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Increasing Development Impact: Channeling Corporate Social Responsibility Funds Through Public-Private Partnerships

Julia C. Soplop, Anna Wetterberg, Ignatius Indriartoto, María José De León Pellecer, Tere Ligorría Goicolea, and Manuel A. Roman-Lacayo

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Increasing Development Impact: Channeling Corporate Social Responsibility Funds Through Public-Private Partnerships

Julia C. Soplop, Anna Wetterberg, Ignatius Indriartoto, María José De León Pellecer, Tere Ligorría Goicolea, and Manuel A. Roman-Lacayo

Abstract

In recent years, private fund flows to low-income countries have expanded dramatically. Some of this increase can be attributed to firms' bolstering their corporate social responsibility (CSR) activities by engaging with social concerns in countries where they operate. Public-private partnerships (PPPs), which are collaborations between state and nonstate actors to achieve mutually defined goals, offer one way to steer CSR funds toward development priorities. This paper addresses the question of whether collaboration with public partners can improve the targeting of private funds for social ends, thereby increasing the development impact of CSR activities. We suggest that, when compared with independent corporate initiatives, CSR funds can come closer to meeting development goals through collaborations with public partners and can further improve outcomes if project beneficiaries are directly involved. By drawing on RTI International's experience with PPPs that incorporate CSR activities, and linking it to the emerging literature on such collaborations, we propose strategies for ensuring a balance between partner priorities, avoiding frustrations with divergent organizational cultures, and incorporating beneficiary participation that can improve alignment of CSR activities with development priorities and thereby increase their impact.

Contents

Introduction

In recent years, private fund flows to low-income countries have expanded dramatically. Some of this increase can be attributed to firms' bolstering their corporate social responsibility (CSR) activities in countries where they operate. Although CSR activities have social aims, the private goals of corporations—such as expanding markets, strengthening business networks, and improving corporate reputation—often drive their design and implementation. These drivers, although valid in terms of firms' operational purpose, can direct CSR funds toward investments that are not necessarily development priorities or preferred outcomes for intended beneficiaries. Positive outcomes may occur, but firms may miss opportunities for greater impact if they do not direct funds toward issues or areas of greatest need.

The question thus emerges whether CSR funds can be channeled in directions that are better aligned with countries' development goals, thereby increasing the social impact of these investments. Public-private partnerships (PPPs), which are collaborations between state and nonstate actors to achieve mutually defined goals (Bovaird, 2004; Brinkerhoff, 2002), offer one way to steer CSR funds toward development priorities. Because public partners participate in defining goals and implementing projects, partnerships can direct funds toward projects that address development priorities while also meeting private corporate objectives.

Much of the literature on PPPs emphasizes how partnerships with private entities can deliver public services and infrastructure more effectively and efficiently than public counterparts can acting alone (Bovaird, 2004, p. 204; Selsky & Parker, 2005, p. 859). In contrast, this paper suggests that collaboration with public partners offers a way to improve the targeting of *private* funds for social ends, thereby increasing the development impact of CSR activities. This paper draws on RTI International's project experience with PPPs that incorporate a CSR component, and it links these cases to the emerging literature on such collaborations. By comparing project experiences with partnership challenges noted in the extensive literature on PPPs as well as in the more limited research on partnerships involving CSR, we draw attention to particular dimensions of PPPs involving CSR that can contribute to increasing development impact.[1]

Public-Private Partnerships

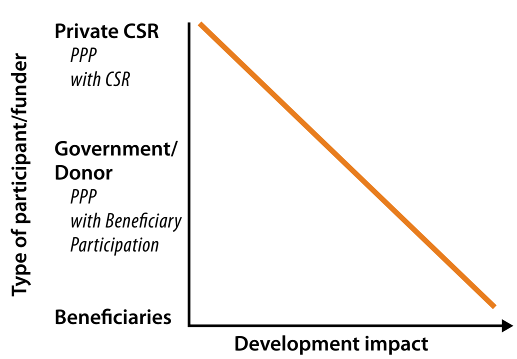
Many scholars accept Bovaird's definition of partnerships as "working arrangements based on a mutual commitment (over and above that implied in any contract) between a public sector organization with any organization outside of the public sector" (2004, p. 200). Advantages of this definition include its broad scope of private actors, which includes corporate entities, civil society organizations, and private foundations. Further, by specifying a relationship beyond contractual commitments, the definition captures the idea of synergies, such as trust, collaboration, and learning, that are often cited as the advantages of PPPs (Selsky & Parker, 2005; Weihe, 2008).

