*“They have local knowledge, so there are a lot of ways which, if you have people on the ground, you can provide local knowledge for a project.”*  
—MEDIA

## Investors

There is growing discussion in the socially responsible investment community and among a few venture capitalists and mainstream investors about the potential for more proactive investment to address specific development challenges and opportunities, such as microcredit, youth enterprise and small enterprises. But respondents from all groups in this survey agreed that the current role of investors is to follow, rather than to lead, the international development process.

With their primary responsibility of ensuring the profitability of their investments, investors tend to have a “wait and see” attitude regarding the appropriateness and potential profitability of private sector involvement in international development.



*"Is it reasonable to expect people to invest in a pro-international development thing? I don't think so. And I don't know if I don't personally think so or if I don't think it's reasonable to expect them to give a damn about it. As far as I can tell, people don't."* —MEDIA

For this reason, many mainstream investors are not yet on the radar of the international development process. However, respondents observed, that, slowly but surely, investors are beginning to take a greater interest in development issues.

*"We would focus more on economic or social development, since we focus on a company's prospects within a country's economy and a country's platform for growth."* —INVESTOR

*"I look at my companies through this prism: Are they a progressive force for their market? A monopolistic force that is deterring innovation and progress? This would impact how I would view this company."* —INVESTOR



### **Media – Business & NGOs share criticism of media coverage**

Respondents from all groups looked to journalists to provide more sophisticated and comprehensive coverage of international development issues on both the global and local levels. This includes a balanced, objective analysis of the impact of globalization on local communities, citing both positive and negative examples of the involvement of the private sector and other key stakeholders in international development.

*"We need to squawk on and on about how great free trade is—and then we also need to squawk on and on about the importance of labor standards and environmental standards overseas."* —MEDIA

*"Our responsibility is to write and educate people about the virtues and the downsides of free trade—and what can be done to make overseas investments and overseas involvement by the private sector a better process."* —MEDIA

Business leaders complained, however, that journalists too often restrict their coverage to the negative and the sensational, painting a "good vs. evil portrait" of international development and the role of business, and neglecting more positive and constructive examples of the private sectors' contributions to the developing world.

*"They should be highlighting best practices, not just where things have gone wrong. If I was to talk to international bureau chiefs, I would say you guys have a responsibility to let us know the good things that are going on and not just the latest war or storm."* —FINANCIAL SERVICES COMPANY

Journalists, for the most part, openly acknowledged their own tendency to focus primarily on instances of corporate misconduct and abuse, while defending their reluctance to provide "free publicity" for large corporations.

*"We're very leery of anything that looks like a free ad for a company. Three hundred companies a day are saying to us, 'We've done a good thing. We've donated our computers to this archeologist in Peru, and he's using it to map Incas.' But really what they want is an ad for their computers. And we don't do that. Buy an ad."* —MEDIA

