Development DESTIN Studies Institute

Working Paper Series

LSE

ISSN 1470-2320

2003

No. 03-44

IS THERE A DEVELOPMENT CASE FOR UNITED NATIONS-BUSINESS PARTNERSHIPS?

Dr. Francesca Beausang

Published: May 2003

Development Studies Institute

London School of Economics and Political Science

Houghton Street

London

WC2A 2AE UK

Tel: +44 (020) 7955-7425

Fax: +44 (020) 7955-6844

Email: d.daley@lse.ac.uk

Web site: www.lse.ac.uk/depts/destin

The London School of Economics is a School of the University of London. It is a charity and is incorporated in England as a company limited by guarantee under the Companies Act (Reg. No. 70527).

Francesca Beausang
Development Studies Institute
London School of Economics
Houghton Street
London WC2A 2AE
Tel: +44 2078494652
F.A.Beausang@lse.ac.uk

Is there a development case for United Nations-business partnerships?

Albert Einstein once said that "the significant problems we face today cannot be solved at the same level of thinking we were at when we created them". One of the most urgent problems the world faces today is the fact that a billion and a half people are living in poverty. The old solution to this problem was to provide aid to the world's neediest countries, yet the collective Overseas Development Assistance of the 29-nation donor group known as the OECD has fallen to a record low of 0.22 per cent of GNP---less than one-third of the 0.7 per cent target set by the United Nations (UN) in 1969 (Bellamy, 1999). While there is undoubtedly a need to find new solutions to the "problem" of underdevelopment, a consensus on how to reformulate and address the problem still has not emerged. This paper examines the merits of a particularly controversial "new level of thinking" on development, that of inter-sectoral partnerships.

Yet, it is not entirely clear how new the partnership concept is. For example, in the case of UN-business partnerships, Tesner (2000, p. 9) notes: "the notion that the UN was an anti-business organization was not present at its creation"; in fact, she points out that the International Chamber of Commerce obtained consultative status at the UN in 1946 at the highest level authorized by the UN Charter. The notion "developed with the emergence of the Cold War and became cast in stone with the accession of the former colonies of Asia and Africa to independence in the 1950s" (Ibid.). It was not until the 1992 Earth Summit, at which business played a particularly prominent role, that a new era of rapprochement between the UN and business began. At the Summit, Maurice Strong acknowledged that "the environment is not going to be saved by environmentalists. Environmentalists do not hold the levers of economic power". Consequently, since the Earth Summit, business has become an ever-present partner in UN environmental negotiations. UN-business partnerships have now spread beyond the specific realm of environmental negotiations. For instance, Ted Turner's one billion dollar donation to the United Nations in 1997 is administered by the UN Fund for International Partnerships, which operates in the areas of women and population, children's health, and humanitarian causes in addition to the environment. Similarly, the UN Global Compact[i] is a partnership set up in 2002 with an agenda including human rights and labor and the environment. These partnerships have been the object of much controversy on the part of individuals belonging to the United Nations, business and civil society.

Scope and structure of the paper

In this paper, we choose *not* to cover certain issues and to emphasize others. Below, we list the issues that we exclude/include and we justify our choices.

- We are not concerned with *the business case for partnerships*, as a lot has been written on this subject. Instead, we examine the case for partnerships from a "development perspective" which focuses on the well-being of developing country local communities.
- We do not provide an in-depth survey of the existing *evidence on partnerships* because it does not lend itself to generalization nor does it give rise to rigorous analytical conclusions (for a survey of UN-business partnerships see Nelson (2002)). Indeed, it covers a very recent period of time, and it comes entirely in the form of case study material which is highly context-specific. The World Bank's Business Partners for Development research (1998-2001) states that "many of the partnerships studied are still quite new, and it is difficult to draw absolute conclusions with regard to impacts on poor people that can be

attributed completely to the partnerships themselves" (p. 25). At the same time, we are not aware of any theoretical case for partnerships exclusively based on development criteria. We contribute to filling the latter gap: we focus on a purely theoretical development approach to partnerships, aspects of which we occasionally illustrate through cases.

- Our development case for partnerships does not differentiate between sectors of activity, such as democratic governance, information/communication technologies, HIV/AIDS, energy and the environment, or crisis prevention and recovery. Undoubtedly, the *sector-specificity of a partnership* will have a bearing on its success in delivering development, but we consider that a sector-specific approach to partnerships could be the subject of another paper.

The paper is organized as follows. In section 1, we outline the characteristics and core concepts of development which we will use to assess the performance of partnerships. We argue that development is partly a managerial concept of complex "governance" but also an ethical project of poverty reduction. In section 2, we present the literature on partnerships. In section 3, we examine whether partnerships are an appropriate method of operationalizing our development concept on the basis of its governance and poverty reduction components. We argue that *a priori* partnerships satisfy both the governance and the poverty reduction criteria: they contribute to the former as a mechanism that articulates the different actors of the development process, and to the latter as a source of social capital, which is an essential asset to escape poverty. Yet in section 4, we emphasize two limits on their ability to deliver poverty reduction in practice. The first one consists of the difficulties of scaling partnerships up to a level where they have a fundamental impact on macro poverty reduction. More important, the second limit has to do with the asymmetries of power between partners and the way these asymmetries shape the outcomes of conflict over partnership goals. To illustrate the issue of power asymmetry, we zoom in on the case of UN-business partnerships. We suggest that the capacity of UN-business partnerships to deliver the poverty reduction goal will be determined both by the UN's positive incentives towards business engagement with the poverty reduction goal and by the UN's disincentives against business non-compliance with the poverty reduction goal. We explain why positive incentives must be complemented by disincentives, at least in the early stages of the partnership.

In the last part of the paper, we focus on the effectiveness of UN disincentives. We start from two fundamental premises: a) in the current form of partnerships, business has more bargaining power than the UN; b) business is less committed to poverty reduction than the UN. Given a) and b), we endorse the partnership approach to development but we argue that the UN cannot provide sufficient disincentives on its own against business non-compliance with the poverty reduction goal. Non-governmental organizations (NGOs), however, can exert pressure on business to participate in poverty reduction on the basis of their leverage on the consumers of business products. Therefore, the preservation of a poverty reduction agenda requires the systematic inclusion of NGOs in UN-business partnerships. Other benefits of tri-sector partnerships include the following. In such partnerships, the UN would seem less likely to be coopted by business than in dual sector partnerships. Furthermore, the addition of a third

sector could enhance the legitimacy and governance of partnerships, as they would incorporate all social forces.

1 Conceptualization of development

Before we can examine the development case for partnerships, we must define development in terms of characteristics and concepts.

1.1 The characteristics of development: complexity, diversity, multi-dimensionality and dynamism

It would be beyond the scope of this paper to catalogue development definitions (see Desai (1991) for this purpose). Alternatively, we provide a simplified history of development studies which will help identify some prevailing characteristics of development. A useful shortcut to the history of development studies is to divide it in three phases. It started out in the 1950's as a theory of resource mobilization by the state. This theory was replaced in the 1980's by a theory of resource coordination by the market. Following these two opposing worldviews, the 1990's heralded an era of compromise in development studies[ii]: it had become clear that markets and states were interdependent and that the old market/state dichotomy was dead. The shape of the market/state compromise is currently being negotiated in response to the pitfalls of past approaches to development[iii].

The acceptance of the need for compromise is partly a belated acknowledgment of the fact that development is a multi-dimensional concept[iv]. In the early days of development theory, development was largely equated with income growth (although Srinivasan (1994) has suggested otherwise[v]). Since then, there has been a succession of dominant development paradigms. Some of them have been modernization theory, which envisaged development as a series of stages leading to industrialization; the basic needs approach, which emphasized the education and health dimensions of development; institutional theory, which focused on governance aspects of development; finally, the capability approach, which associated development with freedom. Yet it would be a mistake to argue that these paradigms entirely displaced each other; despite the dominance of a paradigm at a point in time, there is still the sense in development studies that each paradigm builds towards a broader understanding of development, given that we still have not seized all its complexity.