J. M. Brinkerhoff (2002) elaborates this definition by specifying the dimensions of mutuality and organizational identity as defining PPPs. Equality of decision making—without the dominance of one partner—characterizes collaborations involving high levels of mutuality. High organizational identity means that each actor remains true to organizational goals and constituencies and retains the key strengths brought to the interaction. Partnerships involve high mutuality and high organizational identity, whereas other arrangements, such as contracting, extension, and cooptation, involve low levels of one or both of these dimensions.

[1] The information presented herein draws from the experiences of three USAID-funded projects managed by RTI International. The authors selected these cases because project staff recognized them as successful cases of PPPs that leveraged firms' CSR resources to deliver public goods. Information derives from project data on actors and roles involved in different alliances, narratives compiled by project staff, and secondary data on countries' existing public service delivery and experiences with CSR. These data were not collected as part of a research program per se; instead, they reflect RTI experiences with CSR partnerships that suggest future directions for development project design and research on these issues.

In contrast to much of the PPP literature, which addresses how partnering with private entities can improve public services, this paper suggests possibilities for increasing the development impact of CSR funds through PPPs. Private interests, such as expanding markets, enhancing reputation, or managing risk, fundamentally shape CSR activities that firms undertake alone. However, when public partners collaborate with firms on projects involving CSR funds, development goals guiding public actors[2] complement these private goals. The mutually defined goal of the partnership reflects both (1) entities' private objectives for contributing CSR funds and (2) development goals derived from public partners' more holistic understanding of social needs. As a result, both scholars and practitioners anticipate greater development impact from partnership activities than from projects defined only by corporate objectives[3] (see Figure 1) (Fox & Prescott, 2004; Kolk, van Tulder, & Kostwinder, 2008).

Figure 1. Proposed framework



Extending a partnership to include project beneficiaries can further increase impact through the incorporation of beneficiary priorities into the mutually defined goals of the partnership.

Public partners add an orientation toward general development goals, and engaging communities that will directly benefit also ensures the representation of local priorities. PPPs that incorporate firms, public partners, and beneficiaries are thus likely to generate the greatest development impact of the options considered here.

Description of Case Studies

This paper draws on RTI's projects in Guatemala, Nicaragua, and Indonesia to demonstrate possibilities for enhancing development impact of CSR funds through partnerships.[4] These three projects had, to varying degrees, the development of public-private alliances as an objective under the United States Agency for International Development (USAID) Global Development Alliance initiative (described below); they focused on the delivery of education, health, and/or nutrition services.

In Central America, RTI began implementing the Strategic Alliances for Social Investment Program (Alianzas) in Guatemala in 2005 and expanded operations to Nicaragua in 2006.[5] The program sought to leverage funds for development through partnerships with private entities, including local and international corporations, universities, and foundations, and to implement projects through linkages with local and international nongovernmental organizations (NGOs). The program has been highly successful in both countries, in terms of leveraging corporate funds for development activities and forming partnerships with firms and NGOs (Figure 2). Overall, Alianzas has produced about $30 million in partnership projects, with just a quarter of funds originating from USAID (USAID/Guatemala, 2009). Alianzas in Guatemala formed 101 partnerships; the program established 21 alliances in Nicaragua.

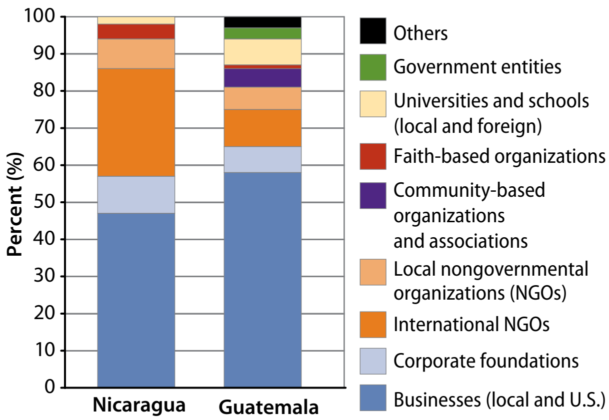
[2] Public actors, of course, are motivated by multiple and, at times, competing goals, with the result that development objectives may not always be paramount. This discussion assumes, however, that public actors are generally oriented toward public goods, including development.

[3] Similar reasoning applies to CSR engagement with nongovernmental organizations (NGOs) that are attuned to local needs and priorities. For a discussion centered on NGO-business partnerships involving CSR, see Jamali and Keshishian (2009).

[4] The descriptions of partnership experiences draw on a number of project reports (DBE1, 2007a, 2007b, 2009; McSwegin et al., 2009; RTI International, 2008a, 2008b; USAID/Guatemala, 2009) as well as in-country staff's experiences with project implementation.

[5] Alianzas also worked on partnerships in El Salvador, but we do not describe those experiences here.

