

## Building NGO-Corporate Partnership: An Alternative Perspective

V L Mote

### Introduction

In a paper published in a recent issue of *Vikalpa*, Anil Bhatt poses issues of concern to a wide section of the Indian society. These comprise business and industrial leaders, foundations funding programmes designed to help the poor, individuals managing non-governmental agencies (NGOs), academicians, bureaucrats, and, of course, politicians. The issues he poses are:

- Should the corporate sector concern itself with "social development?"

If the corporate sector does decide to concern itself with "social development," should the corporations do "social development" alone or should they do it in partnership with the NGO sector?

Bhatt does not provide a definite answer to the first question. He remains content by pointing out the pros and the cons of the issue and the emerging trends of corporate involvement in social development. On the second issue, Bhatt is more explicit.

This paper has two purposes. First, to say unequivocally that the corporate sector must get actively involved in "social development" and to highlight the rationale for saying so. The second purpose is to propose that the corporations and the NGOs should join hands only after they have known each other well and made sure that they supplement each other's skills and resources; such collaboration can be sustained only if they respect each other. Our observations and our experience of working with the Ahmedabad Municipal Corporation and an NGO — Saath — on "social development" issues are the foundation of our recommendations in this paper and for the reasoning behind these recommendations. Therefore, we do not claim

In its Perspectives section, *Vikalpa* (Vol 25, No 2, April-June 2000) had published the views of Anil Bhatt on the theme "Building NGO-Corporate Partnership for Social Development.\*" In this issue, V L Mote, while agreeing with Bhatt's observations that the corporate sector must involve itself with social development, warns against the corporate sector entering into hasty collaboration with NGOs to achieve this purpose. Drawing on the Arvind Mills' experience, the author pleads that the corporations and the NGOs should join hands only after they have known each other well and make sure that they supplement each other's skill and resources.

*V L Mote is presently the Director of Arvind Mills Limited and Trustee of the SHARDA Trust. Formerly, he was a Professor at the Indian Institute of Management, Ahmedabad.*

\*See Box at the end of the article for excerpts from Anil Bhatt's article.

that either our observations or our experiences have universal validity.

## Rationale for Corporate Sector's Involvement

Underlying our observations in this paper is our belief that the business of business must be business. Understanding customers, designing products and services to meet their customers' needs effectively and efficiently, and harnessing technology to enhance productivity is the "real work" of businesses. Of course, in doing so, the businesses **must conform to the societal norms of good governance**. If businesses work within the societal norms of ethics, then they should not be apologetic for concentrating their energies on their "real work."

However, there are situations where businesses must undertake activities that are strictly not a part of their "real work." Such situations arise when a society fails to resolve the major problems leading to circumstances that threaten the long-term existence of business organizations. As Control Data Corporation's founder chairman and CEO, William C Norris said, "You can't do business with a town on fire. So you stop and think why this has happened. It happened because of inequities." **The Strategic Help Alliance For Relief to Distressed Areas**<sup>1</sup> (SHARDA) Trust's endeavours for resolving some major societal problems were the result of similar reasoning.

Is India on fire? Our answer is "yes." Let us get a glimpse of the fire. The following description<sup>2</sup> of how the underworld overtook Mumbai is illuminating:

"The underworld taps young sons of redundant mill workers, industrial labourers," says the man who calls himself Fauji, "It begins innocuously enough. The boy may be asked to keep a watch on the

<sup>1</sup>In 1995, Arvind Mills Ltd, Ahmedabad, set up the SHARDA Trust for helping the urban poor.

<sup>2</sup>"When the Textile Mills Close Down, the Mafia Comes to Recruit," *Indian Express*, (Nagpur), November 29, 1998.

movements of a particular person or a policeman, or just count the number of times a patrol van comes into a particular gully. For this, he is paid up to Rs 2,000, a handsome bonus for a family with a monthly income between Rs 800 and Rs 1,000. That none of this is illegal clinches the deal."

