

# Cooperation & Confrontation

## **NGO relationships with the private sector**

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**5 September 2013**

# NGO Senior Management Roles

- Adherence to the organizational mission & vision
- Ensuring financial sustainability
- Building & protecting identity, brand, and public image
  - Integrity: related to honesty, accountability, transparency & good governance
  - Reputation: related to quality & quantity of work, efficiency, effectiveness
- Strategy, planning & organizational development
- Public, media & sectoral representation
- Management of people, leadership & motivation
- Governance

# NGO Engagement

- Fundraising from companies
- Joint work on community activities
- Critical campaigning targeting companies
- Lobbying business & government for policy or regulatory changes
- Working with business on codes, standards, social audits and impact assessments

# Fundraising

- The unattributed donation
- The publicised donation
- Event & project sponsorship
- Beneficiary events
- Co-branded fundraising activities
- Supply of goods, services or people (e.g. for emergency relief)

# Critical campaigning

- Sector research and publications
- Public campaigns for change of practices
- Coalitions and alliances
- Consumer pressure (boycotts or purchasing campaigns)
- E-actions and petitions
- Shareholder pressure
- Litigation

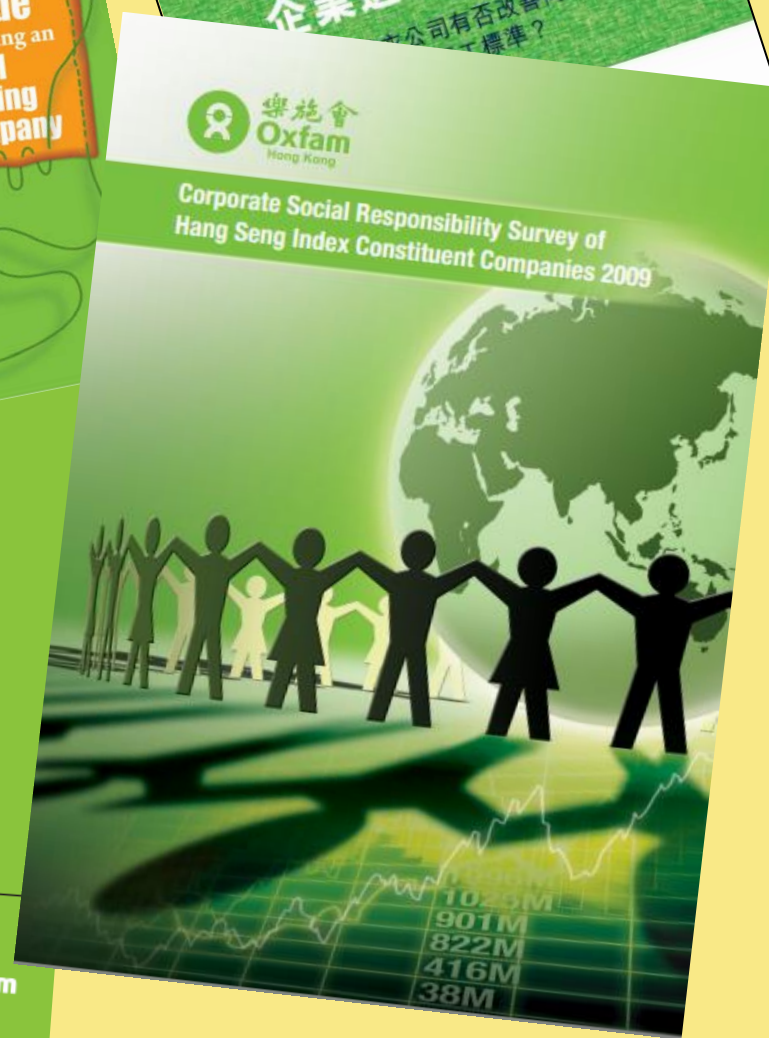
# Working with the private sector

- Improving core business policies and practices
- Developing, implementing & auditing codes and standards (CSR, ESG)
- Joint programmes on improving environmental & social impact