Figure 2. Alianzas percentage of funding partners by type, Nicaragua and Guatemala



Source: Adapted from McSwegin et al. (2009).

In Indonesia, RTI approached partnerships somewhat differently, tying CSR funds to the implementation of an existing USAID-funded project, the Decentralized Basic Education program (DBE1). Through DBE1, RTI works to help local governments improve their management systems, develop and deliver more efficient and equitable systems of education finance, enhance community participation in education governance, and strengthen private-sector support for education. Following two natural disasters, RTI established community-based mechanisms for managing school reconstruction or rehabilitation when private sector partners make funds available. RTI has established PPPs with several large corporations in the extractive industry to direct CSR funds toward the reconstruction and rehabilitation of educational facilities in the disaster-affected communities. This partnership mechanism varies from that employed by Alianzas in that it uses CSR funding to supplement an existing project rather than to establish entirely new projects or increase the impact of projects implemented by other organizations.

Freestanding Corporate Social Responsibility Activities

Corporate social responsibility can be defined as "the obligation of corporations to contribute to social betterment through their mainstream and peripheral operations, whether that obligation is recognized and fulfilled voluntarily and coercively" (Jamali & Keshishian, 2009, p. 278). Corporate management (Bonini, Koller, & Mirvis, 2009), future business leaders (Net Impact, 2009), and consumers (Quelch & Jocz, 2009) have increased their attention to CSR over the past decade.[6] In line with this shift, ample data show growth in private funds targeted to meeting social goals in poor countries (Selsky & Parker, 2005, p. 850; United Nations Conference on Trade and Development [UNCTAD], 2008). This growth parallels a general increase in private investment in poor countries.

Foreign direct investment now constitutes the largest source of external financing (for all purposes, not just development activities) for developing countries worldwide (UNCTAD, 2009), amounting to $11 billion in 2004 in the 50 least developed countries alone (UNCTAD, 2006). Foreign direct investment has far outpaced official development assistance in the developing world (UNCTAD, 2006).

Perceptions of CSR are decidedly mixed. Some observers decry CSR categorically as disjointed publicity stunts with few tangible, sustainable results (Jenkins, 2005; Newell, 2005). Others say that businesses may have good intentions but will always choose profitability over true development activities if CSR investments may result in profits down the line (Frynas, 2008; Idemudia, 2008). In contrast, proponents see CSR as a new corporate paradigm and role in society in which "international companies are embracing the concept of corporate citizenship, and are developing principles, policies, strategies and reporting procedures that define a completely different way of working" (Warhurst, 2005, p. 154).

The lack of empirical data on the effectiveness of CSR contributes to the confusion over its role. Part of the problem lies in emphasis. Business writers, for example, tend to concentrate on the corporate benefits of CSR activities with less attention to providing data on their development impact (Frynas, 2008, p. 275).

[6] What impact the current recession is having on CSR expenditures remains unclear. Quelch and Jocz (2009) argue that CSR activities will persist because consumers will continue to demand goods produced in socially responsible ways, and employees want to work for companies that do business ethically. In addition, the recession has exacerbated social problems, and corporations need to assuage concerns that their unethical past behavior is responsible for the current downturn.

What is clear, however, is that corporations' private goals tend to orient CSR activities in the absence of partnerships with other organizations. Because firms design and implement CSR alone, the goals of expanding markets, protecting corporate reputation, and minimizing risk drive CSR, much as they do other corporate activities. These private motivations are reflected in the long-standing managerial interest in demonstrating "the business case for CSR," which seeks to show that CSR is a means of attaining corporate objectives while paying attention to social issues (Bonini et al., 2009; Frynas, 2008, p. 277). Numerous studies seek to make this case to justify ongoing CSR activities and further motivate firms to engage in CSR (Vogel, 2005).[7]

Case Study Experiences with Corporate Social Responsibility

Nicaragua, Guatemala, and Indonesia have varying experience with and requirements for CSR. Nicaragua arguably has the least experience with corporate engagement in the social sector. Some CSR activities have taken place in the banana industry through Chiquita's efforts to improve working conditions at the company's plantations. Workers, however, report few positive changes because of the company's activities (Prieto-Carrón, 2006).

In terms of public engagement, the Nicaraguan government takes a hands-off approach, with little effort to promote CSR. The country does not have legislation specific to CSR. Further, the tax code offers few financial incentives, such as write-offs or deductions, to encourage companies to make social investments or engage in philanthropy.

