

VSO GUIDANCE
FOR ENGAGEMENT WITH THE
PRIVATE SECTOR
Sept 2010



This paper provides guidance for VSO in its engagement with the private sector. It aims to ensure that engagement with the private sector is managed consistently around the organisation, to maximise benefit and minimise risks to VSO.

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Scope

This guidance relates to all forms of engagement with the private sector, in any country, which includes the following types of engagement

- Public alignment
- Providing resources
- Collaboration in our programmatic work
- Advocacy

- Gifts of goods, services and expertise
- Procurement
- Influencing business practices

It is relevant for all sizes of company: sole traders, private limited companies and public companies. Given the complex structure of companies, it is also relevant to other entities aligned to companies, including company foundations, subsidiaries, associated and parent companies, and related trading companies.

It is not relevant for the following areas of fundraising. Guidance on engagement with these areas can be found in the international funding guidelines.

- Engagement with individuals, whether through one to one relationships with individuals or en masse communications, regardless of any role they may have in a company
- Engagement with foundations, with the exception of company foundations, where one or more of the following conditions applies
 - The foundation receives 50% or more of its funding from the company itself
 - The foundation shares more than one board member, or director with the company
 - The foundation is a public vehicle for the company's support for the community

Aims and objectives

The aims and objectives of this guidance are:-

- To provide clarity to all staff in our engagement with the private sector
- To achieve more consistency in our engagement with the private sector, across the world and across different aspects of our work, and parts of the organisation.
- To maximise the benefits and minimise the risks of engaging with the private sector, through the establishment of robust techniques to select companies, and the creation of expertise to lead on decision making.

Context

There are many reasons why VSO is proactively engaging with the private sector, at this time. These include

- Maximising the potential of reaching our organisational objectives, through recognising and utilising the influence of the private sector on development outcomes, through their influence, networks and resources
- To maximise the opportunities for funding from the sector, including the potential to source relatively high levels of unrestricted funds
- Maximise our abilities to source the right quantity and quality of volunteers and other supporters to deliver our objectives
- Enabling us to procure from companies, confident that we are operating true to our values, and consistent with our approach to other forms of engagement, such as fundraising and influencing company practices
- Enable us to invest any surplus funds we may have in company shares, confident that we are operating true to our values, and consistent with our approach to other forms of engagement
- Minimise the negative impact on the partners and communities we work with through constructive engagement with the private sector
- To conform to laws in certain countries which require us to establish a policy for the refusal of donations to the charity. In the UK legal system this process and any delegation of responsibility must be agreed by the trustees.

At the same time many sectors of society are focusing on the role of the private sector in development.

Governments around the world are showing their commitment to the role of the private sector in reaching the millennium development goals.

DFID (2005: 4)) has committed to “supporting programmes which are directed to improving the performance of the private sector and stimulating private investment for growth that benefits the poor”¹ In May 2008 it brought together leaders of some of the largest multinational companies to showcase best practice and launch its ‘Business call to Action (Accenture, 2009: 27)²’, as part of the MDG call to action in July 2007. This urged companies to move beyond philanthropy and corporate social responsibility models to address the complex and challenging crisis of poverty.

¹ *DFID and the Private Sector, Working with the private sector to eliminate poverty*

² *Accenture, Development Collaboration: None of our business? Non-governmental organisation transformation and the evolution of cross-sectoral partnerships in the 21st century. (2009)*

Many **companies** are demonstrating a greater role in development, highlighted by some of the case studies listed in Appendix 1. This has meant more companies embedding strategies for social investment into their core business. Examples include Vodafone using its mobile technology to enable poor communities to access mobile banking, health services and information gathering (see appendix for further information).

A growing number of international companies are voluntarily signing up to initiatives that monitor and demonstrate codes of conduct relating to their impact on society, including the UN Global Compact, the OECD guidelines for Multinational Enterprises.

Accenture, the international management consultancy firm, in its recent report entitled Development Collaboration: None of our business?, believes that companies have an enormous role to play in development and encourages companies to work alongside NGOs to have a real impact on poverty.

International development charities including Care, Plan, Save the Children, Oxfam, and World Vision are establishing cross sector partnerships that involve the private sector strategically. Many international NGOs are investing time and resource into engaging with the private sector, whether that be through strategic partnerships, operating as a broker for partnerships between companies and local communities, critical friends or working publicly on shared issues.

