

# PRACTICAL ACTION – POLICY FOR ENGAGEMENT WITH LARGER SCALE PRIVATE SECTOR COMPANIES

## **INTRODUCTION**

This policy sets out Practical Action’s rationale for engagement with the larger-scale private sector as a means to achieve its strategic objectives. It recognizes that companies can be important actors in the development context and that engagement with them presents Practical Action with a particular set of opportunities.

It also notes that engagement with such organisations can create risks for Practical Action and the people it works for and that a due diligence process is required to assess the balance between risks and opportunities in each case. The due diligence process Practical Action follows to meet this policy statement is described in a separate Corporate Engagement Due Diligence Operational Guidelines document. This due diligence process is **mandatory** and it is the responsibility of all Directors to ensure that it is followed by their staff prior to any partnership with a corporate being finalised.

## **WHY DO WE WORK WITH THE LARGER SCALE PRIVATE SECTOR?**

The ‘private sector’ is a very broad term that includes micro, small, medium and large players in virtually every sector imaginable. Small and medium enterprises (SMEs) are, of course, very important actors in the contexts in which we work and it is expected that our work with such actors will continue and grow. The rationale for looking additionally at larger scale private sector actors is that we believe this area offers strategic opportunities to achieve scale, in addition to more traditional sources of corporate social responsibility funding.

We are relatively new to engaging with larger scale players and we are aware that they represent potentially big risks as well as big opportunities. Our organisational narrative cautions that drivers for private sector investment and R&D often do not work in favour of services and products of benefit to the poor and that commercial issues such as intellectual property rights can actively disadvantage poor communities and countries, as can the imbalances in power between large scale corporates and, for example, small scale farmers in agricultural market chains.

Never the less, the activity of the private sector in developing countries is significant and growing. The private sector as a whole makes up at least 80% of the economy in low income countries<sup>1</sup>. Its turnover dwarfs official donor aid by about 15 to 1 even in very poor countries<sup>2</sup>. Large-scale companies (national and international) increasingly seek to sell their products and services to low-income consumers, creating potential opportunities and risks for significant numbers of people living in poverty. When corporate incentives and poverty-reduction aims align, the larger-scale private sector

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<sup>1</sup> For example, based on World Bank Database and OECD International Development Statistics, the private sector in Kenya, Tanzania, Uganda, Mozambique, Zambia and Zimbabwe (broadly defined to include informal small and micro enterprises, farms and businesses) accounts for \$75 billion of those 6 countries’ \$93 billion GDP.

<sup>2</sup> Official development assistance (including debt relief and humanitarian aid) to the above 6 countries is around US\$5 billion

has significant capacity to make sustainable technological change happen. The mobile phone story in Africa demonstrates the speed and efficiency by which huge numbers of previously un-served people achieved access to technology. If we are interested in scale we cannot ignore the role larger scale private sector has the potential to play.

Working with the larger scale private sector is clearly not a substitute for the work we do with micro and meso actors, it is additional to that. When we work to change a sector for large numbers of people in poverty there are a range of actors and issues we will need to engage with to leverage change. Larger scale actors have the potential to be significant leverage points. It is necessary to consider our ambitions and capacity to influence practices and change corporate behaviour, either by calling them to account or by working collaboratively.

## **PRIVATE SECTOR STRATEGIES: OPPORTUNITIES AND RISKS**

### **Opportunities:**

Practical Action engages with larger scale private sector companies in 3 different arenas:

#### **1. Engagement for general fund-raising**

Through our marketing and communications activities we include corporates as targets for donations (e.g. Zurich Foundation, Innocent Foundation), as potential allies for influencing (e.g. IBM and the creation of Energy Aid), and as routes to greater public awareness of Practical Action's mission and cause (potential exposure through a corporate relationship to a customer base).

#### **2. Engagement as part of a programme strategy for poverty reduction**

The private sector engages in poverty related activity through a number of different strategies. Practical Action focuses its programme efforts on 3:

- Corporate social responsibility aligning to core-business (linked with bottom of the pyramid marketing).
- Upgrading supply chains and distribution channels, including specific activities such as corridor investments.
- Public-private partnerships where engagement could be organisationally widespread and through stakeholder Organisations or fora.

Within each of these forms of engagement there are a number of different possible types of activity, of which we actively pursue 3:

- Strategic partnerships – where investment should concentrate on a limited number of high quality partnerships, with a preferred focus on large scale national companies, but not excluding the possibility international companies.
- Project Funding - Relationships may start as one-off funding but should aim to lead to longer-term partnerships.
- Working with fora - Engagement should be strategic to influence a sector.

#### **3. Engagement through our consulting activity**

Practical Action Consulting may engage with larger scale private sector companies in two ways:

- With a company as its client, in which case engagement will be around the areas outlined in 2 above
- As a partner to a company in a consortium bidding for a consulting contract, where the client is usually not itself a private sector company but often a government or a bilateral or multilateral organisation.