In contrast, over the last decade, the CSR movement in Guatemala has grown and has gained private sector attention. Traditionally, major industries and prominent companies in Guatemala engage in philanthropic activities. The cement industry, for example, has invested in social programs for more than a century, and the largest bank in the country, Banco Industrial, has been involved for more than 25 years. Companies steer these activities toward their geographic areas of operation or proposals by groups requesting support. They generally engage in such philanthropic activities independently, without coordinating with other partners. The Guatemalan tax code, at least in part, encourages such expenditures. Although no specific CSR legislation exists, the Guatemala Income Tax Law establishes exemptions and deductions for corporate expenditures on social goals.

Under the leadership of the World Bank, several major business associations have expanded on the traditional concept of CSR in Guatemala. These groups became the first members of Centro para la Acción de la Responsabilidad Social Empresarial—CentraRSE (Center for Corporate Social Responsibility Action), which was founded to develop and promote CSR, thereby promoting social investment in Guatemala's private sector. Similarly, in 2001, several local and international companies, including American Airlines, AT&T, Camas Olympia, Chevron, Canal 3 de Guatemala, Canal 7 de Guatemala, DHL, Coca-Cola, Delta Airlines, ESSO, Kellogg's, Frito-Lay, and others, founded Fondo Unido de Guatemala, or FUG (United Way, Guatemala chapter), to serve as a bridge between the private sector and social investments. FUG engages voluntary payroll deduction programs for companies, as well as donations by other organizations and individuals, for activities that improve the quality of life of people living in extreme poverty, especially women and children.

CSR initiatives in Indonesia have also evolved over the last several years, and the country has the most formal state engagement with CSR of the case study countries. In 2007, the Indonesia House of Representatives passed a law making CSR mandatory for companies operating in any business field related to natural resources and imposing sanctions on noncompliant firms (Hasibuan-Sedyono, 2007).[8] Many companies now go beyond investing in CSR

[7] Note that, in reviewing the evidence, Vogel argues that the business case for CSR is weak (2005).

[8] Law No. 40/2007 stipulates that any company involved in the extraction of natural resources has the obligation to implement programs beneficial to the population and environment adjacent to operations. The law has been criticized for its narrow focus on the extractive industries and lack of monitoring, and it has been weakened by the ongoing lack of implementation regulations (Erviani, 2009; Kiroyan, 2007).

programs within their operational areas to fund activities in other regions and sectors, such as humanitarian assistance in cases of natural disasters. For example, the 2004 tsunami, earthquakes, and flooding that devastated Aceh Province sparked an upwelling of CSR support. Following the May 2006 earthquake outside the city of Yogyakarta, many companies in Indonesia began donating substantial resources and offering the assistance of skilled personnel to support the affected communities.

Public-Private Partnerships with Corporate Social Responsibility

Although PPPs have existed in low-income countries for some time, their link to CSR is a relatively new phenomenon. Corporations have begun to channel some CSR activities through PPPs (Bonini et al., 2009). Some scholars note a shift in corporate orientations to these engagements with public actors, with more emphasis placed on corporate social responsibility than on profits or other direct gains from participation (Bovaird, 2004, p. 213).

The recent upswing in CSR activity in developing countries (Kolk et al., 2008; Selsky & Parker, 2005) has sparked a melding of corporate sector initiatives with traditional donor assistance, resulting in an increased number of collaborations and the amount of resources devoted to them. For example, the International Finance Corporation has created a Corporate Citizenship Facility to address growing requests for guidance and support from firms wishing to increase corporate responsibility activity in the environmental and social arenas (Fox & Prescott, 2004). The United Nations Development Programme (UNDP) has a Public-Private Partnerships for the Urban Environment program, which brings together public and private sector actors to increase access of the urban poor to basic services such as water, sanitation, solid waste management, and energy (UNDP, 2009).

Many bilateral donors have also linked CSR and PPPs. The British Department for International Development (DFID) launched the Medicines Transparency Alliance (MeTA) to improve access to pharmaceuticals by increasing transparency and accountability in the healthcare marketplace (MeTA, 2009). The Australian Agency for International Development (AusAID) supports Business for Millennium Development (B4MD), a business-led coalition aimed at creating sustainable development in the emerging economies of the Asia Pacific (AusAID, 2009).

USAID links CSR and development goals through its initiative on Global Development Alliance (GDA). In 2001, USAID introduced a business model for the 21st century "aligning public resources with private capital, expertise and networks to deepen development impact" (USAID, 2009). The agency believes that this approach will result in synergy between the sectors; by joining skills and resources of public and private actors, partnerships could achieve outcomes "that no one actor could realize on its own" (USAID). USAID emphasizes mutuality in the public-private alliances it promotes through the "joint definition of the development goal and the means to achieve it, by all development partners in the alliance [and] agreement between the [PPP] partners to share resources and risks, and to collaborate on results of an objective that can be better obtained with a joint effort" (Office of Development Partners, 2008, p. 24).