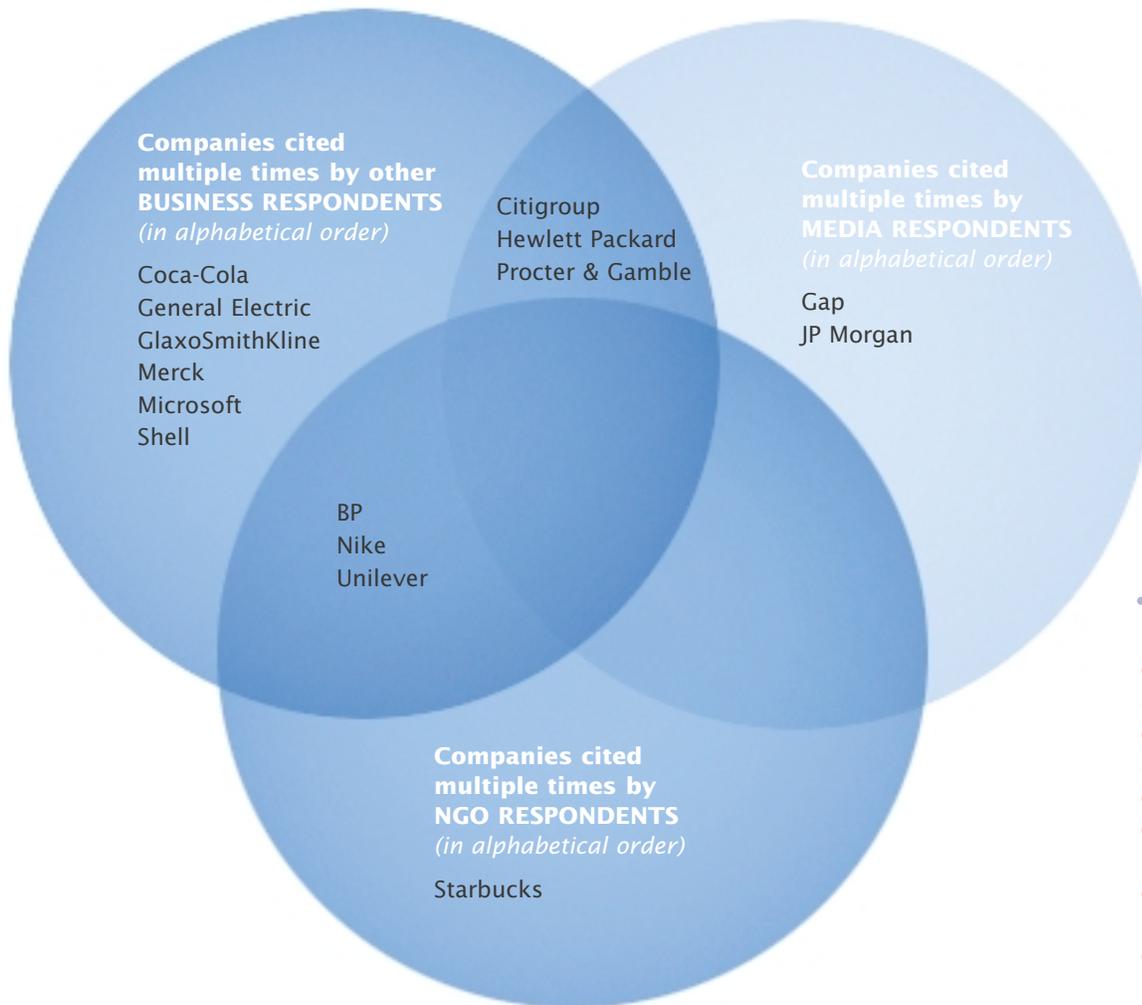
In addition to the international media, respondents also emphasized the importance of local media in developing countries. A free local press was repeatedly identified as the most effective mechanism for holding local governments accountable for corruption, incompetence and other activities that inhibit the development process – and the most reliable predictor of a free and stable society and a sustainable market environment.

*"We need to squawk on and on about how great free trade is—and then we also need to squawk on and on about the importance of labor standards and environmental standards overseas."*  
—MEDIA

# Evaluating Corporate Best Practices

Survey respondents in all groups were asked to name and evaluate individual companies and industry sectors that they believe are playing an effective role in supporting international development goals and demonstrating “best practices”. The graphic below lists the names of the companies cited by survey respondents.

## Companies Considered Leaders in Supporting International Development Goals



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*“We’re very leery of anything that looks like a free ad for a company. Three hundred companies a day are saying to us, ‘We’ve done a good thing. We’ve donated our computers to this archeologist in Peru, and he’s using it to map Incas.’ But really what they want is an ad for their computers. And we don’t do that. Buy an ad.”*

—MEDIA

## Specific Examples of Best Practices

The following examples, in alphabetical order, were among those most commonly cited as best practices in current international development activities:

**BP** – “Unlike most of the extraction industry, BP has begun to try to understand the impact of oil and gas production in developing countries.” (NGO)