# Standards developed by multi-stakeholder initiatives









Working together for change



Insight Report

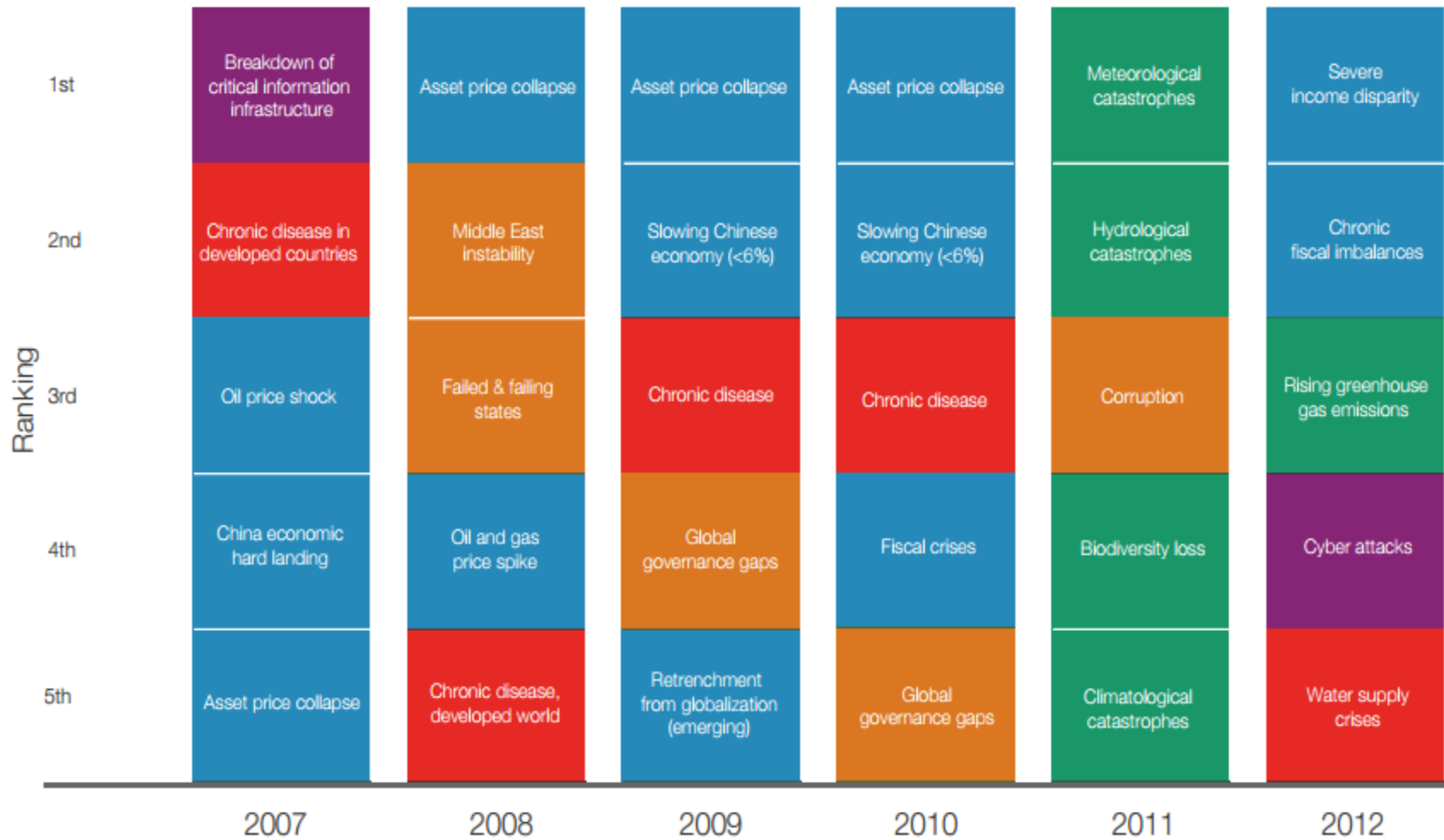
COMMITTED TO  
IMPROVING THE STATE  
OF THE WORLD