Some authors argue that PPP and CSR practices are evolving in similar ways that can result in mutually beneficial outcomes for firms, governments, and citizens (Griffin & Warms, 2009). Critics urge caution, however, on the grounds that corporate interest and motivations are often misaligned with public goals (Kolk et al., 2008, p. 267; Sell, 2009, p. 28). Linkages to CSR could cause governments in developing countries to neglect their own development responsibilities (Fox & Prescott, 2004; Frynas, 2008; Idemudia, 2008), particularly as private partners tend to dominate PPPs (Buse & Harmer, 2007, pp. 262, 265; Ramiah & Reich, 2006, p. 404; Selsky & Parker, 2005, p. 860). Sell (2009, p. 28) warns that private dominance of such arrangements "can have devastating and long-lasting effects."

Although data on PPPs specifically drawing on CSR funds are limited, available evidence suggests that these arrangements can be mutually beneficial, if partnerships pay careful attention to balancing the roles of different partners. Based on their study of the African Comprehensive HIV/AIDS Partnerships (ACHAP), in which the government of Botswana, Merck & Co., and the Bill and Melinda Gates Foundation participate, Ramiah and Reich (2006) outline a series of lessons that helped the partnership overcome initial hurdles to effectiveness. At start-up, ACHAP suffered from a mismatch in organizational cultures between project staff appointed by Merck and officials from the Government of Botswana. An imbalance between partners in decision making—the Government of Botswana was originally not included on ACHAP's board—exacerbated these differences.

With clear parallels to Brinkerhoff's (2002) dimensions of mutuality and organizational identity, these authors emphasize the need for (1) mutual understanding of partners' key values and motivations; (2) commitment to the relationship at technical levels, demonstrated by collaboration on planning and design; and (3) commitment to the relationship at the operational level, where the involvement of front-line staff was critical to successful implementation (Ramiah & Reich, 2006, pp. 406-407). In ACHAP, corresponding levels of organizational identity complemented the high levels of mutuality: "for all partners, the desire to engage more closely was matched by the desire to maintain a degree of independence" (p. 405).

An evaluation of USAID's GDA program also pointed to the potential for clashing organizational cultures. Among other findings, evaluators noted the potential for conflict during project development and implementation (Dewar, Davachi, Swinerton, Bolick, & Kaplan, 2008, p. 24). Because companies tend to set firm timelines that demand a faster pace than governments or NGOs deem appropriate for partnership goals, each partner may come to doubt the others' commitments to successful outcomes.

Drawing on the literature on CSR in development, we note two major challenges to maximizing progress toward social priorities. First, there is a tendency for private partners to dominate development partnerships (Buse & Harmer, 2007; Ramiah & Reich, 2006; Selsky & Parker, 2005). As a result, outcomes may be skewed toward private objectives rather than the mutually agreed upon goal of the partnership (Sell, 2009). Second, there is a possibility of culture clash, in which each partner becomes frustrated with the culture of the other, hampering progress toward collaborative goals (Dewar et al., 2008; Ramiah & Reich, 2006). Below, we draw on the implementation experiences of the case studies with these challenges and point to strategies for minimizing them.

Case Study Experiences: Ensuring Focus on Mutual Goals

In Indonesia, the DBE1 project represented the public sector in school-building partnerships and provided technical assistance to assess community needs, identify project opportunities, and locate beneficiaries. Joining forces with the public sector—and sometimes other private partners—enabled companies to channel their CSR funds toward projects that met already defined development needs.

For example, to identify communities to support for post-earthquake school reconstruction or rehabilitation under the ConocoPhillips Alliance, DBE1 dispatched a field team to assess the needs of schools across four districts in the provinces of Central Java and Yogyakarta. The assessment team then met with provincial stakeholders and officials from district governments, the district education offices, and the religious affairs offices to introduce the program and agree upon selection criteria to determine which schools to support. The criteria included the following:

- Schools (public or private) had to have been directly affected by the earthquake and have a minimum of 60 students.
- To qualify for reconstruction, they needed to have sustained "total/heavy" damage (or 80 percent damage).
- To qualify for rehabilitation, they had to have sustained "medium" damage (or 50 percent damage).
- The school, education office, or local government had to have a clear title to the land.
- Community members and local officials had to express a high level of acceptance of the rebuilding and an interest in the community participation approach.
- Schools could not have already received funding for reconstruction from government or private sources (DBE1, 2007a, 2007b).