**Citigroup** – “They do a lot of funding for small business internationally.” (Telecommunications and technology company)

**Gap** – “They are trying to do something to manage their supply chain and taking full responsibility and being somewhat open about it.” (Media)



**General Electric** – “All of a sudden you’ve seen GE make some stunning announcements that it was going to invest billions of dollars in green technology—that technology is going to be a business strategy and a platform for their future.” (NGO)



**Hewlett Packard** – “They have been innovative on looking at a need that a particular country might have which starts off as a development need and they also start to build a potential customer base at the same time.” (Retail company)



**Rio Tinto** – “They’ve developed a very thoughtful strategy at a global level about the impact of their mining operations and are trying to make a positive contribution to those areas. They’re out front in the mining industry and out front in the extraction sector in general.” (NGO)



**Microsoft** – “They are a particularly good company in that front because they have products that can really support development and separately they support development in a unique way.” (Pharmaceutical and health company) A number of respondents also cited the Bill and Melinda Gates Foundation as an example of good practice in supporting international development goals. This private philanthropic initiative appears to have a “halo” effect on Microsoft’s reputation.



**Nike** – “They have taken the issue of global labor standards seriously.” (Media)



**Pharmaceutical companies** (e.g., Bristol Myers Squibb and Pfizer for their ongoing work with AIDS and HIV in Africa, and Merck, for its river blindness work)—“Pharmaceutical companies do far more than they generally get credit for.” (Energy and utilities company)



**Procter & Gamble** – “They have now created product extensions and product lines that are suitable for the gazillion people at the bottom of the pyramid.” (Transportation and shipping company)



**Rio Tinto** – “They’ve developed a very thoughtful strategy at a global level about the impact of their mining operations and are trying to make a positive contribution to those areas. They’re out front in the mining industry and out front in the extraction sector in general.” (NGO)



**Starbucks** – “They’ve gone a long way toward understanding the impact of coffee production in communities, and how they can benefit both socially and environmentally.” (NGO)

**Unilever** – “I like the way they’ve examined the social and environmental impact of their supply chain, as well as the other brands they’re selling.” (NGO)

Footnote: The following companies were cited by at least one respondent as leaders in international development: ABN Amro; Alcoa; AMD; American Express; Anglo American; BHP Billiton; Black and Decker; BP; Bristol Myers Squibb; British American Tobacco; British Telecom; Cadbury Schweppes; Cemex; Chiquita; Citigroup; Coca-Cola; Dell; DuPont; Ericsson; Gap; General Electric; GlaxoSmithKline; Goldman Sachs; Grupo Nueva; Heineken; Hewlett Packard; IBM; Ikea; Johnson and Johnson; JP Morgan; Kraft; Marks and Spencer; McDonalds; Merck; Microsoft; Nestle; Nike; Nokia; Novo Nordisk; Omron; Pfizer; Procter & Gamble; Reebok; Rio Tinto; SC Johnson; Shell; Starbucks; Timberland; Unilever; Whirlpool

Two industry-wide collective initiatives were also cited as good examples by several respondents:

- **The Extractive Industry Transparency Initiative:** which brings together oil and mining companies, with non-governmental organizations and both developed and developing country governments with the aim of improving transparency and disclosure of revenues paid to and from extractive companies undertaking projects in selected developing countries. [www.eitransparency.org](http://www.eitransparency.org)

- **The Equator Principles:** which is a joint initiative of the International Finance Corporation and a group of major international banks, which account for over 80% of major project financing in developing countries, with the aim of ensuring sound environmental and social standards in such financing. [www.equator-principles.com](http://www.equator-principles.com)

### Leaders and laggards – Sometimes the Same

Although respondents were asked to rank different industry sectors by the impact of their development efforts, the results were inconclusive, even among the business respondents. Certain sectors such as energy and extractive industries, agribusiness, pharmaceuticals and financial services were ranked by some respondents as making an extremely strong contribution, while other respondents ranked the same sectors as making an extremely negative contribution.