# Global Risks 2012 Seventh Edition

An Initiative of the Risk Response Network

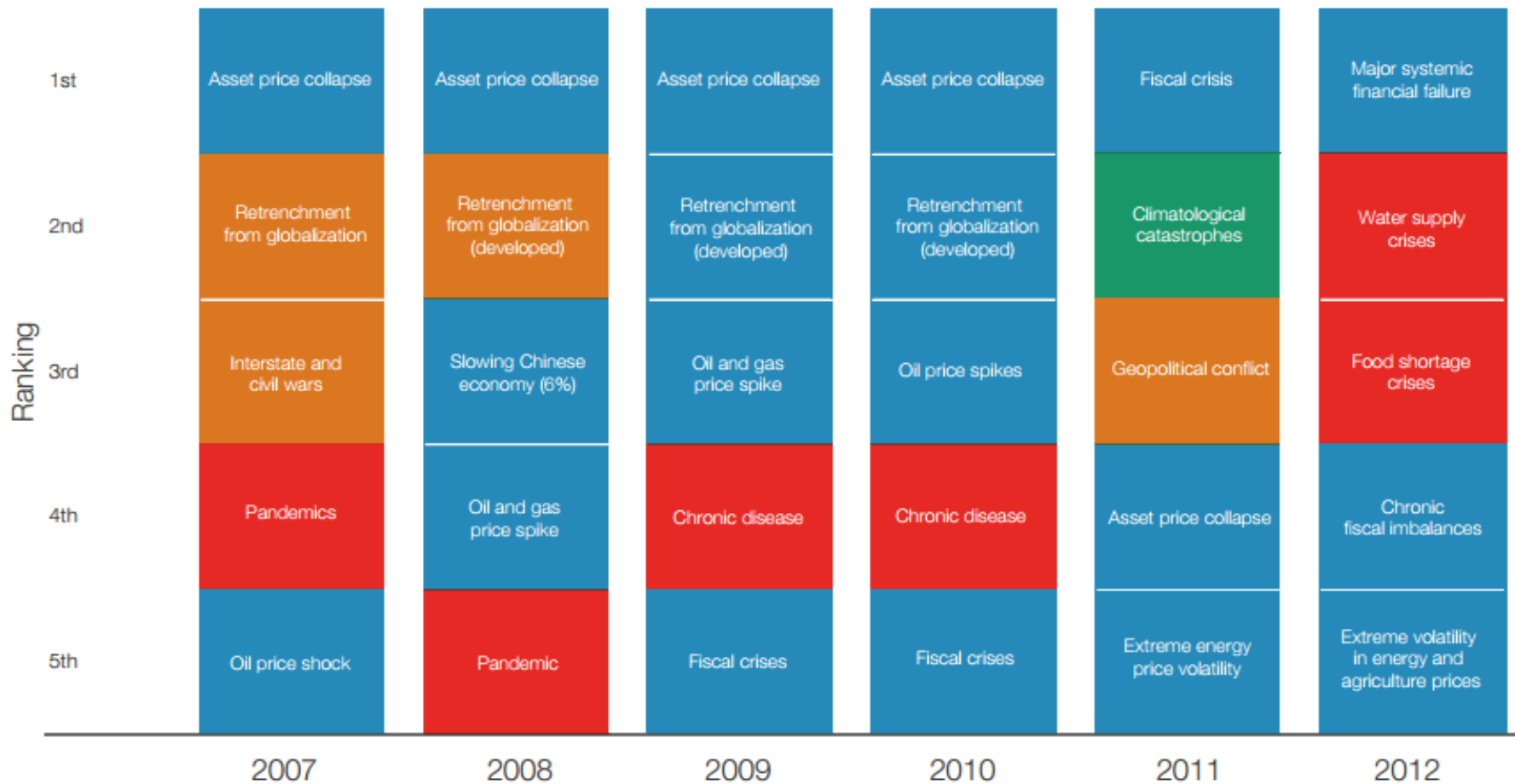


## Top 5 Global Risks in Terms of Likelihood



- Economic
- Environmental
- Geopolitical
- Societal
- Technological

## Top 5 Global Risks in Terms of Impact



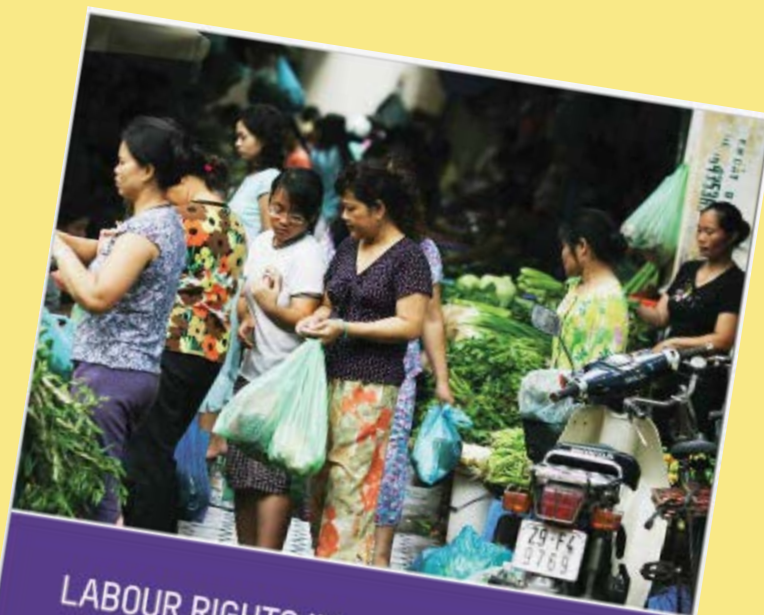
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Exploring the Links Between  
International Business and Poverty Reduction:  
A Case Study of Unilever  
in Indonesia

Principal Author: Jason Clay

An Oxfam GB, Novib, Unilever, and Unilever Indonesia joint research project



LABOUR RIGHTS IN  
UNILEVER'S SUPPLY CHAIN  
From compliance towards  
good practice

An Oxfam study of labour issues in Unilever's  
Viet Nam operations and supply chain



OXFAM

Figure 1: UI and its business partners: structure of operations from sourcing to marketplace