In the light of these approaches, development emerges as a concept characterized by complexity, diversity and multidimensionality. In addition, it is a process of transformation, which means that it is dynamic. Therefore, any framework that seeks to encompass the development process must be complex, diverse, multi-dimensional and dynamic.

1.2 Substantive concepts of development: governance and poverty reduction

The characteristics of development outlined above, i.e. complexity, diversity, multidimensionality and dynamism, give us a sense of the challenges involved in the task of "developing". However, they do not amount to a definition of core development concepts. We choose to single out two such concepts: these are governance and ethics. We define governance as "the complex ensemble of mechanisms, processes, and institutions through which citizens and social groupings manage their interests and conflicts" (UNDP, 1996). Governance constitutes a core development concept for two reasons. First, as a management process, it facilitates

the achievement of developmental results. The World Bank, which coined the term governance, places result-orientation at the centre of its definition: "the manner in which power is exercised in the management of a country's economic and social resources for development". Going back to the characteristics of development which we outlined above, it is obvious that if citizens and social groupings are to accelerate the achievement of development goals, they must find ways of channelling complexity, diversity, multidimensionality and dynamism into particular outcomes (Kooiman, 1993, p. 35).

It has been argued that the result-oriented approach implicit in the governance agenda stresses the product of development at the expense of the process of development itself. We submit that governance also facilitates the development process itself; this is particularly clear if we return to the UNDP's definition of governance. It would not be the case if governance were the exclusive prerogative of the state, in which case result-orientation would be synonymous with static and interaction-free state control. However, because complex governance as we know it today is a multi-actor arena which involves not only formal state-based institutions (national and multilateral) but also the private sector and civil society[vi], it facilitates the development process by establishing a dialogue between various development actors, i.e the state, the private sector and civil society. According to Nelson and Zadek, "traditional power hierarchies are being replaced by a more complex, multi-relational balance of power, where citizens and companies are playing an active role in shaping socio-economic change and addressing problems that were previously the sole responsibility of government" (Nelson and Zadek, 2000). By confronting the different actors in the development process and by unveiling the complementarities between them, complex governance builds on their multiple perspectives. Consequently, governance facilitates the development process by bridging conflicting views.

However, no matter how tempting it is to reduce development to one simple and manageable goal, we cannot see development solely through a governance prism. From its inception, development studies has been an ethical project concerned with poverty reduction. We understand poverty as capability deprivation, where capabilities include both positive freedoms to live the lives that we have reason to value (through income, health and education) and negative freedoms (security, integrity of the physical person, public participation and human rights). It is precisely this ethical dimension which explains why development studies is a project of emancipation and cannot be categorized as a subset of economics or management. Beyond the efficient governance of scarce resources, development also involves a reduction of the plight of the poor.

It has been argued that one way of bringing about this reduction is through the creation of social capital, which therefore constitutes an important development concept through its link with poverty reduction. Stliglitz (1997) defines social capital as "the glue that produces cohesion among and within groups". A simpler definition of the term could be the set of norms, values and networks that holds a society together. The boundaries of the term are rather hazy. Putnam (1993) includes associations like football clubs, bowling clubs and bird-watching societies into the category of networks and therefore social capital. A substantial amount of research has recently been undertaken on the link between social capital and poverty reduction.

For instance, while Putnam (1993) has argued that social capital leads to economic and political development, Bebbington (1999) submits that it is the most important asset for the poor to ensure a livelihood and pull themselves out of poverty. Based on his fieldwork in the Bolivian Andes, he states that social capital is more important than human capital or even land in terms of impact on poverty reduction.

In summary, development is complex, diverse, multi-dimensional and dynamic. Its core concepts are governance, poverty reduction, and indirectly, social capital.

2 What are partnerships?

Having defined the concept of development, we move on to a definition of partnerships. The term originates from the firm management literature, which deals exclusively with inter-firm relationships, but it is now used in the wider context of inter-sectoral relationships. Inter-firm cooperation in the form of strategic alliances or joint ventures has been thoroughly investigated in the management literature. Below, we draw a number of useful implications from the analysis of inter-firm cooperation for the general case of inter-sectoral cooperation[vii] and we then focus on the particular managerial challenges posed by inter-sectoral cooperation.

2.1 Inter-firm lessons for inter-sectoral partnerships

The most interesting contribution of the management literature is that it provides a variety of explanations for cooperation through strategic alliances or joint ventures. Ciborra (1991, p. 51) argues that "cooperation between firms is based on the idea that many alliances among firms in rapidly growing industries are set up to reduce 'transition costs', i.e. costs that organizations incur when they seek to undergo drastic restructuring to meet new challenges and implement new strategies". He adds that governance structures that are efficient in managing transactions in a steady environment may be ineffective when velocity of response is at stake. We can directly apply his ideas to the case of inter-sectoral partnerships such as UN-business partnerships. The UN is currently in transition due to the intensification of economic globalization: it has to face the fact that the inter-governmental form of global governance is being replaced by a more complex form of governance involving global business and civil society. This transition is forcing it to cooperate with these new actors. Furthermore, the UN must respond to globalization with velocity, or it will be side-lined by the new actors. We cover these issues in depth in section 3.1.

Another cooperation motive highlighted by Ciborra is that it allows firms to implement strategies for organizational learning and innovation more effectively than they would on their own (Ibid). For him, "alliances [create] an opportunity to access different cognitive frames and cultures so that a firm can look at itself and the environment in which it operates in a different way" (Ibid.). Learning requires external stimuli and internal changes. Usually, organizational innovation is prompted from without, particularly in the case of giant organizations characterized by inertia. In this respect, the UN is similar to any firm: it can only adapt to change through a process of learning. UN interaction with the new actors of complex governance through partnerships can be seen as a catalyst of internal change. The UN staff college then has a crucial role in enabling internal change, which is to train UN employees to engage with the new actors.

To a large extent, the need for organizational learning and innovation through cooperation stems from managers' identification of an informational failure or knowledge gap. This gap is either due to the market, which is unable to transfer knowledge between firms or to the firm, which fails to accumulate it at a fast pace (Ciborra, 1991, p. 56)[viii]. Penrose (1959) holds the view that alliances are harnessed precisely to decrease the gap between a corporation's competence and the complexity of its environment through an outbound manoeuvre to control the complexity of the environment and an inbound manoeuvre to increase the organizational capabilities of the firm. The higher the complexity of a corporation's environment, the more important knowledge is. Clearly, knowledge failures apply beyond the realm of inter-firm relationships to that of UN-business relationships. Indeed, because the complexity of the UN's "environment" is increasing and it includes business, a bridging of knowledge gaps between the UN and business is in order. UN-business partnerships constitute a means of addressing knowledge gaps.

One might wonder why there is a knowledge gap between firms and to what extent cooperation can be expected to bridge this gap. A simple answer to the first issue is that firms might have differing capabilities, i.e. skills, resources and scope. These differing capabilities can be seen as a basis for cooperation between firms, as long as they are at the same time complementary (Contractor & Lorange, 1988, p. 9). Because there are different degrees of fit between firms' capabilities, there are also various levels of cooperation. The highest level of cooperation between firms is reached when differing capabilities generate a set of shared competences, at which point cooperation creates inter-firm dependence. In the realm of inter-sectoral relationships, varying degrees of cooperation are also associated with different degrees of fit between capabilities. Indeed, while Riley (2002, p. 98) provides us with a general definition of inter-sectoral cooperation, i.e. "a formal type of interaction which is distinguished by the use of some kind of mechanism to manage a relationship between the participating bodies", he immediately divides inter-sectoral cooperation into three categories: substitution, complementarity, and collaboration. Substitution takes place when a participating body implements activities that another body normally performs but for some reason cannot or does not; they may lack the resources, expertise, or personnel to operate in certain areas. In the case of complementarity, all bodies conduct different activities leading to a joint objective. Finally, in addition to the cooperative features of the previous activities, collaboration involves a greater degree of interdependence between the bodies.