In this example, a government agency facilitated the linkage to the existing DBE1 project. BP Migas, the Republic of Indonesia government executive agency for upstream oil and gas business activity that regulates extractive industry CSR activities, had pooled these funds from extractive industry companies to put toward earthquake relief.[9] BP Migas invited DBE1 to make a presentation at its regular meeting of companies in the extractive industry. Following the meeting, BP Migas decided to channel the funds through a PPP, with the project to support sustainable school reconstruction and rehabilitation.

Alianzas has exercised a different approach to addressing development goals. Under Alianzas, RTI serves as intermediary between USAID and the private sector to identify, form, and manage Global Development Alliance PPPs that produce sustainable impacts on national development priorities in health and education. As one means to meet these goals, Alianzas invited firms to participate in campaigns directly linked to development priorities. For example, Alianzas in Guatemala invited 14 companies to participate in a nationwide family planning and reproductive health media campaign, involving radio and TV messages on exclusive breastfeeding, prevention of teenage pregnancy, and birth spacing.

In addition to organizing partnerships with clear links to public development priorities, Alianzas incorporates these goals into its monitoring and evaluation indicators, which measure project effectiveness. Alianzas groups all indicators into three major categories: increased and improved social sector investment; increased and improved quality of education; and increased use of quality maternal, child, and reproductive health services. The project evaluates partnerships on the degree to which they meet these priorities.

The Alianzas project experience also showed, however, that partnership success depends on all partners' agreeing to project goals (mutuality) while also retaining their own distinct identities and priorities (organizational identity). For example, when the Welcome to School alliance was designed in 2006, Alianzas held many meetings with prominent firms to generate private sector participation and contribution of CSR funds. These efforts resulted in little success, as target corporations declined to participate, citing the cost of the intervention, geographic location, and lack of market share opportunities. Alianzas staff then shifted their target partners to firms whose corporate activities were better aligned with the focus of the campaign. Staff literally combed through the Guatemala Yellow Pages and called or sent letters to more than 100 companies dealing in materials needed for the project, including school supplies, furniture, fabrics, and hygiene and health supplies such as soap and tongue depressors. This effort resulted in more than $20,000 in in-kind contributions to an innovative intervention in schools that addresses the overall health of the school's population as well as their academic instruction. This experience illustrates that it is essential to match the individual interests of private sector partners with those of the development intervention.

Case Study Experiences: Avoiding Frustrations with Differing Cultures

The distinct ways public and private partners go about doing business have presented some issues for Alianzas. For example, the private sector tends to work rapidly and make decisions more quickly than USAID, RTI, and NGO partners; therefore, they are sometimes frustrated by Alianzas' lengthy planning processes. In addition, corporate sector partners collaborating with Alianzas begin to view partnership interventions as short-term business transactions rather than development activities. Whereas USAID focuses on the value and technical quality of an intervention when determining its success, the corporate sector demands to know the return, stresses making strong business-based decisions, and wants implementing partners to act with the swiftness of the corporate sector.

To rectify this disparity, Alianzas/Guatemala employed resources within the PPPs to train partners on the expectations of their counterparts and improve Alianzas' technical ability to comply with such expectations. For example, the project held a workshop for NGOs during which sugar industry

[9] These contributions were above and beyond those stipulated by Indonesia's CSR law, which requires social investments only in companies' areas of operation.

partners taught NGO partners how to operate and evaluate projects more effectively using corporate measurement standards. Further, Alianzas has strived to introduce greater clarity in objectives, roles, and responsibilities prior to project start-up. Once a project is under way, partners immediately outline a timeline for specific accomplishments and establish feasible operating and financing mechanisms. By establishing clear procedures and goals at the outset, Alianzas has been able to assuage discord between public and private sector partners.

In Indonesia, a memorandum of understanding (MOU) has been used as a means of formalizing roles and responsibilities.[10] This signed, nonobligatory, nonbinding document describes each partner's commitments and serves as a means of ensuring that all partners agree to previously discussed and defined objectives. However, in project staff's experience, private sector partners are often reluctant to sign MOUs, viewing them as legally binding documents. Here, private firms' fears of lawsuits hamper the need to bring clarity to partnership operations. In one case, negotiating an MOU took several months, as it bounced between the legal departments of both parties and USAID; the private sector partners decided ultimately not to sign it. To overcome this issue, all partners eventually agreed that exchanging letters of commitment clarifying the respective roles and resource contributions of each partner served as sufficient foundation for the partnership. Flexibility and understanding of different partner cultures is thus critical to progress on partnership goals.

These examples illustrate how concrete project strategies helped safeguard mutuality as well as the organizational identity of partners. Partners can balance private and public goals by building development priorities into project design, linking to existing projects, and clearly defining partnership objectives. Further, clearly specifying roles and responsibilities will ease the potential for conflicts spurred by divergent organizational cultures.