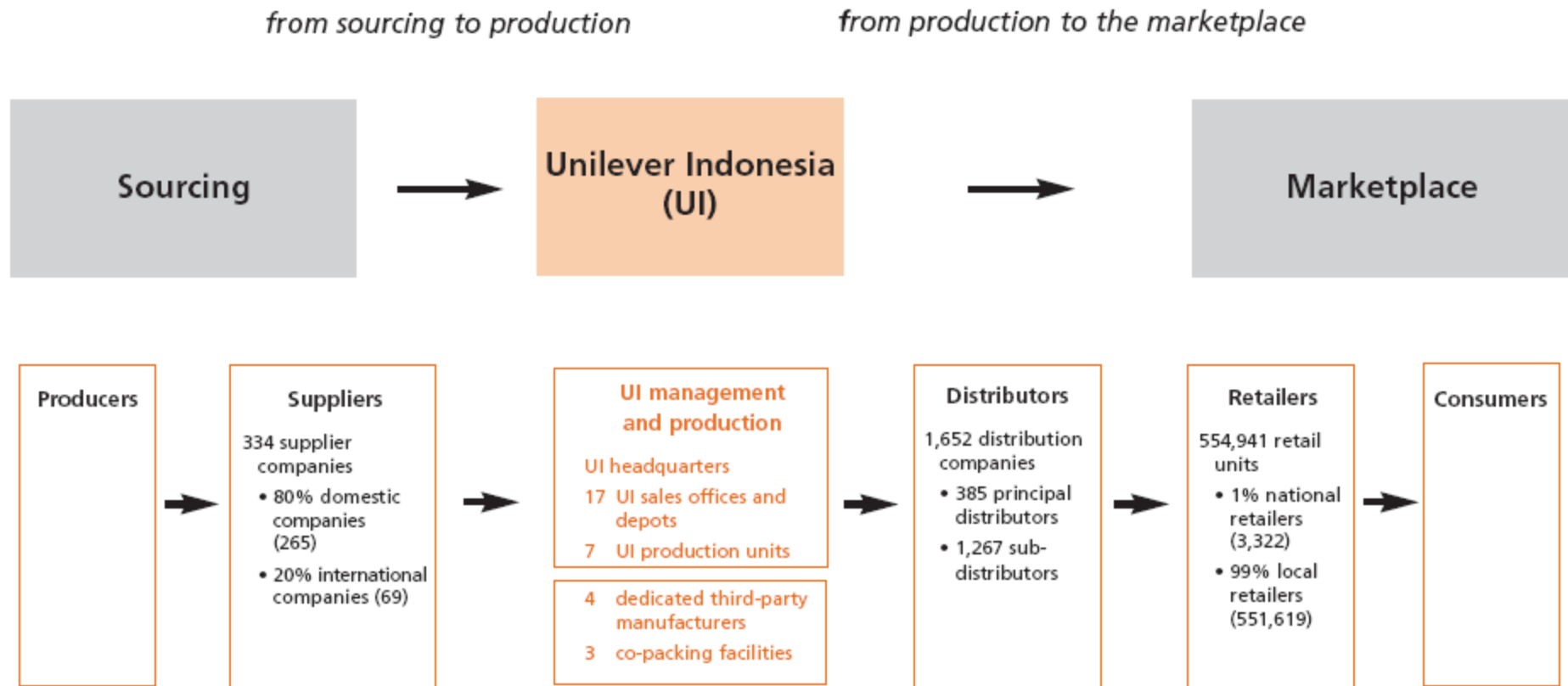


Figure 7: Estimated distribution of value generated along UI's value chain (2003)

% of total value generated	Value-chain activity	Rp billion	US\$ million	% breakdown by category	
4 <sup>b</sup>	Raw-material sourcing	232	27	Local raw materials	62
				Imported materials	38
12	Manufactured goods & other suppliers	638	74	Direct suppliers	54
34				Indirect suppliers	25
				Advertising suppliers	21
34	UI operations	1,817	212	UI operating costs	69
				UI employees	26
				UI Indonesian shareholders	5
26	Taxes paid by UI	1,457	170	UI taxes <sup>c</sup>	100
	6	UI distribution operations	332	39	UI distributors
UI sub-distributors					7
18	Retail operations	955	111	UI shops and warungs	80
				Non-UI warungs	20
Estimated total value generated		5,431	633		



Figure 6: Estimated employment linked to UI's value chain (2003)

% of total employment linked to UI's value chain	Value-chain activity	Estimated jobs (FTEs)	% breakdown by category	
27.1	Raw-material sourcing	81,515	Cassava	44
			Palm oil	27
			Tea	12
			Coconut sugar	10
			Black soybeans	7
8	Manufactured goods & other suppliers	24,000	Direct suppliers	33
			Indirect suppliers	67
2.4	UI operations	7,069	Direct & temporary employees	46
			Contract workers	28
7.3	UI distribution operations	21,860	3rd-party producers <sup>a</sup>	26
			UI distributors	48
			UI sub-distributors	18
			Sales promotion teams	13
			Ice-cream hawkers	21
55.2	Retail operations	166,320	UI-supplied shops	1
			UI-supplied warungs	99
Estimated number of jobs (FTEs <sup>b</sup> )		300,764		

# Unilever study: some observations

- Between Oxfam and Unilever staff there was very significant differences in interpretation of the same set of objective data.
- *“While the research provided some important grounding, we realised that many of the issues that are debated between civil society organisations and the private sector are defined by prior assumptions, core values, and beliefs”.*
- *These cannot necessarily be resolved by gathering evidence, although evidence helps to identify areas of agreement and to understand areas of disagreement.*
- *This experience points to a very different approach in corporate social responsibility work, one which goes beyond data collection to a more intensive and rigorous dialogue, ideally as a step towards action.*