In this section, we have tried to show that inter-sectoral cooperation shares many features with inter-firm cooperation and that we can therefore draw a number of implications from the inter-firm case. However, the challenges of inter-sectoral cooperation are more extreme than those of inter-firm cooperation due to the greater diversity of the actors involved: while different firms might not share organizational cultures or capabilities, they will at least share a profit-maximizing objective. Different sectors will have to cooperate across different cultures, capabilities and objectives. With inter-sectoral cooperation, the task of identifying complementarities will be more complex, but arguably, the rewards from combining a larger range of differences could be greater. We now turn to the specificities of inter-sectoral cooperation, and we focus on partnerships, which constitute a structuring mechanism for inter-sectoral cooperation.

2.2 Cooperating across sectors[ix]

2.2.1 Preparing for inter-sectoral partnership

Inter-sectoral partnerships should not be undertaken lightly. Given the complexity they involve, it must be clearly established that partnership is the best way of dealing with a particular issue, and that partners have been selected appropriately. Largely based on World Bank (1998-2001), we suggest the following pre-requisites before proceeding with a partnership:

- a cost/benefit analysis must be conducted by individual potential partners. For example, Murphy & Bendell (1997, p. 53) explain how in the case of business-NGO partnerships for sustainable development, NGOs perceived that "an engagement with the traditional enemy may help to implement localised sustainable development as well as facilitating a breakdown of the antagonistic positions of the past and the fostering of greater understanding". They also explain that while effective in the short term, the traditional scare tactics strategy of NGOs is unsustainable in the longer term as it encounters what they call "public cry-wolf fatigue". These motives have led NGOs to develop a solutions culture. From the perspective of the business partner, "the changing response of business to environmental challenge and the increasing recognition of corporate social responsibility has meant that business leaders are increasingly listening to and engaging with environmentalists" (p. 55). Yet while NGO-business partnerships can lead to real environmental improvements, greater environmental education and the harnessing of consumer support for environmental goals, as well as "giving teeth" to voluntary initiatives, they also imply that NGO supporter donations are providing business with free environmental advice. Furthermore, single-issue partnerships may prevent environmental groups from publicly criticizing their business partner on other social or environmental matters. For a detailed investigation of the gains and pitfalls of partnerships from the perspective of each individual partner, see World Bank (1998-2001).
- Effective partnerships are built on complementary core competences. They need to be identified prior to the partnership. Waddell (2002) has greatly expanded our understanding of the role of competences in inter-sectoral partnerships. He argues that core competences are a basis for a mutual-gain framework for developing relationships between organizations (p. 45). He outlines the distinctive attributes, resources, weaknesses and core competences of the state and market sectors (see Table 1).

Sector	**State sector**	**Market sector**
Primary interest	Political	Economic
Control agents	Voters/rulers	Owners
Power	Laws, police	Money
Goals	Societal order	Wealth creation
Assessment framework	Legality	Profitability
Goods produced	Public	Private
Organizational form	Governmental	For-profit
Ethic	Administrative	Managerial
Relational basis	Rules	Transactions
Temporal framework	Election cycles	Business cycles
Resources	Regulatory and taxation powers; enforcement	Capital and financial assets; production

	apparatus; specialized political impact knowledge; government reputation	systems; specialized industrial knowledge; business reputation
Weaknesses	Inflexibility in rule application; slow pace of decision-making; complexity of jurisdiction; difficulty in internal coordination; desire to control other sectors	Tendency to monopoly; disregard for externalities; integration of long-term concerns; inequality of outcomes; transactional parochialism
Core competences	Rules-focused activity; creation of level playing field; redistribution of benefits; infrastructure development	Efficiency-focused activity; profit generation; delivery of goods and services to medium and upper income groups

Table 1: Distinctive attributes, primary resources, weaknesses and core competences of state and market sectors
Based on Waddell (2002).

- The public sector in developing countries has to establish an environment that encourages partnership.
- Potential partners must check that there are internal champions for the partnership within their organizations and sufficient institutional buy-in (see Tennyson & Wilde, 2000 for a profile of the ideal partnership broker).
- Partners must negotiate and agree on their governance structure.

2.2.2 Managing inter-sectoral partnerships

Once they decide to embark on a partnership, all partners must concentrate on the task of optimising partnership management. For most partners, this task is radically different from those they are used to. The classical vision of management consists of three main activities: "setting the goals of the organization (planning), structuring and designing the organization (organizing) and 'getting the job done' (leading)" ((Kickert, Klijn & Koppenjan, 1997, p. 11). Partnership management substitutes these three clear activities with three obscure ones: the complex and inter-temporal selection of actors and resources, the shaping of partnership conditions and the handling of strategic issues. Whereas "[classical] management is a top-down activity based on a clear authority structure" (Ibid.), partnership management is characterized by a divided authority structure and various, changing definitions of problems and goals. A partnership manager is a mediator, process manager, network builder, who guides interactions and provides opportunities.

For an in-depth analysis of partnership management issues, see Kickert & Koppenjan (1997). Briefly, they distinguish between two ways of managing partnerships. These are game management, which consists in "activating [partnerships] to tackle particular problems or issues, establishing *ad hoc* organizational arrangements to support interaction, bringing together solutions, problems and parties (brokerage), promoting favourable conditions for joint action

and conflict management" (p. 47) and partnership structuring, which can be done by influencing formal policy, interrelationships, values, norms and perceptions, mobilizing new coalitions, or managing by chaos. For instance, managing by chaos consists in breaking the partnership into new coalitions.

One of the most interesting managerial aspects of partnerships is their dynamic and flexible nature. Indeed, the strategic focus of partnerships immediately implies a long-term, unfolding process whose purpose is not entirely set from inception. For Klijn & Teisman (1997), it is partly the process of cooperation itself which creates the basis for the emergence of a joint interest between partners. Therefore, they assume that the result of the partnership will be better if the strategies of important actors target an effective interlinking between the goals set out at the outset of the partnership and those that emerge throughout the partnership. For them, "joint interest must be created by means of interaction" (p. 118). Consequently, "a success criterion for [the partnership] is the realization of collective action in order to establish a common purpose" (Kickert, Klijn & Koppenjan, 1997, p. 9).

It is a common occurrence, however, that the partnership does not reach this collective action stage. Hence it is important to identify what can go wrong and prevent failure. Partnership failure can ensue from the lack of incentives to cooperate and from the existence of blockades to collective action. Therefore, it is essential to modify the incentive structure of the partnership, which requires changing its structural and cultural characteristics, so as to improve the conditions under which actors interact. It is beyond the scope of this paper to examine the details of failure prevention, but for an analysis of such details, see Kickert, Klijn & Koppenjan (1997).

So far, we have only been examining the characteristics of partnerships, their cost/benefit from the perspective of individual partners and their implications for management. A key point made by Murphy & Bendell is that the existing literature is "more concerned with the nature of the relationships and the benefits accruing to the partners rather than considering the extent to which […] relationships affect the inter-organizational problem domain of […] development. In this regard, there are related questions about the extent to which […] partnerships actually embody […] development principles" (Murphy & Bendell, 1999, p. 35). This is a gap in the literature on all types of partnerships: a description of the characteristics of partnerships is offered, but the performance of partnerships is not assessed against a set of pre-defined development goals. We proceed to bridge this gap on the basis of the development definition we presented above.

3 Operationalizing the development concept: do partnerships foot the bill?

Now that we have clarified what we mean by development and partnerships, we can assess whether partnerships are an appropriate means of implementing our development concept. The transition from concept to operationalization is a tricky process for many approaches to development[x]. Upon first examination, partnerships would seem to be a practical means of accommodating the complexity, diversity, and multi-dimensionality which characterize development, as they assemble various participants in the development process. They also appear to fit with the dynamic nature of the development process, given that they are flexible and evolving structures. Let us now verify whether partnerships can embody the substantive governance and poverty reduction concepts of development.