...Inside the jail, the indoctrination is almost complete. "There, he's well looked after, gets home food and also meets seasoned gangsters who brag about their killing, their lifestyle. When the boy comes out of prison, he's asked to lie low for some time before he's given his first big assignment.

This can range from passing on a weapon to assisting someone in a killing to delivering extortion threats. On the successful completion of this job, he becomes a graduate, ready for a career in the underworld," says the Aamdaar with chilling calm.

The situation is not very different in Jammu and Kashmir where the militants recruit young unemployed boys for their cadres. Wherever we see — Bihar, Assam, Andhra Pradesh — we see fires raging. The root cause of all this turmoil is poverty and unemployment resulting from poor governance. Under such a grim scenario, can the corporate sector, an important pillar of the society, remain content by doing only its "real work?" Doing so would be tantamount to Nero playing the fiddle when Rome was burning. In their own "enlightened self-interest," for their own long-term survival, the corporations must actively involve themselves in "social development," though it is a major diversion from their "real work." If the Government of India and the NGOs had succeeded in sharply reducing the abject poverty levels, then probably the corporate sector would have publicly applauded these two great organizations and concentrated their energies on doing their "real work." Unfortunately this has not been the case.

Speaking at the XIX Convocation of the Institute of Rural Management, Anand, Gujarat,

on 12th April 2000, Prime Minister Shri Atal Behari Vajpayee made candid observations about the Government of India's failure in doing something tangible for the nation's poor. He said:

Although there is no dearth of anti-poverty programmes sponsored by the Union and the State Governments, they often suffer from a fundamental flaw in their implementation. Financial target achievement is often perceived as the indicator of their success. *Had this been true, then the enormous sums of money that have already been spent should have by now made a greater dent on poverty levels. However, experience shows that this is not the case. On the contrary, poverty has remained at an unacceptable high level; in fact, in certain regions, it has increased over the years* (emphasis added).

Considering the Prime Minister's statement that we have cited above, we need to judge the validity of the following claims Bhatt makes (pp 13-14):

- In the last 25 years, the NGO sector has taken great strides in the field of **development** and social justice. NGOs are spread in all the corners of the country including the remotest area (emphasis added).

*Their development paradigm is much more holistic and includes not only physical quality of life* activities but deals with exploitation, oppression, and social justice issues (emphasis added).

He avers that "social development usually refers to development of the poor and weaker sections (including children and women) of the society in terms of basic minimum needs of health, education, nutrition, shelter, income, etc." (p 12).

Unfortunately, Bhatt does not provide any concrete evidence about the NGO sector's success even in those areas of development that are amenable to analysis and measurement. In the absence of such evidence, his claims lack credibility. If the government and other agencies

including the NGOs have failed to demonstrate tangible success in poverty alleviation, then can we leave the task of helping India's poor solely to the governments and the NGOs? The corporate sector must involve itself actively in helping the Indian poor if we have to avoid a catastrophe.

But, does the corporate sector have the competence to help the poor? Would the sector's efforts make a dent in the poverty levels, or would it also end up spending more money without getting commensurate results? We must answer these questions to put our argument on a logical footing.

### Corporate Sector's Competence for Helping the Poor

The corporate sector's competence to help the poor can be judged with reference to three prerequisites. First, the organizations wanting to help the poor must have a well-formulated strategy. Second, the organization must have "customer orientation." Third, the organization must have mechanisms to carry out effectively and efficiently the strategy it has formulated. An organization that sets out to help the poor must articulate its judgments about the needs of the poor. It must then formulate a strategy to meet some of these needs. We illustrate the approach we have outlined above through the SHARDA Trust's experience of helping the urban poor.

In the SHARDA Trust, we followed this approach. In our judgement, the needs of the poor, ranked according to their priority, are:

- ^ Basic physical infrastructure comprising clean potable water at the door steps in adequate quantity at convenient hours, individual toilets, and hygienic surroundings.
- > Primary health care including prevention of major diseases and treatment of basic ailments.
- > Access to high quality secondary and tertiary health care.