The nature of Practical Action's engagements with large-scale companies may include a range of approaches. Our priority is to effect long-lasting change for large numbers of people, so we will work within systems that can deliver that aim and we will identify leverage points to bring about those changes. This may involve partnering with companies to achieve our objectives. It may also involve working with governments and other actors to create a better enabling environment, which could include advocating for appropriate regulatory or institutional measures,

## **Risks**

Alongside the opportunities mentioned above we realise there are particular risks associated with working with large corporates, some of which have already been mentioned above. Essentially these guidelines seek to ensure we are mindful of and **avoid** two key areas of risk when working with large scale corporates:

1. That in the pursuit of opportunities to engage we find ourselves doing work that is not central to our strategic plans or is not in the interests of poor people.
2. That we inadvertently lend credibility to business practices or products that go against our values (green wash) and / or damage our brand and reputation with other key stakeholders including the communities we serve, partners and other donors.

In assessing these risks we need to be mindful that corporates can be complex entities to understand, with accountability, ownership and power sometimes obscured by parent / subsidiary structures or joint venture arrangements. As no company will be perfectly aligned with Practical Actions values and most potential partnerships will involve both opportunities and risks these guidelines emphasise the need to make an informed judgement on each case and provide the framework for doing this.

## **DECISION MAKING CRITERIA**

As noted above, although working with larger scale private sector can provide opportunities for impact at scale, it also carries with it risks both to the poor people we work with and to our Organisation's reputation. For this reason, we have produced these guidelines on engagement with corporates. They aim to cover all 3 types of engagement listed above and to link our poverty reduction ambitions and values, as laid out in our Organisational narrative, along with ethical and risk considerations and judicious management of our brand. They include a set of key decision-making principles and a due diligence framework.

These guidelines build on work carried out for the 2012-2017 strategy by an internal Private Sector Working Organisation which, in turn consulted some of our peer organizations, including Oxfam and Water for People.

Our **Mission** is:

To use technology to challenge poverty by:

- building the capabilities of poor men and women,
- improving their access to technical options and knowledge, and
- working with them to influence social, economic and institutional systems for innovation and the use of technology

Our **Core Organisational Values** are as follows:

### **Justice**

Everyone, irrespective of gender, age, ethnicity or ability, has basic human rights, including access to an adequate standard of living, health and education. People should have the means and freedoms to achieve their rights, including being able to choose which technologies they use.

### **Democracy**

Public involvement in decision-making, including decision-making about the technologies that affect their lives, is more likely to ensure developments meet their needs and protect them from harmful impacts. Democratic decision-making in all walks of life is necessary to ensure effective social control of scientific research and that technological innovation is in the public interest.

### **Empowerment**

People living in poverty should drive their own development. Practical Action concentrates on what matters most to the people with whom we work, respects their rights, and supports their own efforts to improve their well-being.

### **Diversity**

Practical Action values all forms of diversity. Diversity of culture and diverse livelihoods are a source of economic strength. Biological diversity and a diversity of approach and method help people to adapt to change (including climate change). Diversity reduces risks and enhances the flexibility of people's responses, making it more likely that individuals' and communities' needs will be met.

### **Sustainability**

For the long-term well-being of people and planet we must waste as little as possible and recycle wherever possible. We need to create an ecologically sustainable society which acknowledges that perpetual economic growth is not possible in a finite world. Our own work should have no negative impact on the environment or health. Where there is a possibility that a change in technology could lead to such damage action should be taken to control or prevent it, even when there may be uncertainty about the magnitude of the danger or its causality – i.e. the precautionary principle should prevail.

These values should guide us in selecting companies as partners. Therefore,

- Practical Action will seek to identify and work with companies who act in a socially responsible manner and whose principles are compatible with our own. We will engage preferably, but not exclusively, with companies that are

recognized as - or genuinely seek to be - leaders in the area of social and environmental responsibility.

- Practical Action will also seek to work with companies that are engaged in providing goods or services that are likely to contribute to sustainable livelihoods, food security or access to basic services for the poor; or companies that are developing or using technology in a way which is in line with the principles of Technology Justice.
- Practical Action will not solicit or accept donations from, or enter into programmatic or consultancy associations with, companies whose products or services, or whose business practices, are antithetical to our mission or inherently harmful to the people and communities we serve. This includes companies whose business practices warrant “red light” status during the due diligence process.

## **THE DUE DILIGENCE PROCESS – WHAT IT MEANS FOR US**

Practical Action’s due diligence process is set out in a separate **Corporate Engagement Due Diligence Operational Guidelines** document. In summary, due diligence is the process that Practical Action uses to determine the possible risks and advantages of new corporate partnerships. This process is necessary when Practical Action considers new corporate partnerships and when entering into new projects with existing partners. The purpose of due diligence is:

1. To ensure that the partnership is good for poor people, compatible with our mission and values, and supports our strategic plan; and
2. To ensure that the partnership does not pose a serious risk to Practical Action’s image and reputation for integrity among donors, partners and the communities where we work.

## **PRACTICAL ACTIONS COMMITMENT TO ENGAGE WITH THE PRIVATE SECTOR**

Practical Action’s strategy includes an active search for partners that will support our strategic plan and that share our values, as well as a rapid assessment of partnership appropriateness when we are approached by companies hoping to initiate a partnership.

The Markets and Private Sector Advisor, based in the Policy and Practice Team, is responsible for developing and delivering an agenda for engagement and influence with the large-scale private sector. They will provide advice and guidance to ensure that organisational values and vetting processes are followed and that the organisation has the knowledge and capacities to make decisions and where appropriate develop relationships that will deliver on the strategy.