3.1 Do partnerships foot the development bill?: (1) governance performance

A first aspect of development we mentioned in section 1 is governance, that is, "the complex ensemble of mechanisms, processes, and institutions through which [developing country] citizens and social groupings manage their interests and conflicts" (UNDP, 1996). Therefore, a first step towards assessing the developmental impact of partnerships is to answer the question "do partnerships facilitate governance in developing countries?".

The theoretical argument for partnerships from a governance perspective emerges very clearly from section 2, which suggests that partnerships are undertaken precisely because their structure is perceived as the embodiment of complex governance. On the basis of case studies of partnerships in water and sanitation, Caplan, Heap, Nicol, Plummer, Simpson & Weiser (2001) conclude that "the project practitioners clearly suggest that the partnerships were more successful than any one sector would have been acting alone in the same circumstances" (p. 25). This supports the claim that partnerships facilitate governance in terms of goal completion. Furthermore, "the combination of skills, abilities, experience and relationships that the partnerships brought together enabled partners to be more effective and allowed them to grapple with a wider range of problems than they could have done alone. As difficult as these relationships are, the combination of social development, technical skills, financing and regulation was critical in achieving success" (p. 26).

Fiszbein & Lowden (1999) also celebrate the governance-enhancing features of partnerships in a World Bank Economic Development Institute paper, which exemplifies the managerial perspective on partnerships. Amongst other gains, they highlight the "quantitative and qualitative gains in output" yielded by partnerships; these output gains clearly correspond to the benefits of what we have called result-oriented governance. According to Fiszbein & Lowden, such gains are achieved by a) the contribution of new resources; b) the complementarities and synergies among the contributions; Fiszbein & Lowden emphasize the gains from b). First, "the new resources that partnerships can offer may be material resources, such as funds and in-kind contributions, or nonmaterial, such as technical skills, information, or other intangibles such as credibility and "clout"" (p. 16). Second, "partnerships increase the productivity of resources through the complementarities and synergies they make possible" (p. 23).

In order to illustrate the governance benefits of complementarities and synergies between partners, Fiszbein & Lowden focus on the case of a partnership called the Fundacion Vivienda Popular (FVP)---Foundation for Popular Housing---a Venezuelan private sector foundation which began working with the public body entrusted with this issue, the National Housing Institute (INAVI) in 1991 (see pp 134-6). The partnership revolves around a low-income housing programme which was created to improve houses and existing infrastructure in a Caracas suburb. The principle focus of the experience has been to channel public, subsidized loans to community groups through the intermediary role of FVP. […] Through outsourcing the responsibilities of identification and loan repayment to FVP, the government has avoided the delays, inefficiencies, and rent-seeking behavior often associated with traditional social safety nets such as direct loan distribution. The key lesson of this partnership, according to the authors is that complementarities between the government, the community and the FVP were able to improve the quality of life for

the residents of Santa Cruz, a Caracas suburb. "With donations from the private sector, FVP was able to provide technical and financial assistance to poor families for self-built infrastructure improvements, as well as to foster long-term capacity building through training seminars and workshops. FVP worked with local community groups. These organizations were also dedicated to working on habitat issues and provided a mechanism for civil society to organize itself and improve its living conditions" (p. 135). Therefore, the FVP represents the core of the partnership, since it acts as an intermediary between the public sector and the communities. "This enables the government to capitalize on this existing relationship between the private sector, NGOs, and the poor in order to reach them more efficiently" (p. 136). Fiszbein & Lowden display a number of other cases to demonstrate that partnerships facilitate governance in developing countries. One such case is the Self-Help Construction of Public Service Infrastructure in Cali which provides water and sanitation services to a poor neighborhood and whose experience "reveals the complementarities between the strengths and comparative advantages of each member of the partnership, which led to a highly effective program that offers services to a poor region traditionally not reached by the state" (p. 113).

The next question is whether the partnership approach, which is essentially a governance mechanism, can also serve as a poverty reduction channel. Is partnership a useful way of organizing resources for poverty reduction?

3.2 Do partnerships foot the development bill?: (2) poverty reduction

Part of the theoretical answer to the question "is partnership a useful way of organizing knowledge for poverty reduction?" is provided by the link between partnership and the concept of social capital, which we pointed out in section 1 as a key factor in poverty reduction. Evans (1996) singles out partnerships as a major source of social capital. In his paper, Evans concentrates on partnerships between the state and society in general, but his analysis can be applied to the global context. He singles out two sources of synergy between the state and society, which are complementary actions by governments and citizens, and ties that cross the public/private divide (partnerships). Like complementary actions, partnerships are built on a division of labor, but in addition, this division takes place between a set of tightly connected individuals who work closely together to achieve a common set of goals. For Evans, the enduring set of relationships that spans the public/private divide, i.e. partnerships, is *the* primary source of social capital. He argues that civil society is not a sufficient source of social capital; in fact, by creating a "demand overload" on the state, "raw" civil society leads to ineffective poverty reduction outcomes. Only through partnerships can such traditional ties be dynamized and transformed into developmentally effective social capital and become a force for poverty reduction. Yet to make partnerships work for poverty reduction, a condition has to be met: there should be a "relative equality of circumstances between partners"; in other words, large power asymmetries between partners should be avoided.

Fiszbein & Lowden (1999) also make the case that *a priori,* partnerships stimulate social capital and thereby contribute to poverty reduction. That is, "partnerships facilitate the creation of new human, institutional, and social assets that benefit the partners, both individually and collectively, creating the potential for a profound impact on poverty reduction to be made" (p. 31). They argue that partnerships can strengthen a) individuals partners in ways that make them more effective in their own

endeavours and b) the collective partnership. In their view, "both these individual and collective gains, albeit more obvious collective progress, clearly amount to the kinds of human and social capital building that may prove the best guarantee of long-term social development".

Fiszbein & Lowden illustrate their argument on social capital through the case of a partnership in El Salvador's Colonia Milagro de la Paz (pp. 129-131) (among the community, the NGO FUMA, the business foundation FEPADE, and the local police) which "has not only given outside actors access to this conflicted neighborhood, allowing the implementation of an innovative program to address the needs of street children, but also has generated reflection on the part of both community members and the police on issues of human rights" (p. 40). Similarly, they examine the partnership experience of the Environmental Committee for the Department of Chalatenango (pp. 140-3), also in El Salvador, which was formed by multiple governmental and NGO organizations working in the department of Chalatenango to coordinate a concerted strategy of environmental protection and economic development. For Fiszbein & Lowden, in El Salvador's post-conflict chaos, partnerships are a way of recreating the social fabric. As they put it, "[the Committee] tackles issues of poverty reduction and provides a forum in which decisions can be made by discussion rather than by fighting. This is turn, begins the process of building trust that is integral to the development of a country destroyed by civil war" (p. 143).

In summary, partnerships enhance governance and poverty reduction *a priori.* Yet partnerships often deviate from the ideal scenario and fail to achieve these development goals. Until we possess more systematic evidence on the development impact of partnerships, we have to make do with a) evidence on non-partnership approaches to development; b) opinions. As far as a) is concerned, we know that both markets and states have failed to deliver development; a glance at thirty years of World Development Reports offers ample evidence of this. If development studies is grossly a history of failure of states and markets with a number of context-specific non-replicable exceptions, then it makes sense to explore the boundaries between markets and states through partnership initiatives. Although these failures have not been acknowledged by everyone[xi], they constitute a sufficient invitation to embrace the new partnership agenda and explore fresh alternatives. At the same time, a partly critical stance is required so as to anticipate and limit the damage that may result from the partnership experiment. Enlightened scepticism is in order when the lives of the poor are at stake. Therefore, some potential criticisms of inter-sectoral partnerships from a poverty reduction perspective are presented below, given that their governance-related criticisms have already been covered at length by the management literature[xii].

