

New Coalitions of Stakeholders: Stakes and Practices

Public Authorities, Civil Society and Businesses

Groupe *Initiatives* Position Paper

Faithful to its principles of being open to dialogue and innovation, Groupe *Initiatives* (GI) intends to contribute to the debate on new coalitions of stakeholders by freeing itself from any prior assumptions and simplifying notions while asserting the specificity and key role of professional associative stakeholders.

The ten associations in GI have long been stakeholders in and promoters of inclusive and sustainable development, acting in coalitions with a diversity of partners,¹ including the private sector. They work for the long term by favoring capacity building for local stakeholders and rooting their actions locally while aiming to scale up.² They evaluate their actions, analyze, document, and share their accomplishments through joint reflection work and taking stances.

They therefore offer to shed light on this debate based on their practices. The present text reflects the thinking of GI and offers operational recommendations following the study day held in Lyon on January 16, 2015.

Observations

1. The Public Authorities Wish to Renew Development Aid...

Commissioned by the MAEDI to fuel its forward-looking reflections, the Faber-Naidoo report (June 2014) recommends “new forms of solidarity” between the public authorities, civil society and businesses for a “new approach to development aid.” In line with other French and international (OECD, United Nations) studies and reports,³ the effectiveness, modalities and financing mechanisms of international aid are examined. Proposals are made for a shift in aid marked by greater mobilization of the commercial private sector. Incentive mechanisms are proposed to steer private capital to development actions: socially responsible investments obeying CSR criteria, actions by banks under the Equator Principles. The spirit is to build financing mechanisms that have leverage effects with the aim of collecting funds from diverse sources (private foundations, development agencies, international financial institutions) while calling on private investors interested in extra-financial criteria of success. They would be implemented in different areas of development: health, housing, education or even justice. In the same spirit, the July 2014 Orientation and Programming Law on France’s development and international solidarity policy officially expanded the number of development stakeholders.

More generally, in phase with these forward-looking reflections, GI has noted important metamorphoses in the context around its actions. Another geopolitical system is at work in which North and South, and East and West are no longer truly meaningful in a world that has become multi-polar, even non-polar. Another economy is also at work, marked by a dominant financialization

¹ See Groupe initiatives Position Paper "[Seven pledges and proposals in order to renew partnerships and tackle the issues in our intervention areas](#)", 2013..

² See Groupe initiatives Brief Paper "[NGOs’ Actions in Response to the Challenge of Scaling Up](#)", 2015.

³ See the Bibliography for these reports and studies.

that even affects ODA, an acceleration of transactions linked to digitization, and mutations in “value chains” through mergers and offshoring. At work as well are the aspirations of civil society and certain businesses with a more responsible economy on the social and environmental level (CSR) and willing to question fiscal optimization practices. Finally, a different diplomacy is at work with strong diversification of stakeholders and the entry of businesses in international arenas, permanent conflicts facing the limits of military paths, and the presence of emerging powers that, by investing in multilateralism, gives this presence importance by attempting to reform it.

... in Response to the Lofty Ambitions of the SDGs

The numerical targets for the post-2015 SDGs, which present the advantage of potential convergence with international agendas around universal challenges, attain thousands of billions of dollars and mark a vast gulf with current ODA (US\$140 billion in 2014). In addition, as growth in ODA⁴ can only be limited, donor States are searching for alternatives in financial markets (including the mobilization of venture capital) and the commercial private sector. Some are now taking a look at the “bottom of the pyramid” market and new forms of “social business”; they are becoming more open to sustainable development issues under the converging pressure from civil society, international organizations (OECD, ILO, UN) and their own employees. Finally “economic diplomacy”—that is to say support for French companies’ strategies to conquer new markets—has become a larger and more accepted than before strategic line for French diplomacy and its network of embassies.

2. French and European CSOs Are Already Mobilized Around this Issue...

CSO platforms have taken up the issue of involving the commercial private sector in development cooperation. Two years before the recent stance taken by the European Council on Foreign Relations,⁵ CONCORD organized a “special private sector event” in December 2012.⁶ In France, as early as 2008, Groupe *Initiatives* had already examined the various forms of relationships between NGOs and businesses during one of its “Study Days.”⁷ In April and July 2014, Coordination SUD devoted two study days to the issue of private sector financing of development, and G/ once again reflected on these questions in light of its practices in January 2015.

... and the Need to Increase Domestic Resources

The large associative groups in France and Europe support the need for greater mobilization of domestic resources. In this regard, they emphasize the lost earnings that the capital flight from developing countries represents, as well as the fiscal optimization practices of foreign countries conducting business there.

Analysis

1. Targets may converge.

Many of the positions taken in the Faber-Naidoo report have long been supported by Groupe *Initiatives*: a demand-side approach based on stakeholders (rather than supply), the inclusion of groups that are victims of inequalities in access to resources, particularly among women and young people, the focus on challenges such as family farming, energy solutions (renewable energies, carbon market, etc.), vocational training, consideration of the informal sector, the challenges of social urban

⁴ Including the contributions from territorial governments.