NGO and business set aside differences and call upon world governments to ratify the Kyoto Protocol at the WSSD and implement the commitments agreed upon in the UN Framework Convention on Climate Change (UNFCCC). WSSD Johannesburg 2002



Chris Boyd, Lafarge; Charles Nicholson, BP; Remy Parmentier, Greenpeace; Achim Steiner, IUCN (World Conservation Union); Bjorn Stigson, World Business Council for Sustainable Development; Jose Goldberg, Government of Brazil; Steve Sawyer, Greenpeace

# Examples of critical issues and areas of cooperation

Corporate Sector	Advocacy & campaign issues	Co-operation, dialog & standards
Agriculture	<ul style="list-style-type: none"> <li>● Environmental issues from chemical use &amp; runoff, mono-cropping &amp; water depletion</li> <li>● Lobbying for trade restrictions &amp; subsidies;</li> <li>● Dumping subsidised foods overseas;</li> <li>● Poor labour conditions; migrants; union-busting;</li> <li>● Land grabbing;</li> <li>● Inhumane treatment of animals;</li> </ul>	<ul style="list-style-type: none"> <li>● Community-based agricultural projects</li> <li>● Quality &amp; organic standards</li> </ul>
Extractive-mining (Oil, minerals, timber)	<ul style="list-style-type: none"> <li>● Environmental pollution (spills; fracking);</li> <li>● War economies (payments to combatants) 'Blood Diamonds';</li> <li>● Land rights &amp; land access;</li> <li>● Human rights of indigenous people</li> <li>● Climate change denial &amp; contrary research funding</li> </ul>	<ul style="list-style-type: none"> <li>● Community projects in mining areas</li> <li>● Multi-sectoral forums on mining policy;</li> <li>● Dialog intermediation with affected communities;</li> <li>● Codes of conduct;</li> <li>● Forestry Stewardship Council standards</li> </ul>
Finance and banking	<ul style="list-style-type: none"> <li>● Developing country debt;</li> <li>● Tax havens;</li> <li>● Money laundering;</li> <li>● Loans to repressive governments;</li> <li>● Financing of inappropriate infrastructure projects;</li> <li>● Financing the arms trade;</li> <li>● Misleading investment &amp; loans offers to consumers;</li> <li>● Lobbying for deregulation of finance</li> </ul>	<ul style="list-style-type: none"> <li>● Finance for micro-credit programs;</li> <li>● Remittance schemes for migrants;</li> <li>● Rapid transfers for disaster relief programmes</li> <li>● Ethical investment criteria and monitoring</li> <li>● Equator Principles; codes of conduct</li> </ul>

Corporate Sector	Advocacy & campaign issues	Co-operation, dialog & standards
<b>Fisheries</b>	<ul style="list-style-type: none"> <li>● Fishing rights, quotas &amp; practices harmful to indigenous fishing communities;</li> <li>● Stock depletion &amp; threats to biodiversity</li> <li>● Pollution (from fish farms)</li> <li>● Food safety</li> </ul>	<ul style="list-style-type: none"> <li>● Marine Stewardship Council standards</li> </ul>
<b>Food processing and retailers</b>	<ul style="list-style-type: none"> <li>● Low prices paid to producers;</li> <li>● Harmful marketing of infant formula;</li> <li>● Poor food safety;</li> <li>● Inhumane treatment of animals;</li> <li>● Lobbying against clearer food labelling;</li> <li>● Advertising unhealthy processed foods, particularly targeting children</li> <li>● Poor wages &amp; conditions, esp. in fast food outlets</li> </ul>	<ul style="list-style-type: none"> <li>● Joint community development and training programs with agricultural suppliers</li> <li>● Fair trade standards;</li> <li>● Marketing standards;</li> <li>● Quality &amp; organic standards;</li> </ul>
<b>Light industry (shoes, toys, garments, sports goods)</b>	<ul style="list-style-type: none"> <li>● Poor health and safety;</li> <li>● Child labour;</li> <li>● Labour rights - Sweatshops;</li> </ul>	<ul style="list-style-type: none"> <li>● ‘Post employment’ training of migrant factory workers;</li> <li>● Health and safety training;</li> <li>● Education projects for child workers</li> <li>● Codes of conduct development and monitoring;</li> <li>● Fair Labour Association (US);</li> <li>● Ethical Trading Initiative (UK);</li> </ul>