4 Fundamental problems of partnerships: scale and power asymmetries

We focus on two criticisms which we consider to be foundational. The first relates to the supposed link between partnerships, social capital and poverty reduction; the second has to do with issues of power in partnerships.

4.1 Scale

There are two notes of caution which can be introduced with regard to the links between partnerships, social capital and poverty reduction. The fundamental

assumption which underlies Evans' assertion that partnerships stimulate social capital in developing countries is that social capital can be constructed. He justifies his assumption based on the fact that "people's perceptions of themselves and their neighbors are malleable" (1996, p. 1129), which is not entirely convincing. In fact, if we take the approach of Robert Putnam (1993), who popularised the term social capital, "you either have social capital or you don't", i.e. social capital is historically path-dependent. We could be waiting for a long time before poverty reduction takes place in a country that is scarce in social capital to begin with. More important, it is far from clear that all social capital leads to poverty reduction. All forms of associational life and partnerships do not in and of themselves contribute to poverty reduction; they are simply channels for furthering ideas. It is the content of these ideas which will determine whether social capital can contribute to poverty reduction.

Even if we accept the claim that partnerships enhance social capital and poverty reduction, the question arises as to whether partnerships should become the "new paradigm for poverty reduction", as Fiszbein & Lowden (1999) suggest. In other terms, are they really the most effective way of achieving poverty reduction? The problem is quite clear if we examine their 27 cases of Latin American partnerships: "even recognizing that the number of similar cases of partnerships operating throughout the region must be several times higher than those captured here, the number of people touched directly by those partnerships is still likely to be small in comparison with the magnitude of the poverty challenge facing countries in Latin America and the Caribbean" (Fiszbein & Lowden, 1999, p. 90). Given that the case studies assessed by Fiszbein & Lowden remain isolated experiments, the issue is whether it is possible to "scale up" these partnerships, which incidentally is also the main problem associated with the literature on social capital. Scaling up is not just a geographical consideration, it also applies to the time dimension: just how sustainable is the poverty reduction outcome achieved by partnerships? In the light of the potential difficulties involved in systematizing a form of organization which is largely about specific partners in specific contexts within time constraints, it is unrealistic to maintain that partnerships can constitute a self-sufficient poverty reduction paradigm. They are one part of the answer.

4.2 Power asymmetries

More important, the most serious problem with the mainstream approach to partnerships is that it merely conceives of them as a means of organizing knowledge for poverty reduction. Yet, as Foucault has taught us, it is power that underlies and precedes knowledge, therefore we need to unveil the constellations of power which largely determine partnership outcomes. The rest of this paper is devoted to that purpose.

Gray (1989) and Riley's (2002) concept of critical collaboration is very useful in identifying the power dimensions of partnerships. The key feature of the concept is that it reduces cooperation to a political process. This comes out clearly in the following statement made by Gray (1989, p. 118): "[critical] collaboration creates a process by which the stakeholders themselves must wrestle with the question: how can I satisfy my interests in the context of what is in the collective good? Thus, collaboration urges a distribution of power among those whose interests are most keen… With a collaborative approach, the final agreement defining the common good is not the proclamation of a ruling elite or the results of political logrolling and

majority rule, but rather a[n] agreement among those chiefly involved". Or as Riley puts it, "[critical] collaboration is a model of shared power: [where] power [is] seen as the capability, or capacity of each partner in the collaboration to make a contribution to the solution of a problem". A key implication of critical collaboration is that weak stakeholders need to "establish some form of countervailing power" (Riley, quoted in Gray, 1989, p. 119) in order to overcome initial power asymmetries.

Adams & Hastings (2001) highlight the power dimension of partnerships in the case of the Hong Kong Land Development Corporation, which entered into partnership with four of the most powerful development companies and then offered the chance of partnership to the existing owners of its identified redevelopment sites. One of the key problems raised by the partnership was that the initial redevelopment strategy concentrated on sites thought likely to generate the greatest commercial returns for the private sector and hence produce the most lucrative offers for the Corporation, reflecting the Corporation's own lack of financial muscle and its dependence on large private companies for its initial resources. The paper demonstrates how the Corporation became overdependent on its private sector partners and ineffective in policy delivery, as it was not endowed with adequate power and resources. "If the Corporation had been able to select its initial sites on social or environmental grounds, areas in far greater decay may well have been chosen. Instead, in the absence of an urban renewal strategy for Hong Kong as a whole, locations that did not offer profitable business opportunities were likely to experience continued deterioration" (p. 1486). The partnership did not lead to a convergence of objectives between partners, rather it led to the financially advantaged partner's domination in the setting of objectives. In other terms, "while the Land Development Corporation proved keen to suscribe to the private sector concept of land development viability, since it had a vested financial interest in successful redevelopment, powerful private-sector developers had little desire to embrace local needs for rehousing or new community facilities" (p. 1486).

Davies' (2002) case study of a sustainable community partnership in Huntingdonshire, UK, also illustrates the issue of power dynamics, but in contrast with the Hong Kong case, power manifests itself through its political rather than its financial dimension. The partnership was initiated by Going for Green, a national organization, as part of the UK government's citizens awareness campaign. It included the local authority Huntingdonshire District Council, Cambridgeshire County Council, a local section of a national non-governmental organization Cambridgeshire ACRE, representatives from the Tidy Britain Group, a research team from Cambridge University's Committee for Interdisciplinary Environmental Studies, representatives from a number of local agencies and businesses and members of the public drawn from three locations within Huntingdonshire. Davies notes that "the intricate web of relationships within the partnership was further complicated by the long hand of distant, yet powerful, organizations that were seen to dictate significant aspects of the project's progress, particularly the National Government and national Going for Green" (p. 194). In other terms, Davies calls for an investigation of the partnership's power relations with "invisible" partners, beyond the relations amongst formal partners. This point is all the more relevant in developing country contexts where corruption is endemic. Consequently, Davies summons an examination of "how partnership is situated within the broader socio-political context" (p. 196) and of what links local actors to non-local actors.

The main reason why this power agenda matters is that it shapes the outcome of conflicts over partnership goals. As Davies puts it, "conflict is the *Realpolitik* of power in practice" (p. 197). Partnerships may appear to be about organizing knowledge, but in practice they are one means amongst many to structure power relations across the state-society divide, which in turn determines the definition of partnership goals. In the Huntingdon case, Davies argues that the partnership became a top-down information provision on the part of Going for Green. When Going for Green attempted to consolidate the partnership and embed a set of relationships that defined the operations within the partnership, they were met with inaction and disengagement from other partners, who felt stifled by their top-down approach. Therefore, Davies concludes that the involvement of local people in problem identification and programme definition is a necessity.

From these two cases, we draw the conclusion that partnerships are more likely to work if they are the fruit of a genuine negotiation process towards goal definition, which is only possible in the presence of similar degrees of power between partners. This power can either be wielded through a financial channel, as in the Hong Kong case, or through a political channel, as in the UK case. The latter case also signals the need to look beyond the confines of inter-partner power relations into the relations between partners and external actors (or "invisible partners") in order to trace the origins of power.

Based on the above, we would argue that a partnership's degree of "success" in solving the problem of poverty reduction is directly related to the extent of critical collaboration/negotiation which takes place between partners. We now apply our analysis of power asymmetry to the case of UN-business partnerships.

5 Asymmetry in action: the case of UN-business partnerships

Before we can focus on the power asymmetries of UN-business partnerships, however, we must provide a brief background on this particular breed of partnerships and explain their rationale from the perspective of individual partners[xiii]: indeed, we cannot understand the outcome of partnerships without understanding their origins.