The **UN** conference on trade and development (2005), reported that 'the world's 77,000 multinational companies have 770,000 affiliates and employ 62 million people, exporting goods and services worth \$4 trillion. Businesses in poor countries account for a growing proportion of these figures' (Ethical Corporation, 2008 Article Social business: the bigger the better, April 2008)

Agencies, institutes and other bodies are also promoting partnerships between the sectors. There is also a growth in the number of private voluntary initiatives (PVI's), whereby companies are working together on how to improve social aspects of their businesses. These include the Ethical Trading Initiative, Extractive Industries Transparency Initiative, Kimberley Process

Background

Engaging with the private sector at VSO has been taking place for many years, through procurement, investment, working with companies in our programme offices, small scale company partners, and fundraising.

Many organisations have multiple policies for engaging with the private sector, including ethical procurement, investment, fundraising, influence etc. Through our guidance we are establishing one process that meets the needs of all areas of our engagement, reducing

transaction time, minimising duplication of resource and providing a consistent viewpoint, in line with our values, to all corners of the private sector.

Procurement

The procurement of goods and services, including flights, medicine, insurance, audits, IT and telephony equipment, stationery and furniture are essential components of how we carry out work.

We have a responsibility to our partners, supporters and beneficiaries to ensure we are carrying out this procurement in ways that are responsible, and minimise any negative impact on the aims and objectives of our work.

Fundraising and other support

Fundraising or deriving other kinds of support from companies is at varying levels of maturity around the organisation. VSO has been establishing partnerships with the private sector for many years, mainly through its Federation Members in the UK, Canada and Netherlands. There was a large emphasis on the funding and recruitment of our volunteers through these partnerships and they are now evolving in different ways, including to support our programmes more directly.

Programmatic work

Increasingly our programmes are engaging with the private sector as partners in different ways – with funding and volunteers often playing a part in the partnerships.

Decision making process for engagement with the private sector

The decision making process is tiered to ensure that our approach addresses the varying levels of risk through engagement.

Roles and responsibilities

This guidance establishes a new role within VSO – that of **corporate lead**. There is at least one corporate lead in each resource centre, federation member, programme office or other organisation at VSO, across the organisation. The role of the company lead is as follows

- Responsibility for screening companies
- Decision maker for some forms of engagement
- The first point of call for queries over engagement with companies that fall within their responsibility
- A list of contacts to provide best practice guidance for engagement with the sector

Global approach

The guidance aims for international consistency with local checks and balances.

When a decision about engagement with a company is made this decision binds us across the world. This decision would be made public based in the country where the company has its head office.

Therefore if we decide that we should only engage in dialogue with Company X, the decision taken in one country would bind all other countries to this restriction with Company X.

The reverse is not true. If a company has been researched and all types of engagement are approved this does not mean that all countries where the company has a national presence will be expected to engage.