⁵ Conclusions of the December 12, 2014, session on the private sector’s role in development cooperation.

⁶ CONCORD published a “Background Paper” on the private sector (see the Bibliography).

⁷ French version available on *Traverses* No. 33. “[Les relations ONG-Entreprises : l’expérience du Groupe initiatives](#)”.

planning, and the multi-stakeholder approach (GI speaks of a partnership and alliance logic (see *Traverses* No. 42, op. cit.), and the territorial approach to development.

Accordingly, GI and its members, both in their practices and their thinking, rely on the following principles:

- The entrepreneurial approach, crucial for development, is already at work in service management (water, sanitation, energy access, etc.) and the role mastered by professional agricultural organizations, cooperatives, mutual insurance schemes, microfinance institutions, small informal-sector businesses, etc.
- National and local public policies are inescapable as tools for comparing and regulating the interests present to ensure equitable access to goods and services for all.
- Local pilot experiments must be multiplied and made sustainable with concern for impact through “scaling up.”
- Multi-stakeholder partnerships may be flexible to take into account the variety of contexts, and involve civil society stakeholders in their diversity.
- Rooting action on the territorial level is indispensable to foster the mobilization of stakeholders at the relevant level.

2. Systems of stakeholders and experiments are currently insufficiently considered.

For the members of GI, changes in intervention contexts have always been part of their reality. The looming changes invite them to make new adjustments that they will tackle while staying guided by the principles listed above.

The current context, however, marks a significant reconfiguration of the international cooperation landscape, with major consequences on the forms of collaboration and functions that the various stakeholders present must/should occupy.

From the standpoint of civil society, and more particularly that of NGOs, the debate is all the more sharp as the increasingly clearer involvement of the commercial private sector and the proposals of new financing modalities coincide with (1) being caught between actual or announced cuts in the ODA of certain countries and the rise in financing needs, and (2) the public authorities' positions on public-private partnership approaches that take little into account experiences and accomplishments.

3. The modalities implemented—notably the financialization of development—may contradict objectives.

The new role expected of ODA in the mutation underway will mainly be of two types: (1) that of support to bolster local capacities and lower the risk factors that hinder development; and (2) that of catalyst (incentive, facilitation, correction of market imperfections, assumption of risks, capitalization, etc.) for social and environmental investments.

This leads to the construction of complex financial systems, marking a new stage in the “financialization” of ODA. Already underway, with visible effects on the complexity of structures and schemes, as well as transaction costs that add up at each step of cascading systems, it clearly leads to giving excessive weight to both management and short-term thinking.

Should one work on financial means and how they are generated or work to prioritize objectives? The debate is far from over.

4. The (commercial) private sector comes in many forms.

The commercial private sector encompasses businesses of all sizes with varied levels of influence and diverse forms of territorial implantation. Partnerships, cooperation, projects and coalitions among professional NGOs and businesses take as many forms as there are stakeholders present.

In summary, the private sector covers two main realities:

- The first is entrepreneurship that can, in countries where *G/* members are active, efficiently provide commercial public services (water, energy, sanitation, maintenance, etc.). Its promotion through a suitable regulatory and financial framework (access to financing, services and markets) can enable these enterprises (microenterprises, VSEs and SMEs, cooperatives) often located in a given territory to fit into the development logic of said territory. Promoting them can also facilitate the productive investment of domestic savings and migrants' remittances. They are already the largest creators of jobs in the North and the South. Several *G/* members are deeply involved in BDSs for SMEs or have formed partnerships with SMEs in the North and South to conduct actions together, notably technological innovations or the optimization of local agricultural produce.
- The second consists of large or medium-sized companies involved in development for various reasons: CSR, BoP, responsible investments, etc. directly or through foundations, the actions of which are delimited by increasingly demanding international texts (principles, certifications, etc.). Some *G/* members have experience with these global players (see *Traverses* No. 33, op. cit.).

Finally, companies are not merely capital and profits. Other factors are at play for them: employees' skills, products, quality and regularity of supply, marketing, infrastructures, transaction security, financing, etc. Strategic choices and the combination of these factors determine the entrepreneurial visions that vary from one stakeholder to another and therefore necessarily influence the end goals sought in coalitions, and elements of their stances and relationships with other stakeholders.

Recommendations

1. All stakeholders have a ways to go to build "coalitions" with partners that they do not know very well.

How can businesses be turned into territorial development partners and how can mutual trust be built between businesses and associative stakeholders? The parallel with decentralized cooperation is instructive: approximately ten years ago, NGOs did not see local governments as decentralized donors (to overstate things slightly). It was only little by little that their true territorial role and subsequent legitimacy were accepted. Today, they are seen as a crucial link, guaranteeing the equitable nature of public policies in a territory and the source of public policies for all.

The same path undoubtedly remains to be followed with businesses to find "coalitions" that are acceptable to all stakeholders.