5.1 The UN rationale for partnerships: addressing the global governance crisis

The following paragraphs on background are drawn mainly from Tesner (2000) and Nelson (2002). Tesner (2000) defines a UN-business partnership as "a mutually beneficial agreement between one or more UN bodies and one or more corporate partners to work toward common objectives based on the comparative advantage of each, with a clear understanding of respective responsibilities and the expectation of due credit for every contribution" (p. 72). She then discusses the issue of selection criteria for the choice of UN partners. So far, these criteria are UN agency-specific, although no agency engages in partnership with tobacco or weapons companies. Tesner argues that it is difficult to define UN-wide selection criteria: "while UNICEF considers breast milk substitutes as contradicting some of its policies, they surely do not endanger the lives of infants around the world and cannot be lumped together with landmines, tobacco, and child labor" (p. 79).

She outlines four categories of UN-business partnerships: these are partnerships in policymaking and related activities (joint convening of expert meetings, publication

of reports, secondment of expert staff to advance the policy work of UN bodies), fund-raising, awareness and advocacy, and operational activities (joint implementation of projects, procurement, technical cooperation). Tesner associates each one of these categories with a set of objectives, which she describes at length in chapter 3 of her book. Alternatively, Nelson (2002) differentiates between the following categories of UN-business partnerships: procurement from the private sector; products and services for private sector development; participation of business in intergovernmental process; public policy networks[xiv]; principles and mechanisms for corporate citizenship; public-private investment mechanisms; philanthropic resource mobilization; promoting UN values and activities; project design and operational delivery; pursuing joint learning and research.

Regardless of the partnership category, the cornerstone of the UN rationale for UN-business partnerships is that for a number of reasons, the UN can no longer handle global governance responsibilities on its own. This is due to causes as varied as the UN's own identity crisis or the impact of globalization. Tesner (2000), for instance, argues that the only way for the UN to overcome its institutional inertia and bureaucratic style of development management is to confront the rigidities of efficiency-oriented business management[xv]. In that sense, the UN can only be revitalized as an organization if it engages in partnerships with business, whose resources[xvi] and skills will benefit development, or at least its management.

A second UN argument for UN-business partnerships has to do with the current geo-historical context of globalization, in which it is argued that the UN cannot determine development outcomes by itself. In the context of globalization, "power inevitably becomes more diffuse, diffracted through an increasingly complex, prismatic structure of socio-economic forces and levels of governance" (Cerny, 1999, p. 190). Consequently, Nelson (2002) argues that because corporations control the globalization process to a large extent, they must be encouraged by the UN to undertake their core business activities in a development-friendly way, but also to help shape national and international frameworks, institutions and values[xvii]. Kell & Ruggie's (1999, p. 1) views converge with those of Nelson, but their argument for UN-business partnerships is slightly more subtle. For them, economic globalization is governed with great skill by corporations, but political and developmental aspects of globalization are less well governed by multilateral institutions: "globalization has increasingly disconnected one single element---networks of production and finance---- from what had been an overall system of institutional relations, and sent it off on its own spatial and temporal trajectory. This has produced […] disequilibria in the world political economy, which will persist unless and until the strictly economic sphere is embedded once more in broader frameworks of shared values and institutionalised practices" (Ibid.). The most important disequilibrium is that while a number of institutional governance structures have been set up to make global markets work, such as the Trade-Related Investment Measures, no such structures or rules have been created to deal with global public "bads" such as pollution, poverty or human rights violations.

While Kell & Ruggie have been applauded for their identification of business as the creator of public bads, they have been criticized by NGOs for their proposal to involve business in designing solutions to public bads under the supervision of the UN (see box 1 for a comprehensive list of criticisms of the partnership agenda from a

global governance perspective). Indeed, Kell & Ruggie argue that in the face of governance imbalance, corporations must help multilateral institutions reduce their governance deficit in the area of politics and development. For them, because business is to a large extent responsible for global public bads, it must become involved in their solution, thereby "clos[ing] the gap between the strictly economic sphere and the broader social agendas that exists at the global level today" (p. 2). Some NGOs such as Corpwatch interpret Kell & Ruggie's proposal as a reduction of the role of the UN to a seal of approval on business auto-regulation, which would be accompanied by a gradual withdrawal of the UN from its public global governance responsibilities. Going back to Kell & Ruggie's own words, NGOs claim that there are ways other than "soft", voluntary cooperation to ensure that "the strictly economic sphere is embedded once more in broader frameworks of shared values and institutionalised practices" (Kell & Ruggie, 1999, p. 1), such as legally binding approaches.

Whether Kell & Ruggie's proposal does amount to "lightening the load of the UN" or not, there is no denying that it is becoming more and more difficult for the UN to take up the challenges of global governance on its own. This is because "the underlying governance problematic in multilayered political systems is at least twofold: in the first place, it becomes harder to maintain the boundaries which are necessary for the efficient "packaging" of public goods; and in the second place, it becomes harder to determine what collective goods are demanded or required" (Cerny, 1999, p. 190). In the face of these challenges, we would argue that from a global governance perspective, the "privatisation of the public sphere" (Cerny, 1999, p. 192) is a necessary response to the overload of the public sphere. While in the future the public sphere may acquire the tools to shape global governance independently, at this point in time it cannot do without the private sphere. We agree with Scholte (2001, p. 24), that "we can regard [the outsourcing of governance to business] in a positive light. It is a constructive project at a time when the global public sector is not yet equipped to deliver economic, social and environmental sustainability. […] In the meantime, [the outsourcing of governance to business] can be a constructive corrective to the downsides of neoliberal globalisation".

At this point in time, the solution of outsourcing global governance would seem like a reasonable middleground between two ideal-type poles outlined by Cerny (1999, p. 207)--- a new hierarchization of the international system around global-level governance and an unstable anarchy or chaos. He calls this middleground "plurilateralism". The advantages of plurilateralism are many: "the presence of cross-cutting affiliations may defuse potential conflict situations, leading to the gradual locking in of habits of compromise and market-like mutual adjustment. Governance processes and structures will take the form of self-regulating mechanisms. Such processes may turn out to be extremely powerful in terms of the overall stabilization of the system" (p. 207).

Box 1: Review of criticisms: what is missing from UN-business partnerships

- **Democratic accountability**

Cerny (1999) argues that "self-regulating mechanisms would lack the kind of holistic authority or steering mechanisms to ensure democractic accountability and/or redistributive potential" (Cerny, 1999, p. 207). Bruijn & Ringeling (1997) also note that "attention is sometimes drawn to the lack of transparency of decision-making processes in partnerships. Ill-defined decision making, or decision making in which it is unclear which actor bears which responsibilities, limits the options for democratic control" (p. 162). More important, "the public sector's negotiating partner may exert more influence on the final policy than the democratically chosen regulatory bodies or other relevant public actors" (p. 163).

- **Regulatory role of inter-governmental bodies**

Peter Utting (2000) argues that it is unclear whether partnerships are part of a broader agenda that aims to further weaken the regulatory role of the state and inter-governmental bodies. In a similar vein, Corpwatch (2000) argues that the UN must hold firms accountable, which it cannot if it becomes their partner. The Global Compact helps illustrate the shortcomings of the partnership approach in this respect. Pierre Sane, an ex-head of Amnesty International, disapproves of the Global Compact because it does not involve any monitoring or enforcement. In particular, he stresses the need for independent monitoring, and public reporting of this monitoring[xviii]. Sane also argues that the Compact must be enforced through the use of sanctions.

- **Compatibility between corporate competitiveness and development**

Carol Bellamy, UNICEF's executive director argues that "the goals of the private sector, in particular competitiveness, are most emphatically not synonymous with those of the United Nations". The question is whether development goals will be sacrificed to competitiveness in situations of contradiction between the two.

- **Real dialogue between corporations and society beyond window-dressing**

Utting raises the following question: "will a company be able to diminish or deflect criticism of its practices by simply engaging in a dialogue with its critics, rather than fundamentally changing the way it does business?". In other terms, he is making the point that business may be attempting to lead society by consensus rather than by force; in order to do so, it engages in the minimal amount of socially responsible window-dressing which projects an acceptance of the social consensus, while it is indirectly manipulating society. This is also a point made by Judith Richter (1998).