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“We have learned that you can collaborate with NGOs successfully. It is good for both of us to see the situation through a different set of eyes that solutions are possible but are different than what people think they are.”

—FOOD AND BEVERAGE COMPANY

## The Importance of Partnerships and Collective Action

### Effective solutions require effective partnerships

Business leaders, journalists, NGO leaders and investors agree that international development is far too complex and demanding a responsibility for the private sector—or any other single group—to handle on its own.

*“There’s been too much emphasis that the private sector can solve every problem, and it’s not always within their capability or their interests to.”*—NGO

For this reason, many corporations and NGOs have begun to work together to tackle specific development concerns. As one private sector respondent explained, “Effective solutions require effective partnerships.” Each partnering group or organization contributes a unique perspective on the problem and plays an essential role in finding and implementing a solution.

*“We have learned that you can collaborate with NGOs successfully. It is good for both of us to see the situation through a different set of eyes that solutions are possible but are different than what people think they are.”*—FOOD AND BEVERAGE COMPANY



*"I think you will see more of this collaborative work going on so that it is less about one company doing xyz and more about collections or companies and stakeholders coming together to tackle problems, as opposed to trying to do it all on our own."*

—PHARMACEUTICAL AND HEALTH COMPANY

NGOs provide corporations with sophisticated knowledge and expertise about specific social, economic and environmental issues. Several business leaders described their growing dependency on, in particular, local NGOs, which furnish indispensable access to and information about *"the actual situation on the ground"* in the local communities in which corporations have recently established markets.

*"Almost anything we do in a country is in partnership with local NGOs. We have found they are tapped into real needs and how to implement various programs. For example, we are doing capacity-building programs where we do worker or management education, and we find they have a decent idea of the best way to convey the information and also how to go about doing things. They play an instrumental role in almost everything we do on an international level."* —RETAIL COMPANY

Corporations, on the other hand, provide NGOs with the influence, flexibility and financial resources to get things done.

*"The most successful partnerships we have seen occur when both parties (corporations and NGOs) are willing to alter where they are when information is presented that is compelling."*

—PHARMACEUTICAL AND HEALTH COMPANY

*"Businesses have the capital and resources, and people have the capacity and the need. So if we can channel those corporate resources to help people properly address their needs and tackle them, then there are huge benefits for both parties."* —NGO

### **Lessons of effective partnerships**

Both NGOs and business agreed that successful partnerships are possible, as long as all parties are committed to a common objective, recognize the needs and interests of other partners, and are open to the possibility of discovering new ways to understand and address development issues.

*"The most successful partnerships we have seen occur when both parties (corporations and NGOs) are willing to alter where they are when information is presented that is compelling."* —PHARMACEUTICAL AND HEALTH COMPANY

Business leaders repeatedly stressed the importance of finding partners who recognize the potential of *"market-based solutions"* to social and environmental problems, and who understand the organizational and financial constraints under which corporations work. Problems occur when NGOs remain too focused on a single issue and approach the collaborative process with *"an anti-business agenda."*

*"The bad ones are interested strictly in confrontation – not collaboration."* —FINANCIAL SERVICES COMPANY

NGO leaders look for corporate partners who seek to understand the impact of market expansion on local communities (*“the actual situation on the ground”*), demonstrate a commitment to long-term strategies and solutions, and are willing to follow through with the commitments that they make. Difficulties occur when business partners fail to honor their commitments or overlook sustainable, long-term solutions in favor of short-term profits.