Table of decision making

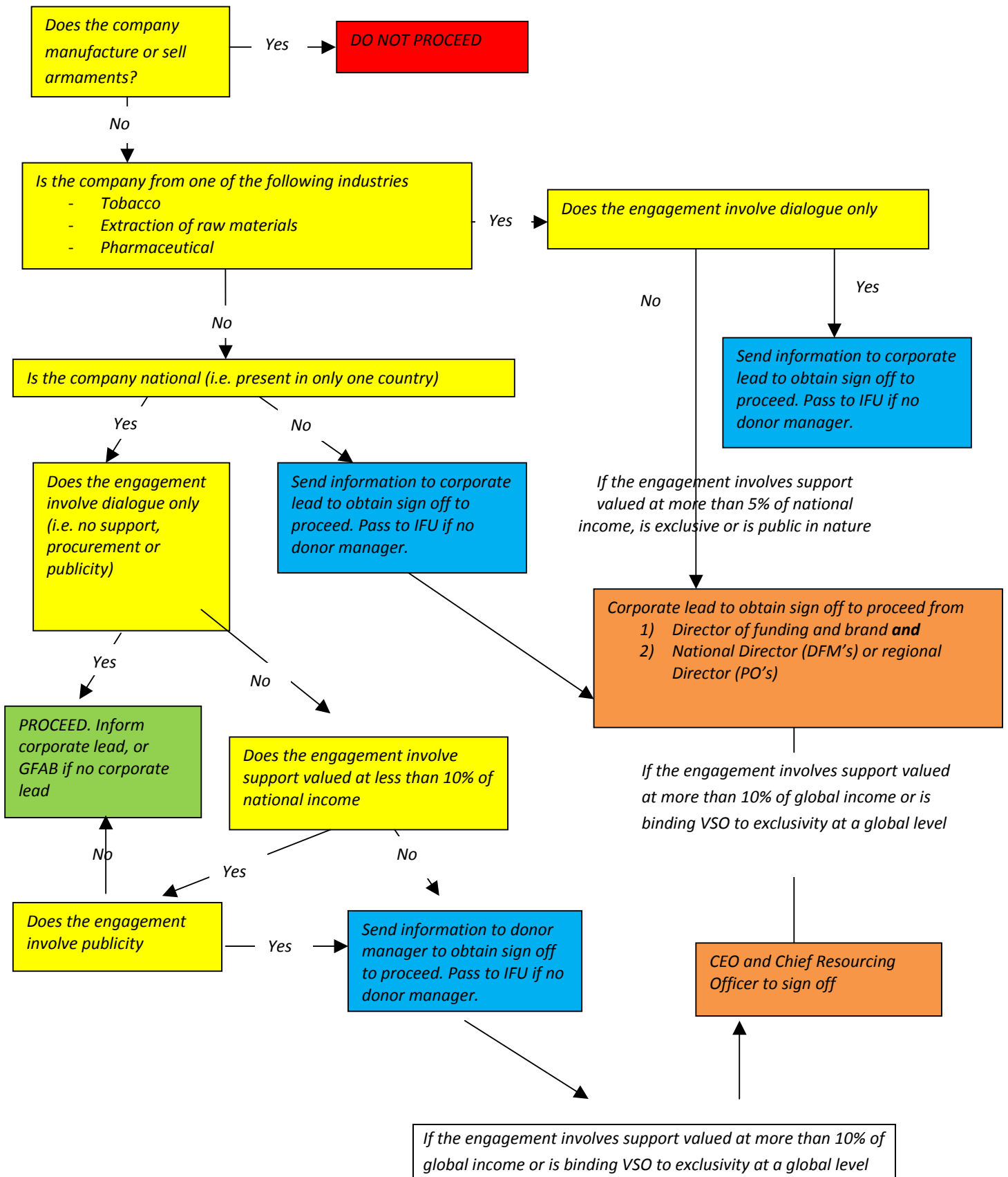
Type of company	Type of engagement	First point of call	Activity	Decision maker
Green	Dialogue only			
Green	Procurement, fundraising, investment	Corporate lead		
Green				
Amber	Dialogue	Corporate lead	Recommendation developed	Corporate lead
Amber	Procurement, investment, fundraising, where income or cost is valued at more than 10% of national income OR there is global exclusivity	Corporate lead	Recommendation developed by corporate lead	National Director and Global Director of Funding and Brand
Amber	Procurement, investment, fundraising, valued at more than 10% of global income	Corporate Lead	Recommendation made by national director and global director of funding and brand	Chief Executive and Chief Resourcing Officer

Green companies – companies that are from any industry with the exception of arms, tobacco, pharmaceuticals, extractive

Amber companies – companies that fall within the pharmaceutical, tobacco or extractive industries

Red companies – companies involved in the manufacture or sale of armaments

Decision making process – flow chart



Notes to the decision making table

- The value of income is counted as monetary income only, the value of goods and services that have been gifted to VSO are not counted as part of the thresholds.
- Exclusivity only refers to fundraising situations. Any exclusive arrangements with companies as suppliers would be the responsibility of the relevant procurement team, once the company has been researched.
- Exclusivity is where a company doesn't want VSO to work with another company in their particular industry. For example a bank may want VSO to agree not to work with any other banks in a fundraising partnership. Exclusivity can only be agreed by the global donor manager.
- National exclusivity would be when a national or international company wants VSO to work with them to the exclusion of other companies in their industry, in the country in which the relationship is formed.
- Global exclusivity would be when a national or international company wants VSO to work with them to the exclusion of all other companies in their industry, regardless of where the companies are in the world.

Guidelines for screening companies

The screening of companies should be undertaken by company leads in the first instance, and may then be escalated if need be, in one of a number of circumstances.

The process for screening companies is as follows:

Given the complex nature of companies, and their structures it is important to clarify the following points about the scope of the research being carried out.