- **UN prioritisation of values relative to financial imperative**

Utting argues that there is a possibility that the UN may be resorting to partnerships with business because its member countries' contributions are dwindling, thereby sacrificing its values to a financial motive.

- **Clear criteria for the selection of corporate partners**

Utting also draws our attention to the doubtful nature of the selection of companies by the UN. He argues that "most UN agencies, as well as the Global Compact, have little capacity to systematically screen companies" (p. 11). In certain cases the UN has engaged in partnerships with companies whose reputations have been damaged by NGO activists (see Corpwatch, 2000, p. 6 for a description of the development record of these corporations from the perspective of an NGO)[xix].

5.2 Constellations of power in UN-business partnerships

However, whether UN-business partnerships are good or not for global governance is not our essential concern in this paper. What we are interested in is their impact on poverty reduction. Whether UN-business partnerships enhance the poverty reduction agenda is largely determined by the relative degrees of power of the UN and business within the partnership. Indeed, in a situation where various partners initially have plural objectives, decisions on a joint objective cannot be reached by consensus but by compromise, whose nature will derive from the balance of power between the UN and business. Unfortunately, as the World Bank acknowledges, "there may be a danger of unequal balance of power amongst partners" (1998-2001, p. 7)[xx]. This is the case in UN-business partnerships.

On the one hand, we have a UN which is a) burdened with a financial imperative, and thereby dependent on private sector contributions; b) incapable of dealing with complex forms of global governance, hence destabilized by the need for institutional reform. On the other hand, we have a business which a) has displayed a remarkable ability to organize globalization through internal and external multinational networks; b) only needs to improve its competitiveness at the margin by "tangling itself in UN blue" in the words of Corpwatch. Through partnerships, the UN is negotiating its institutional survival, while business is expanding its consumer base. As Fiszbein & Lowden (1999, p. 9)) put it, "for business, […] partnering with other sectors [has] less of the sense of urgency implied in the "partner or perish" metaphor". Given that there is more at stake in the partnership experiment for one partner than the other, they do not enter the partnership on an equal footing[xxi].

One might wonder why power asymmetry matters in the particular setting of UN-business partnerships. The answer is that the poverty reduction agenda is dearer to the UN than it is to business (here, we are taking the stance that corporate social responsibility is a concept at the margins of a core corporate culture of profit maximization). In the current context, the UN's ability to negotiate real poverty reduction goals as opposed to marginal window-dressing social responsibility ones is weak.

6 A new agenda for UN-business partnerships: putting poverty reduction first

6.1 What NGOs have to offer to UN-business partnerships

What then? From a realist's standpoint, a powerful business can be made to engage with the poverty reduction goals that are dear to a less powerful UN through three means: we call these direct regulation[xxii], civil regulation[xxiii] (both of these constitute disincentives against corporations shirking poverty reduction) and positive incentives[xxiv]. Direct regulation is the means of a different era: it was more or less extinguished by Mr Boutros Boutros Ghali, the UN's ex-Secretary General, when he dissolved the UN Centre on Transnational Corporations in 1992. The Centre had been established with the purpose of designing a legally binding agreement that would regulate the activities of transnational corporations. This document never saw the light of day. Recently, Kofi Annan consolidated the trend against direct regulation by setting up the Global Compact, which is a voluntary approach to labor and environmental standard setting, as an alternative to direct regulation of such standards by the World Trade Organization. In this era of compromise, it would make little sense to revive the product of a purely confrontational approach[xxv]. Therefore we

proceed to eliminate the alternative of direct regulation. This leaves us with positive incentives and civil regulation.

We favor a combination of positive incentives and civil regulation, which represent the UN's carrot and stick respectively. Let us first examine positive incentives, which appear to be more constructive and sustainable than negative regulation, in that they build on a cooperative approach to social interaction. An obvious way of stimulating corporations to work towards poverty reduction is to provide them with the financial incentives that satisfy their profit-maximizing objective. There are two problems with this approach: first, the UN is precisely not in a position to offer financial incentives; second, it turns poverty reduction into an offshoot of profit maximization, i.e. it does not encourage corporations to challenge their traditional framework and conceive of economic activity as part of a social whole. A more useful rational incentive is to engage managers by relating poverty reduction to the growth of the firm. As Penrose (1959) argues, firms are faced with a growth imperative under the pressure of competition. This means that they have to enter more and more markets, which includes developing country ones. Tesner (personal communication) argues that while 20 years ago, 70% of the oil industry operated in developed countries, this figure has come down to 40% and will continue to plummet. At the same time, it is important to note, as Tesner does, that the trade between the headquarters and subsidiaries of a business "is not based on differentials in labor costs. The costs of labor and other production factors have converged, as have consumption patterns. Under globalization, going for cheap does not pay" (2000, p. 25). What global business does need from its host countries is human resources and infrastructure. But while developed host countries were well endowed in the latter, developing ones are not, as they still have to overcome the vicious circle of poverty. In that perspective, the sustainability of international business is tied to the poverty reduction of its host countries. Finally, positive incentives for corporations to participate in poverty reduction will emerge in the process of partnership dialogue in the form of rewards from cooperation. By working with and gradually building a relationship of trust with the UN, managers will realize that each partner must contribute to poverty reduction because the success of the partnership they are involved in is measured by the meeting of a common goal. In the words of Zadek, "combining organizational cultures and competencies enhances the ability and tendency of partnership to initiate new formations of activities that more closely integrate into an almost seamless pattern of commercial and non-commercial interests and outcomes". The question of how the building of trust can accelerate this process is very important, and constitutes a key research avenue on partnerships.

But while positive incentives are undeniably the preferred means of prompting business adoption of the poverty reduction agenda, they can only become effective in the long-term because business behaves like any other institution: business initially resists change, as it questions the bases of its established identity. Furthermore, positive incentives only address the cooperative aspect of social interaction, yet social interaction also has a latent component of conflict. In order to prevent the explosion of conflict, social partners must clearly establish boundaries between themselves. The specification of disincentives against the transgression of boundaries is an essential aspect of conflict avoidance. Therefore if the UN wants to make poverty reduction work through partnership with business, it must combine positive incentives with disincentives, amongst which we have singled out civil regulation. In order to make

use of civil regulation, we propose that the UN introduce a third actor into its partnership with business, i.e. NGOs, who can "convince" business through their threat point of consumer influence that poverty reduction goals must be met. What we are proposing has nothing to do with Corpwatch's (2000) concept of a Citizens Compact, whereby the UN and non-business, non-governmental groups would work for proper relations between the UN and business. We call for NGOs to join UN-business partnerships to alter the balance of power in partnerships from within.

Beyond their role in pushing through the poverty reduction agenda, NGOs can contribute to UN-business partnerships in a variety of ways. They can help enhance the legitimacy of partnerships, both at the point of selection of business partners, and once the partnership has been constituted. First, they can help the UN solve the problem of selection of corporate partners. Indeed, their knowledge of the development record of companies is one of their comparative advantages in a potential partnership with the UN. As suggested by Utting (2000, p. 12), "NGOs, trade unions, ethical investment firms and research organizations have knowledge of companies", which the UN might not. Second, during the operation of the partnership, they can act as a check and balance on the two other actors. This is what the World Bank calls the NGOs' watchdog role. In its assessment of partnerships between the public sector, business and NGOs, the World Bank notes that "the Business Partners for Development experience has been that NGOs frequently act as watchdogs as well as partners. That is, NGOs use their inside knowledge of the partnership to ensure that the agreed partnership objectives are being met and that the partnership is taking full account of local community needs and expectations. This watchdog role is an essential part of maintaining the credibility of the partnership" (1998-2001, p. 5). For example, NGOs will have to play their watchdog role if the private sector chooses to work everywhere but in the poorest areas (for instance because it is less costly to meet coverage targets by first providing other communities with services).