- > Reading, writing, and arithmetic skills for all.
- > Skills and abilities to compete in a highly competitive environment.

The needs of the poor that we have identified are somewhat similar to the areas of development that Bhatt highlights. However, there are some major differences. Consider the need for shelter that Bhatt refers to. It is not clear whether Bhatt includes the need for the basic physical infrastructure that we have identified in the need for "shelter." We believe that the need for providing the basic infrastructure is pressing but not for providing shelter. Poor on their own cannot get good quality basic infrastructure. The poor, however, can build their own shelter if the basic infrastructure is provided.

This statement is based on our experience of providing the basic infrastructure to the residents of Sanjay Nagar, a slum settlement in Ahmedabad. We worked jointly with Ahmedabad Municipal Corporation and Saath, a local NGO. The three organizations launched the Slum Networking Project<sup>3</sup> designed to improve the quality of life in slums, *chawls*, and other distressed areas. SHARDA Trust participated in this project because it was consistent with its strategy for helping the poor. What changes in the way of life of the residents did the changes in the physical surroundings bring about? Dwijendra Tripathi and Jyoti Jumani, through a study carried out about three years after the physical upgrading, provide the answer:

Inspired by an improved infrastructure around them, the residents upgraded their dwellings *on their own* (emphasis added), at an average cost of about Rs 19,000 per household. Houses made of *kantan* (jute-cloth) and mud have been replaced by painted walls plastered with cement. The roofs are made of concrete and tin. Improved infrastructure, access to water,

<sup>3</sup> For a detailed description of the project, see Tripathi, Dwijendra (1998). *Alliance for Change: A Slum Upgrading Experiment in Ahmedabad*, New Delhi: Tata McGraw-Hill Publishing Company Limited.

and a guarantee against eviction by the Municipal Corporation have been motivating factors leading to change.<sup>4</sup>

Unfortunately, almost all the city governments and even the city governments of meters have failed to provide the basic infrastructure to the urban poor. As a recent news item reports about Ahmedabad<sup>5</sup>:

In the last municipal elections, the Bharatiya Janata Party (BJP) had promised 'basic facilities for all slums' in the city (Ahmedabad). ***Five years hence, when another election is round the corner, hardly five per cent of the slum population has been covered. And the benefits haven't covered the entire five per cent either*** (emphasis added).

If the lack of basic infrastructure is a major problem even in metropolitan India, then we can easily understand the plight of the rural poor in getting the basic civic amenities. This needs to be considered while discussing the NGOs' contribution.

The second difference is in the area of health needs. Bhatt refers to "the basic minimum needs of health." It is not very clear what he means by "basic minimum." We interpret it to include primary health care but exclude secondary and tertiary health care. We strongly believe that the needs for secondary and tertiary health care are as important to the poor as they are for the affluent and well-to-do sections of the society. Degenerative diseases like cataract, arthritis, kidney ailment and the like do not affect only the affluent and the well-to-do. Similarly, breast cancer does not strike only rich women. Also, cancer of the prostate does not strike only the rich and the well-to-do men. To help the poor in meeting their needs for secondary and tertiary health care, therefore, is as important as helping

<sup>4</sup> Tripathi, Dwijendra and Jumani, Jyoti, "Change After Alliance: The Sequel to a Slum Upgrading Experiment in Ahmedabad," (awaiting publication; quoted with permission from draft typescript), p 5, p 27.

<sup>5</sup> Dholabhai, Nishit (2000). "Slum-Dwellers Down the Dumps as Scheme Fails to Make Impact," *Indian Express*, 30th August.

them in meeting their needs of primary health care.