Corporate Sector	Advocacy & campaign issues	Co-operation, dialog & standards
<b>Pharmaceuticals, toiletries &amp; cosmetics</b>	<ul style="list-style-type: none"> <li>● Lack of affordable access to medicines by poor people (e.g. HIV/AIDS drugs);</li> <li>● Restrictive patents and intellectual property;</li> <li>● Lobbying against genetic drug manufacture;</li> <li>● Research bias (focus on rich peoples illnesses);</li> <li>● Inhumane animal testing practices</li> </ul>	<ul style="list-style-type: none"> <li>● Health programs;</li> <li>● Support to neighbourhood clinics;</li> <li>● Dual pricing schemes</li> </ul>
<b>Travel and tourism</b>	<ul style="list-style-type: none"> <li>● Environmental destruction; water depletion</li> <li>● Child prostitution;</li> <li>● Labour rights</li> </ul>	<ul style="list-style-type: none"> <li>● NGOs working with the industry on an accreditation body or stewardship council</li> <li>● Eco-tours and preservation projects</li> <li>● Job creation schemes</li> </ul>
<b>General</b>	<ul style="list-style-type: none"> <li>● Tax avoidance;</li> <li>● investments in countries with repressive governments (e.g. Military Myanmar, Apartheid S. Africa, Pinochet's Chile);</li> <li>● Poor corporate HIV/AIDS policies;</li> <li>● Labour rights; inconsistent standards</li> <li>● Corrupt payments to officials</li> </ul>	<ul style="list-style-type: none"> <li>● A range of project and program linkages</li> <li>● Global Reporting Initiative; Global Compact;</li> </ul>



# Learning Lessons

Case One: 'Come & meet us'

# Learning Lessons

Case two: A gift of shares

Risks and benefits

# The NGO Risk Register (example of structure)

	Risk areas identified	Likelihood (score)	Severity of impact (score)	Overall 'gross' risk	Control procedure(s) identified	Retained 'Net' risk	Action needed: further plans / responsible manager
1	Theft of assets	High (3)	Medium (2)	High (6)	<ul style="list-style-type: none"> <li>Asset register</li> <li>Quarterly asset verification</li> <li>Engraving</li> <li>Insurance</li> <li>Limited access to key assets</li> </ul>	Medium	<ul style="list-style-type: none"> <li>Finalise asset register: CEO</li> </ul>
2	Fraud	High (3)	High (3)	High (9)	<ul style="list-style-type: none"> <li>Fraud policy in place</li> <li>Internal audits (6 monthly)</li> </ul>	Medium	<ul style="list-style-type: none"> <li>Develop policy: Treasurer</li> <li>Increase frequency to quarterly: Treasurer</li> </ul>
3	Road accident	Medium (2)	Medium (2)	Medium (4)	<ul style="list-style-type: none"> <li>Insurance</li> <li>Use mostly public transport and hired drivers</li> </ul>	Low	
4	Main donor pulls out	Medium (2)	High (3)	High (6)	<ul style="list-style-type: none"> <li>Diversify funding base (more donors)</li> <li>Generate local income</li> </ul>	Medium	<ul style="list-style-type: none"> <li>Develop financing strategy: Treasurer</li> </ul>
5	Fire	Low (1)	High (3)	Medium (3)	<ul style="list-style-type: none"> <li>Fire exits, fire extinguisher, smoke detectors</li> <li>Offsite backups</li> <li>Insurance</li> </ul>	Medium	<ul style="list-style-type: none"> <li>Renew insurance: CEO</li> <li>Building works: CEO</li> </ul>
6	Electronic virus	High (3)	Medium (2)	High (6)	<ul style="list-style-type: none"> <li>Firewall</li> <li>Backups</li> </ul>	Medium	
7	Exchange losses	Medium (2)	Medium (2)	Medium (4)	<ul style="list-style-type: none"> <li>Set donor contracts in local currency</li> </ul>	Medium	
8	Bribery – paying bribes	High (3)	High (3)	High (9)	<ul style="list-style-type: none"> <li>Put 'adequate procedures' in place</li> </ul>	High	<ul style="list-style-type: none"> <li>Review recommendations; develop a policy: CEO</li> </ul>