Knowledge of businesses, including their financing mechanisms as well as all other facets of their operations, still needs to be increased within CSOs. Whether in regard to how financial flows function

or the interplay among stakeholders, it is necessary to improve this knowledge. Simultaneously, work getting to know CSOs, the functions they fulfill and their store of know-how needs to be done by companies.

Among other things, it is important to note that in any organization—businesses and CSOs alike—individual parties can create the latitude allowing stances to change. Identifying such individuals, even in large companies, may be an interesting path for new coalitions of stakeholders able to play on this latitude for social and economic change.

2. Complementarity is forged through mediation and experimentation over long periods of time.

G/ creates and defends the need to create alliances that combine the value added of stakeholders from three categories (public authorities, commercial private sector, CSOs) by showing the capacities on which these coalitions of stakeholders can be based:

- mediation, negotiation and synergy among stakeholders: cause stakeholders from different cultures to collaborate around collectively shared accomplishments despite divergences in objectives, interests and practices;
- development of innovative methodologies and practices; and
- knowledge of territories and measurement of the complexity of impacts.

3. Beyond quantitative outcomes, coalitions must serve territories' stakes and local economic fabrics.

“Coalitions of stakeholders” must serve the stakes in territories, and particularly reducing inequalities for inclusive and sustainable development. The territorial approach is a common thread in the operating modes of G/ members. These dynamics are anchored to the roles and skills of local stakeholders (municipalities, CSOs/NGOs, businesses). Their vitality is an essential conduction for such alliances to be formed. Development can become inclusive and sustainable when it relies on these stakeholders.

Local governments in developing countries are on the front lines to meet the challenges in their jurisdictions, and are greatly in want of support for local economic development, training and vocational integration. The growth in Africa in recent years has not produced development and local jobs. Coalitions must above all bolster local enterprises and deepen their roots in their territories.

While public authorities provide policy leadership, civil society organizations must be acknowledged for their role as watchdogs (compliance with laws and rules), operators (and not only in the “home stretch” toward beneficiaries at the bottom of the ladder), and public policy contributors (showcasing experiments) across from the other two categories of stakeholders.

4. Coalitions must enter into the “democracy game” that requires the construction of solid institutions that carry coherent public policies.

The central and decentralized public authorities are in charge of setting public policy, and more specifically the equity that forms the foundation for communities and social peace. They no longer hold a monopoly on this elaboration of the general interest, which cannot be done without the involvement of other territorial stakeholders. Thus, they must take up new roles as mobilizers, facilitators, regulators and arbitrators and overseers, especially in regard to private stakeholders.

The coherence of public policies (at all levels, including the European scale) is crucial for all stakeholders. A coherent approach, notably between trade and fiscal policies and development policies, is mandatory.

Cooperation between States and building institutional capacities are still and more than ever a current concern, as is supporting decentralization processes to give local governments the capacity to exercise their territorial development responsibilities.

Applying the (internationally recognized) principles of social and environmental responsibility is a base on which to build shared objectives. Particularly as the beginnings of “soft power” are being set up with the National Contact Points set out in the OECD principles to receive complaints and mediate if necessary in the case of failings.

5. Contractual modalities must be clarified: what outcomes? for whom? who bears the risks?

In the current discussions, it is useful to recall the mandate for results underlying NGOs’ actions in general and those of G/ members in particular. The new tools and financing mechanisms (FEID, DIBs), relying heavily on the payment for results approach, must not imply that this notion is new or even that results were until now nonexistent. In any event and given the remaining gray areas around the general label “payment for results,” G/ calls for a clarification of how the various stakeholders understand the expression.

Among other things, the question of “who bears the risks?” must be clearly asked in contexts where risks are numerous and in sectors of activity where they are unavoidable such as, for example, climate risk in agriculture.

This reflection must involve not only a clarification of roles (NGOs are not merely facilitators thanks to their knowledge of the field, and they cannot be confined to social sectors), but also how results indicators are defined and how potential risks are identified ex-ante. The exclusively quantitative and necessarily short-term dimension must not win out over the qualitative dimension and approaches aiming for long-term changes. It is therefore absolutely necessary to determine who bears the risks in the case of failure, clearly formulate the negotiation framework, build the negotiating capacities of the parties involved, and clarify arbitration modalities so as to obtain an equitable situation and build lasting solutions.

6. Reconciling predetermined results with innovation is difficult.

The financing of “inclusive and sustainable” innovations in an entrepreneurial approach raises the question of the means for the experimentation and the complementarity between socio-environmental performance and economic performance. The approach based on results purchased ex-post contradicts this will to innovate. While it is necessary to set a course to guarantee large-scale impact, pre-determined and intangible results run the risk of increasing a “mechanization” of projects (even more limited logical frameworks) whereas innovation—which is often largely social and organizational—requires flexibility and experimentation.

Finally, G/ members assert that the long term is the only scale suited to societal changes. Coalitions of stakeholders must therefore be built over long periods of time, based on efforts to achieve the changes desired by the societies concerned and meeting the challenges in their territories.

Groupe *Initiatives* Board of Directors

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