[10] Alianzas uses MOUs in similar ways. When Alianzas approves a grant proposal, including its budget, partners sign an MOU before receiving USAID funds. This MOU describes the types and amounts of resources each partner will contribute, project activities, timeline, branding guidelines, and monitoring and evaluation activities. Alianzas distributes grants following the signing of the MOU by all partners.

Public-Private Partnerships with Corporate Social Responsibility and Beneficiary Participation

Although partnering with a public actor can enhance the development impact of CSR, partnerships that embrace a participatory element may further advance social goals. A range of studies have demonstrated the benefits of including beneficiaries in the design and implementation of development projects. Engaging beneficiaries can reduce project costs, target benefits more effectively, and improve sustainability as the local community gains greater ownership over project activities (see, for example, Hoddinott, Adato, Besley, & Haddad, 2001; Isham, Narayan, & Pritchett, 1995; Woolcock & Narayan, 2000). Mansuri and Rao (2004), by contrast, find mixed results from participatory approaches.

Some scholars have posited partnerships as a mechanism for addressing a "participation deficit"; by involving marginalized groups, these arrangements seek to ensure that marginalized voices are heard (Biermann, Chan, Mert, & Pattberg, 2007). Some research on PPPs also supports the idea that beneficiary participation in service delivery improves the chances of success (Teicher, Alam, & Van Gramberg, 2006). Given the perceived advantages of beneficiary participation, some development agencies have incorporated a participatory component in their approach to partnerships. For example, USAID emphasizes that GDA activities are more likely to succeed if they actively involve local leadership and beneficiaries (Office of Development Partners, 2008, p. 7).

Given the promise of participatory approaches to partnerships, the case study examples below demonstrate how projects can enhance beneficiary participation.

Case Study Experiences: Beneficiary Participation

Broad participation in planning of partnership activities can ensure that the project meets development outcomes. Similarly, excluding critical stakeholders may hamper development impact. As part of Alianzas/Nicaragua's Mejorando para la Salud Materna en Siuna Alliance, the partnership ran a health communications campaign that informed women of the importance of giving birth in an institutional setting. The campaign promoted Casa Materna Paula Mendoza as a free place to stay for women from remote areas who came to give birth at the local health center. Although more women began to take advantage of Casa Materna Paula Mendoza, the husbands of one-quarter of the women residing there brought them home before delivery so they could help with the housework and childcare. The partnership realized that its messages about the importance of maternal health care and institutional delivering needed to reach the men, as well as the women, to generate participation and approval from all stakeholders. The project amended its health communications campaign to account for this problem. To further engage beneficiaries, some Alianzas/Nicaragua projects also run surveys among end users before elaborating partnership plans, and all projects include beneficiary feedback mechanisms.[11]

A participatory planning process offers an additional means of including beneficiary priorities. Some of Alianzas/Guatemala's campaigns stem directly from requests from the Ministries of Health or Education. Although beneficiaries are not directly involved in the design of such campaigns, the requests incorporate local concerns through a selection of investments by local leaders, conveyed from community councils, through municipalities and departments, to the ministries. This process, established in 2002, is designed to ensure that communities have input in setting national development priorities.

Alianzas/Guatemala also incorporated elements of the participatory planning process in the Mejores Familias campaign, implemented in partnership with the sugar industry. The same community development committees (COCODES) that figure into the government's planning process approve the program's implementation in each community. These committees also request land and materials for the construction and maintenance of the health monitoring unit set up as part of the alliance. By involving beneficiaries in campaign implementation in this way, the partnership aims to ensure long-term sustainability of project investments.

In Indonesia, school-building partnerships demonstrated the benefits of participatory approaches compared with the existing, hands-off model. Established school construction practices in Indonesia typically transfer rebuilding responsibilities to building contractors or other third parties. Contractors build schools using a one-size-fits-all approach, then hand over the keys to the community upon completion of the construction. This method leaves behind schools that may not fit local needs, as well as communities that are ill-prepared or unmotivated to handle school maintenance.