# Areas of Risk

## **GOVERNANCE AND LEGAL RISK**

Accountability measures not adhered to: e.g. Governance code of conduct; whistleblower policy; international standards and charters

Failure to comply with government regulations on NGOs: including legal registration, tax law, bank accounts, financial transfers, employment law.

Liability: Property, litigation, environment, labour etc.

## **OPERATIONAL RISK**

Failure to deliver on planned activities

Disruption of office systems, including IT systems

Disruption of transport systems and staff access to office

Political or social unrest in countries of operation

Labour disputes; health and safety of staff

## **FINANCIAL RISK**

Insufficient income to support programme commitments: drop in donations or withdrawal of major funder

Theft of funds; corruption

Poor budget control / financial management

## **BRAND AND REPUTATIONAL RISK**

High-profile attack from government, business sector or the media reacting to NGO's advocacy position. Challenging accuracy, professionalism or impartiality of the NGO.

Media criticism of financial and administrative conduct of the NGO. E.g. admin costs, salary levels, fundraising costs, extravagant expenses.

Unfavorable reactions related to corporate donations. Controversies arising from accepting or refusing donations.

Publicly-expressed complaints from individual donors: personal data issues, misleading fundraising messages etc.

Behavior or views of staff or board members inconsistent with the NGO's values. Claims of conflict of interest.

Adoption of similar or confusing names or logos by other NGOs

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Behavior or views of staff or board members inconsistent with the NGO's values. **Claims of conflict of interest.**

Adoption of similar or confusing names or logos by other NGOs



# Checklist: NGOs engaging with business

# Work out terms of engagement (why, who, what and when) in advance

- Clear objectives, targets, indicators & evaluation process for the collaboration.
- An exit strategy and process to end the relationship to be mutually agreed.
- Clarity about the duration of the relationship.
- Clarity ensured regarding terminology used in any agreement. Both parties should agree on the meaning of such things as 'a consultation', 'cooperation', 'endorsement', 'sponsorship', 'partnership' etc.
- Responsibilities should be clear in terms of work & money (often advisable for each party to pay its own way in any interaction intended to raise private sector standards.)

# Capacity and preparation

- Staff responsible for decision making on relations with corporations should have experience, knowledge and tools to make judgments about core ethical values, integrity, risk management, partner relations and legal mandate.
- Adequate preparation of information & research necessary to engage with any corporation in an authoritative and professional manner.

# Co-identification and co-branding

- Where an NGO's name is linked publicly with a commercial brand, or could be perceived as endorsing a brand, care should be taken to assess the impact on the NGO's reputation and brand:
  - The reputation and conduct of the company
  - The concept & message of cooperation;
  - The planned activities with which the NGO will be associated (whether it takes part directly or not).
- There should be a written agreement on the use of an NGO's name or logo as part of any private sector cooperation.

# Risk assessment

- Effective risk assessment procedures should be applied to private sector engagement.
- In the case of cooperation, risk assessment should comprise risks to integrity, reputation and brand and should consider risks of both engagement and rejection.
- In the case of critical advocacy, risk assessment should consider the impact of defensive and retaliatory action.
- When risks are high or the corporation has previously received criticism, external ethical checks on the company are advisable.

# In short

- Great potential benefits from engaging the private sector in terms of achieving mission & institutional growth
- Be clear what you want from the relationship
- Make sure you have the capacity to work as equal partners
- Agree on the public message
- Do a thorough risk assessment or cost-benefit analysis

Questions & contrary views