Our experience shows that it is extremely difficult for the poor to access high quality secondary and tertiary health care programmes. The difficulty in access to high quality secondary and tertiary health care programmes stems from three reasons. Ignorance and the hesitation on the part of the poor to approach the right specialists with right equipment is the first reason. The second reason is the inability to pay the cost of treatment that they would incur with private providers of health care. Overcrowding at public hospitals that leads to poor quality of health service in such hospitals is the third reason. The root cause of all these difficulties is the lack of return on investment the country makes in health care. So far, the thinking in India has been that the health care services should be priced low. The experience shows that this thinking has to change. For keeping the health care services affordable, there is an urgent need to have more effective and efficient health insurance schemes. This experience also strengthens our judgement that the corporate sector must play a leadership role in this area.

### **Corporate Initiatives**

This is the rationale for the SHARDA Trust's emphasis on providing high quality secondary tertiary health care to the persons from the distressed areas. To do so, the Trust has set up a network of specialists, hospitals, and charitable trusts. The Trust guides the patients to the appropriate specialist and shares the cost of treatment up to 66 per cent of the total. Between January 1998, when the Trust started its programme for helping the urban poor to get access to health care, and 30 June 2000, the Trust has advanced about Rs 4,20,000 and helped 311 patients.

The skill-upgrading programme of the SHARDA Trust is born out of these strategic considerations. Upgrading of skills involves a spectrum of activities. At one end are the efforts that will help the unskilled to compete in the

attractive segments of the service industry. Giving the unskilled very narrow vocational skills is the other end of the spectrum. Initially we started with an ambitious programme to help the residents of the distressed areas to set up a courier service. In addition, we conducted a study of the vegetable vending industry in Ahmedabad. The purpose of this study was to help the SEWA Bank members engaged in this industry. Our studies showed that both these industries were attractive. Unfortunately, we did not succeed in motivating persons to compete in these industries. From this experience, we set our sights a little lower. We considered it more expedient to provide the unskilled narrow vocational training that has the potential for quick upgrading. This led us to mounting two kinds of programmes focused on two categories of distressed population. One was to train car drivers and the other to train operators for the upcoming garment industry. For planning and for making these programmes operational, we largely followed the same strategies that a corporate system normally adopts to introduce new products in the market.\*

For carrying out the strategy effectively, the Trust first ensures that it carries out the plan it has drawn up and must constantly get the views of the persons whom the Trust helps. It is of paramount importance that the Trust always remains in close contact with the participants in its programmes and also be sensitive to their views. In other words, the Trust must maintain "customer orientation." The Trust does so religiously. This is done through periodic feedback conducted by credible researchers (like SEWA Bank team). The participants' views about the usefulness of the programmes, the difficulties they encountered in the Trust's programmes, and the suggestions they would have for improvement are taken with utmost seriousness. We also encourage independent researchers to study and evaluate the programmes. The experts' documentation and commentaries are then published by the Trust for wider dissemination. The participants' views and experiences

\* For details of these programmes, see Tripathi and Jumani, *op.cit.*, pp 58-104.

then become the Trust's basis for modifying the existing programmes and for starting new ones.

## Partnership with NGOs

Bhatt says "....there is a great deal to be said for corporate involvement in social development in partnership with NGOs." In support of his point, he stated the following four reasons:

- Their (NGOs') development is much more holistic and includes not only physical quality of life activities but deals with exploitation, oppression, and social justice issues (p 14).
- Many of the issues of development have remained outside the purview of corporate concern, for example, capacity building of the poor, so that they can have greater control over the circumstances of their lives, and to generally empower the poor (p 15).
- NGOs' agitation over...exploitation of labour imported from other regions, and high incidence of child labour....NGOs' opposition to such projects as ENRON...may also be perceived as NGO's anti-industry stance (p 15).

However, there is little empirical evidence to support these arguments. Let us look at the NGOs' record in improving the physical life of the poor. Had this been done then many of the problems of exploitation and oppression would have been solved. Let us cite the example of Sanjay Nagar. The freedom from oppression that the residents experienced simply because they had water and basic sanitation is seen to be believed. Dwijendra Tripathi and Jyoti Jumani<sup>7</sup> vividly describe it in the following words:

Change in physical surroundings is bound to bring about changes in the way of life of a community. The changes may be tangible, visible and quantifiable - the changes that every one can notice. In contrast, changes in the way of life may get reflected in the ways only the com-

<sup>7</sup>Tripathi and Jumani, *op. cit.*, p 10, p 13 and p 17.

munity in question can experience and feel.