However, the community participation approach DBE1 employs encourages active participation of community members to manage rebuilding and maintenance independently and self-sufficiently. Once the project selects schools to receive reconstruction or rehabilitation grants, DBE1 helps them transparently form rebuilding committees of 9 to 15 members, representing the communities surrounding the schools. In 2007, DBE1 formed PPPs with several organizations and companies—including BP Migas, Chevron, and ConocoPhillips—and local governments with the mutual interest of supporting basic education in communities affected by the May 2006 earthquake in Central Java and Yogyakarta. Under the ConocoPhillips Alliance, 975 people (714 men and 261 women) across four districts participated in committee formation meetings. These participants selected the committee members based not on their social status but rather on their prior experience in building management or supervision. DBE1 trains the committees to enable effective collaboration and management of the entire construction process. For example, committees learn to oversee the construction process, including making design choices to fulfill the needs of the community, procuring all construction supplies, directly hiring construction workers (or volunteering to help with demolition themselves)—rather than signing the

[11] Because of the intricacies involved with Nicaragua's current government's highly centralized authority and hierarchy, Alianzas staff have made certain that each potential subgrantee has made a needs assessment that includes establishing a relationship with local communities. This assessment was instituted in late 2007, after staff realized that some projects established under the previous government were foundering because the delegation of authority had shifted toward the central levels.

job over to a contractor—and undertaking proper financial and administrative reporting.

Compared with other reconstruction mechanisms, the community participation approach results in higher quality construction work, lower costs, and greater transparency. It also engenders high degrees of community ownership and satisfaction when compared with reconstruction work undertaken by building contractors and consultant firms.[12] For example, 25 of the 35 schools supported by the ConocoPhillips Alliance finished their construction projects ahead of schedule and under budget. Many of them also sought extra financial support from school parents and alumni, allowing them to put their extra funds and time toward additional school-enhancement projects, such as rehabilitating additional classrooms and improving school yards.

DBE1 also ensures close collaboration with local governments. For example, the district education offices and religious affairs offices helped select school recipients of the reconstruction and rehabilitation grants and contribute to the project in a variety of others ways to ensure feasibility. Local governments collaborate with the partnerships to determine whether any land title issues exist with schools slated for reconstruction or rehabilitation. They also offer staff support, office space, school equipment, furniture, and materials to support rebuilding. In addition, they acquire all necessary permits or approvals for school reconstruction and rehabilitation work in the district. In some instances, a local government becomes a full partner and will sign an MOU with DBE1 or a private sector partner to more formally establish its role in assisting the partnership with its development goals.

These project experiences highlight the role of local participation in increasing PPP contributions to development goals. In the Indonesian case, participation by both community and local government partners contributed to ensuring that PPPs met their development goals. Indonesia has embarked on a program of regional autonomy over the past decade, which positions local officials for steering PPPs toward subnational priorities. Similarly, Guatemala's participatory planning process incorporates local leaders' views in campaigns that government ministries propose. In highly centralized contexts, however, the participation of local communities may be even more important, as local governments are less likely to be aware of and sensitive to community needs.

[12] This effect was demonstrated through monitoring and evaluation results from the Indonesia Ministry of National Education's Managing Basic Education project (1999–2006), which relied on community-based mechanisms. Similar outcomes have been seen in other education projects that directly involve beneficiaries (see, for example, Baines, 2005).

Conclusions

This paper uses project experiences to illustrate strategies for increasing the development impact of CSR funds through PPPs. Examples from projects in Nicaragua, Guatemala, and Indonesia demonstrate how collaborations with public partners and involvement of local communities in design and implementation can bring CSR expenditures more in line with development priorities.

To link these strategies more directly to outcomes, one useful step would be to generate empirical data to address expressly the broader relevance of the suggested mechanisms for increasing development impact. Rather than relying on recall of effective strategies following project activities, a research project would structure data gathering and analysis to rigorously answer the question of how PPPs may increase the development impact of CSR funds.

In the absence of such research, project experience has suggested means of addressing challenges to PPPs that channel CSR funds. Careful project design can counter concerns about the dominance of private goals in partnership projects. Clarifying roles at the outset and using MOUs or similar instruments can circumvent culture clashes and breakdowns in partnership operations. Further, incorporating participation of communities and local officials can contribute to outcomes that better fit local needs.

In terms of implications for future PPPs, the experiences recounted here highlight the importance of writing national development goals into overall project design. Although doing so is common practice in development projects, it is particularly important for efforts involving CSR. A clear emphasis on national priorities ensures that the channeling of CSR funds through partnerships reflects both public and private interests. As the case study examples demonstrate, a reflection of both private and public objectives in partnership goals increased development impact. Twinning of national development goals with private CSR motivations achieves the high levels of mutuality characteristic of successful partnerships.

In addition, channeling CSR though existing projects can take advantage of existing knowledge of local priorities, strategies for identifying areas of greatest need, and experience with ensuring community participation. This strategy builds on the organizational strengths of public sector actors in partnerships that involve CSR funds.

Finally, it is worth exploring further whether the development of national CSR policy frameworks can be incorporated in project designs. Introducing a legal framework for CSR, such as incentives in the Guatemalan tax code or the mandated contributions of the Indonesian CSR law, may help facilitate additional CSR funding and ensure effective channeling of future corporate funds toward development goals.

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