- It should include researching other companies that are legally linked to it – including subsidiaries, parent companies, associated companies, trading companies
- It should not include researching the suppliers, clients, customers, or companies that manufacture or sell component parts to the company. For example we would not conclude research into an accounting firm law firm as red light on the basis that they have an arms company as a customer. The exception to this rule is when a public association between the two companies would have an impact on the reputation of VSO. In this case it would be judged to be a red result under reputational risk criteria.

Indicators used

In line with the values of VSO the indicators of risk that are used for the basis of the screening are detailed below. In screening we would be looking at any evidence of these activities in the last 3 years.

- Evidence of human rights abuses
- Evidence of labour rights abuses
- Demonstrated harm to poor communities
- Other

Tools used for screening companies

A multitude of tools can be used to screen companies to identify any risks of engagement. In some countries there are agencies who compile reports on companies, however it is important to ensure that the basis of the screening includes only the factors above, for consistency. These services are often paid for, and can be expensive.

Other free research tools can be used to research the company and search for evidence of any of the activities above. A general list is provided below, however it is useful to look at resources in each country in order to produce a tailored resource list.

- News agencies e.g. Reuters
- Company websites
- Specialist agencies who provide free information about company activity
- Boycott and activist groups that form to take action against companies from time to time
- Others

Output of the screening process

A traffic light system is used to characterise the output of the screening process

Green light – no to low risk to VSO – no evidence of the activities shown above - proceed with any form of engagement

Amber light – medium risk – no evidence of the activities shown above, but some evidence of potential reputation damage to VSO - engagement should be taken with caution, and any public association or fundraising activity should be backed up by an MOU or agreement providing VSO with a clear and comprehensive exit strategy

Red light – high risk – e.g. evidence of activities mentioned above. Engagement should be limited to influencing the company practices, unless the company is the sole provider of a good or service without which VSO would be unable reasonably to operate.

Communicating and documenting the screening results

The output of the screening is to be shared and adhered to across the organisation. Methods for sharing this information initially and on an ongoing basis are being developed.

Best practice

Best practice in engaging with the private sector will depend on the type of engagement. Please find below some examples of best practice.

General principles of best practice

In our engagements we should be ensuring that the values of VSO are adhered to, and protected. We should take necessary steps to ensure we are maximising the benefits to VSO of engaging with the private sector, and also take steps to ensure we are safeguarding our name and reputation.

Fundraising

Fundraising with the private sector can take many forms, including donations from the company, customers and staff, gifts of goods, expertise, staff expertise, formal volunteering, marketing relationships, licensing our name and logo, and strategic multi faceted partnerships. In developing these relationships it is important to adopt the approach that is relevant to the particular circumstances. For example if developing a widespread, long term partnership it is important to establish a true partnership between all parties, with the following features

- Equity in decision making and in power within the relationship
- Mutual benefit
- Shared responsibility for the outcomes
- Shared risks
- Shared commitment and energy to developing the partnership
- Agreed ways of working, including the circumstances under which each party may need to change its engagement

Public alignment

As for above there should be an approach of partnership adopted between the parties. However the existence of a public alignment brings additional potential risks to VSO, and requires additional caution.

It is advised that the following steps are also taken when VSO is entering into public alignment with a company

- A discussion with trustees and senior management team of the relevant VSO entity, to ensure that there is cross departmental agreement to a public alignment

- Agreed roles and responsibilities relating to the piece of work (to be contained within the agreement, or as an appendix to) the agreement below
- An agreement, which sets out the terms and conditions of the use of our name and or logo, an exit strategy and the conditions under which we would work and speak together.

Appendix

National donor manager – the fundraiser or country director who is the main point of contact for a company in their country. They are responsible for managing the relationship with the company, developing a plan for engagement and development of their support. If the head office of the company is not in that particular country then the donor manager will seek guidance from the global donor manager (located in the head office country) or from the Global Director of Funding and Brand.

Global donor manager – the fundraisers or country director who owns the relationship with an international company. The global donor manager is situated in the same country as the head office of the company in most cases. The global donor manager is responsible for managing the international relationship with the company, for developing an international strategy for engagement and development of support, and for providing timely and realistic guidance to national donor managers around the world. **Resource centre** – A part of the organisation where funding is raised, including federation members, VSO Ireland specifically, and programme offices in general. The extent to which this happens at programme offices varies between offices.