Water has brought about a major shift in the day-to-day chores of life. Bathing, washing clothes, mopping floor are now daily rituals for the residents of Sanjay Nagar. Earlier, the bathing pattern was erratic.

The change experienced by the residents can be described in their own words:

"The Rabaris earlier would *make us do their housework in exchange for a bucket of water,*" Sunita recalls (emphasis added), "At times I would have to go to 5-6 houses to get the water. The owner would comment, 'Aren't you finding other houses to fill water that you come here all the time?' My face would fall but I would not retort, otherwise they would not let me fill water the next day."

Had the NGOs succeeded in providing water, the basic need, then life of the poor would have become much more bearable.

Bhatt's concern for child labour is touching. But he provides no evidence of concrete actions that the NGOs are taking to end this menace. Let us cite an example:

In the WTO negotiations, the developed countries have made more wide-ranging proposals to link the use of trade sanctions to compliance with environmental policy objectives in the developing world, and also to use trade sanctions to uphold labour standards. In all these cases, standards are to be set for the non-trade objective, and the importing countries would enforce the compliance with these standards using WTO-approved trade sanctions. The Government of India has objected to these proposals on the spacious ground that this is protectionism by the backdoor. What has the Government of India objected to? It has objected to, among other things, the use of trade sanctions to uphold labour standards. It is important to understand the labour standards that the developed world is asking for. The expression "labour standards" refers to the seven

ILO conventions identified by the ILO's Governing Body as being fundamental to the rights of human beings at work, irrespective of levels of development of individual member states." These are:

- Freedom of Association and Protection of the Right to Organize Convention, 1948 (No 87).
- Right to Organize and Collective Bargaining Convention, 1949 (No 98).
- Forced Labour Convention, 1930 (No 29).
- Abolition of Forced Labour Convention, 1957 (No 105).
- Discrimination (Employment and Occupation) Convention, 1958 (No 111).
- Equal Remuneration Convention, 1951 (No 100).
- Minimum Age Convention, 1973 (No 138).

Do the NGOs support the Government of India's position about de-linking the labour standards from trade?

Bhatt's observation about the NGOs' opposition to projects like ENRON does show their anti-industry stance. For, as the reports show, eventually, the local population welcomed the ENRON project. We quote the news report from the *Times of India*.

Four years ago, Enron was a dirty word in Dabhol.<sup>9</sup> Its mere mention would make the locals angry. People in Dabhol and adjoining villages feared that emissions from the power plant would ruin their crop, especially the famous Dabhol Alponso. Enron officials were manhandled, their vehicles stoned, and water supply to the power plant frequently cut off. Hardly anybody was willing to work for "the *goras*, hell-bent on destroying the environment and economy of the area."

"Website of International Labour Organization, <http://www.ilo.org/public/english/standards/norm/whatare/fundam/index.htm>

"Yusuf Khan, Sakina (1999). "Fighting MNC Phobia the Enron Way," *Times of India*, 7th May, Ahmedabad Edition.

Today, as the controversial project readies for commissioning, three months ahead of schedule, the situation is vastly different. No celebration in the area is complete without an Enron representative gracing the show. Mr Sanjeev Khandekar, Enron's vice-president-site operations, is a household name and a permanent chief guest at all functions. Resistance has given way to compliance, opposition to appreciation. And for good reason. The level of development Dabhol and adjoining villages — Anjanvel, Veldur, Ranvi and Kafalwadi — have seen is unprecedented.

Did not the NGOs prejudge the issue? Did they study the project carefully? Did they consider the reasons why the Government of India gave the project environmental clearance?