### ***Skeptical of – but not cynical about – the motivations of development partners***

Focusing on shared areas of interest and concern is only one part of an effective partnership, however. Respondents observed that it is equally important for development partners to remain critical of the interests, motivations and activities of each other, while also remaining open to their questions and criticisms. As one NGO respondent explained partners committing to work together do not relinquish their right—or their responsibility—to criticize abuses when they do occur. *“Our approach is very much geared toward working with corporate partners. But at the same time, if they transgress against human rights somewhere in the world, we’re still equally committed to drawing the attention of the world to it and campaigning against what they’re doing.”*

Both private sector and NGO respondents regard skepticism as a healthy and productive way to view and be viewed by their partners – and an essential part of an effective development partnership. *“All parties should be viewed skeptically,”* explained a telecommunications and technology respondent, *“which increases the importance of working together in partnership.”* By openly questioning one another’s insights, development partners test and refine their own positions and commitments, while developing a deeper understanding of the commitments and positions of others.

NGOs respondents reported that they are actually less skeptical of business partners who are honest and open about the business motivations behind their development activities.

*“I tend not to be skeptical of business involvement because their motive is making money.”* —NGO

.....  
*“The days of staying within the borders of the US are over, and we are going to need to expand globally to be seen as a good corporate citizen or be able to compete in the global economy.”*  
—EQUIPMENT AND MANUFACTURING COMPANY

## Recommendations

### ***“Just the beginning”***

Respondents from all groups agreed to a lesser or greater extent that international development will and should play an increasingly important role in corporate strategy in the future. As globalization continues, the private sector will continue to expand into emerging markets around the world, and corporations will consequently assume greater responsibility for the well-being of those to whom they market their products and services.

*“We’ll have to become more involved in it if we want to survive.”* —EQUIPMENT AND MANUFACTURING COMPANY

*“The days of staying within the borders of the US are over, and we are going to need to expand globally to be seen as a good corporate citizen or be able to compete in the global economy.”*—EQUIPMENT AND MANUFACTURING COMPANY

While an increased role for the private sector in international development appears to be inevitable, there is much less certainty regarding what this role will be or what new opportunities and challenges the private sector and other development partners will face going forward. “We’re just scratching the surface,” observed the same equipment and manufacturing company.

Some of the themes that came out again and again in the interview process provide the basis for a set of recommendations to both companies and their stakeholders who wish to harness the potential of the private sector to contribute to international development goals. These are summarized below:

### **Business**

Business should be clear about its motives and activities in the developing world. Companies should focus on both their core impacts and competencies, and both present and assess activities from a business-case perspective. Civil society is prepared to accept that companies operating in the developing world are driven chiefly by the profit-motive. When companies attempt to frame their activities only as good works or charity, they actually lose credibility.

### **NGOs**

NGOs are already viewed by many companies as providing valuable expertise and on-the-ground knowledge in developing countries. Business is often even willing to accept the tension of having NGOs monitor and assess corporate activities to ensure responsible conduct. However, as NGOs pursue collaboration and partnership with private sector they must keep in mind the drivers and realities of the marketplace within which companies operate and address business on this level.

### **Multilaterals**

In order to fully leverage business’ engagement, multilateral institutions must communicate more clearly what specific benefits, competencies and value they provide to companies wishing to make a contribution to development. For example, multilaterals serve as a perfect forum for the development of guidelines and standards for business activities in developing countries and add credibility and expertise to partnerships for development. Multilaterals also must recognize and publicly acknowledge the potential link between achieving the MDGs and enabling business to expand and responsibly grow their markets.

### **Media**

Business and NGOs both agree that current media coverage of international development issues is insufficient. General consensus across sectors is that the media must provide more robust and balanced reporting on the complexities of operating in the developing world and that, when covering business in the developing world, reporters should not limit themselves to negative stories.

### **Government**

Governments – both in the developed and developing world—are viewed as playing a crucial role in providing an ‘enabling environment’ to facilitate international development in a range of ways, including: trade agreements, sound policies, efforts to tackle corruption and ensuring the rule of law. In order to achieve international development goals within their own borders, or abroad, Governments must be prepared, and organize themselves, to work with all of the relevant development actors, including business.

Some of the themes that came out again and again in the interview process provide the basis for a set of recommendations to both companies and their stakeholders who wish to harness the potential of the private sector to contribute to international development goals.