We believe that the NGO-corporate partnership is a desirable idea, but if the NGOs remain suspect of the corporate system, as Bhatt's paper seems to indicate, such partnership cannot succeed.

However, we are not discouraging partnership between the NGO and the corporate sector. Our advice is only that the parties should enter into partnership only after careful considerations. Otherwise broken partnerships and hard feelings would only be the result.

## Conclusion

Our experience of working with the urban poor convinces us that no rapid economic development of the poor is possible unless we change their customs and systems that have existed for a long time and pervade even today. For instance, skipping work for participating in an unimportant festival, or staying away from work because of the death of a distant relative are customs that are dysfunctional in the contemporary world. A sizeable proportion of the poor still favour activities that promote re-distributive rather than productive activity, that create monopolies rather than competitive conditions, and that restrict opportunities rather than expand them. For instance, consider the clamour for job reserva-

tions, reservations for small sector industries, discouraging free trade, maintaining exit barriers, continuation of child labour, and the like. These preferences seldom induce investment in education that increases productivity.

Therefore, to bring about economic development, mere investment or launching "anti-poverty programmes" is not enough. We will have to understand the social customs and systems that act as barriers to development. Douglass North, a renowned economic historian, points out the all-pervasive effects the social customs and systems have on development. He says:<sup>10</sup>

Institutions are the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction. In consequence, they structure incentives in human exchange. ...In the jargon of the economist, institutions define and limit the set of choices of individuals. Institutions are a creation of human beings. They evolve and are

"North, Douglass C (1990). *Institutions, Institutional Change and Economic Performance*, New York: Press Syndicate of the University of Cambridge, pp 3-6.

altered by human beings; hence our theory must begin with the individual. At the same time, the constraints that institutions impose on individual choices are pervasive. Institutional change is a complicated process because the changes at the margin can be a consequence of changes in rules, in formal constraints and in kinds effectiveness of enforcement. Moreover, institutions typically change incrementally and why even discontinuous changes (such as revolution and conquest) are never completely discontinuous are a result of the imbeddedness of informal constraints in societies. Although formal rules may change overnight as the result of political or judicial decisions, informal constraints embodied in customs, traditions, and codes of conduct are much more impervious to deliberate policies. These cultural constraints not only connect the past with the present and future, but provide us with a key to explaining the path of historical change.

How to manage these constraints should be the concern of all — whether the corporate sector or the NGOs.

#### **Box: Excerpts from Anil Bhatt's Article on NGO-Corporate Partnership**

- There is considerable discussion and action in recent years on building partnership between voluntary organizations and corporates for social development.
- Among the businesses which have in any significant and consistent way got involved in development work are mainly medium to large modern corporate type establishments. And they have mostly preferred to launch their own foundations and trusts rather than working in collaboration with non-governmental organizations (NGOs). While this is understandable, there is a great deal to be said for corporate involvement in social development in partnership with NGOs.
- Corporates genuinely interested in development have a lot to learn from NGOs and gain from collaborating with them as they can help with choice of programmes, approaches, and techniques that can reach the poor. It is common knowledge that in the Indian social context, it is not easy to reach the poorest as there are vested interests who thwart the flow of services and benefits to the poor and siphon off the benefits for themselves. Companies may find it more convenient to undertake development programmes through NGOs rather than directly by themselves. For instance, they may find it uncomfortable to launch a programme exclusively for the poor keeping out the non-poor in the same community if they did it directly. But they may be able to do it through NGOs.
- NGO-corporate partnerships will bring together lots of resources and a variety of skills as this involves a coming together of two large and strong sectors for social development. If they are able to build partnerships, not only on a one-to-one basis but at sectoral levels too, they can be a formidable combine to influence society, politics, and government.
- —partnerships between corporates and NGOs is a relatively recent phenomenon. As yet, only a few collaborations have actually taken place. It is not known to what extent the partnerships are really effective in strengthening the entrenched interests and in what ways they have affected NGOs, their agenda, their approaches, and their priorities.