Furthermore, NGOs can contribute to UN-business partnerships through their contact with and knowledge of local communities. As was clearly acknowledged by the World Bank's 1997 Comprehensive Development Framework, the goals of poverty reduction can only be reached in conjunction with the efforts of developing country communities. In fact, "the NGO partner will be the only partner in the […] partnership that truly understands the importance of community participation and is competent to put it into practice" (World Bank, 1998-2001, p. 7). Not only that, of all the partners, it is the one that is the most respected by local communities.

Also, going back to the scarcity of evidence on the impact of partnerships on poverty reduction issues, a key role of NGOs is to pressure other partners to engage in evaluations, not just of governance outcomes, but also of poverty reduction ones. While so far, outside the domain of UN-business partnerships, NGOs engage in civil regulation of corporations and "grant" them (or not) "what amounts to a social license to operate alongside normal regulatory licenses and permits" (Warhurst, 2001, p. 72), a way to formalise this global license in the context of partnerships is to monitor partnerships' progress towards poverty reduction goals. Through the concept of a "[poverty reduction] license, communities, [and NGOs] will require from the outset that industrial development projects meet pre-defined criteria of [poverty reduction] and that the ongoing project demonstrates good progress towards contributing to

[poverty reduction] goals" (ibid.), thus yielding poverty reduction performance indicators.

Finally, we have a quasi-obligation to incorporate NGOs into UN-business partnerships in order to show that we have learnt lessons from history. Indeed, in historical perspective, UN-business partnerships are not as radical as they seem: one can conceive of UN-business partnerships as the extension of national corporatist experiments. What have national experiences of corporatism taught us? Recently, the East Asian model of corporatist development involving exclusive government-business ties had to be revised following the financial crisis of 1997, as this crisis was largely attributed to the closeness of government-business relationships and government tolerance of high corporate debt/equity ratios (Woo-Cummings, 1997). In the words of Michael Camdessus, "*a lack of transparency has been found at the origin of the recurring crises in the emerging markets, and it has been a pernicious feature of the 'crony capitalism' that has plagued most of the crisis countries and many more besides"*. We would argue more specifically that the closeness of government-business relationships only mattered to the extent that it excluded, and even suppressed non-corporate segments of civil society. What we have in the East Asian collapse is the failure of an incomplete governance model which is not representative of the whole social body since it ignores the grassroots. We cannot afford to repeat the mistakes of East Asian development when we are shaping global development. The East Asian lesson holds the following implication: unless UN-business partnerships engage with NGOs, they will remain an incomplete and shaky governance mechanism.

6.2 Costs and benefits of partnerships with the UN and business for NGOs

Current trends seem to support our case for the introduction of NGOs into UN-business partnerships. Indeed, according to Warhurst (2001, p. 68), "it is a growing trend for bi-sector partnerships to develop into tri-sector arrangements". That being said, it is unclear that NGOs are altogether willing to engage in partnerships with the UN and business. There are a number of risks they incur by joining such partnerships. An obvious risk is that their reputations may become tainted if they accept funding from or collaborate with the private sector. A related concern mentioned by the World Bank (1998-2001) has to do with the way partnerships are structured: NGOs are often reluctant to work within a contractual framework, which is the foundation of a partnership. Part of that reluctance can be explained by the fact that NGOs feel that they may become accountable to the contracting party (whether UN or business) instead of being accountable to the communities in which they work. However, one could argue that the accountability problem of NGOs is not specific to the partnership context: NGOs have always raised accountability concerns, and it has always been unclear whether they were accountable to the communities or to their donors anyway. Therefore, this concern is not a sufficient cause for NGOs not to consider the possibility of partnership. Yet, it is important to be aware that NGOs will not embrace partnerships spontaneously. For that reason, it is essential that the NGOs which have had a positive partnership experience advertise it as a new approach to development management, which is the business of NGOs, and raise awareness within the NGO sector[xxvi].

This should not be quite as difficult as it seems because there are also a number of advantages which NGOs can derive from partnerships. The World Bank argues that

its Business Partners for Development (1998-2001) programme has produced evidence that partnerships allow NGOs to achieve both their sustainable development and advocacy objectives. Regarding the first set of objectives, a major advantage of the partnership approach is that it allows NGOs to ensure that community participation in development projects happens. Partnerships also yield improvements in the local project service delivery and logistics, human resources and finances of NGOs. In addition, a partnership offers the possibility of pooling previously separate financial resources, thereby allowing NGOs to have much more of an impact on communities. Regarding advocacy objectives, an NGO's structured relationship with a corporation allows it to have a broader advocacy influence on this company's policy relating to partnering and to the core competences it will make available to other community projects. Similarly, the effectiveness of an NGO's lobbying will be enhanced by a partnership experience, as it will better understand the core competences of business and the UN. For all these reasons, we hope that NGOs will have enough vision to participate in partnerships, which constitute an innovative form of development management.

The purpose of this paper has not been to deconstruct or damage the UN-business partnership project. It embraces the concept of partnerships for development. However, from a perspective of enlightened scepticism and given the absence of conclusive evidence on the poverty reduction impact of partnerships to date, final judgement must be postponed. In the meanwhile, the challenges and risks involved in such a revolutionary concept must become clear. In the light of potential risks but with a constructive agenda in mind, Utting's conclusion remains relevant: "if the UN is to be associated with the corporate accountability movement, it needs to build partnerships and alliances with the environmental, human rights, consumer, labor and other groups and organisations that make up this movement" (p. 14).

Conclusion

In this paper, we have argued that partnerships could *a priori* contribute to the double development goals of governance and poverty reduction. They constitute an effective governance mechanism, as they confront and bridge the essential actors in the development process. They contribute to poverty reduction through the creation of social capital. However, we identified an essential problem at the heart of inter-sectoral partnerships, which we illustrated in the particular context of UN-business partnerships, i.e. the existence of power asymmetries between partners. Despite this caveat, we do not question the fact that the UN must acknowledge the need for changes in global governance and reach out towards new development actors. But with a change of governance structure such as partnership, there has to be a change of strategy, and this is where the UN may need to revise its views. Its current strategy is to open its doors to business, thereby embracing market logic and incorporating it to its project of development[xxvii]. The inverse is not true: corporations are only incorporating the development project to their core profit-maximization project at the margin; they are not involved in a fundamental overhaul of their philosophy.

Therefore, UN-business partnerships require the creation of positive incentives for corporations to value development as a relevant goal and of disincentives for corporations that shirk the development goal. In an ideal world, the creation of positive incentives would be a preferable, sufficient option. The problem with it is that the UN still incurs the risk that part of its development goals be torpedoed by

business in the course of partnership. Much as partnerships are based on a leap of faith, development cannot hinge on the good will of a handful of visionary corporations. That is why a subtle element of dissuasion is needed in addition to suasion until genuine trust has emerged as a by-product of partnership. We argue for a UN strategy of positive incentives *cum* risk management, whereby business is placed under a threat that would be exercised if it were to torpedo development goals. As it stands, the UN does not have such a threat point; instead, it is in a position of weakness given that its survival depends on its restructuring.

A possible risk management strategy for the UN could be to bring an actor into the partnership that could exercise a threat on business. This actor could be the NGO sector, which has an influence on consumer choice. It is disappointing that this has not emerged as a key point in the literature. Nelson (2002) for instance seems to completely dissociate the UN-NGO relationship from the UN-business one: in reference to her book, she mentions that "although the focus of this publication is on cooperation between the UN and the private sector, this should not detract from the important role of non-governmental organizations and other civil society organizations in supporting the goals of the UN" (2002, p. 21), which means that she separates these organizations from business as UN partners. Her book does contain a separate section on "encouraging multi-stakeholder dialogue" (see chapter V section 5), but this dialogue is set apart from the partnership approach. In fact, a number of her "showcase" partnerships between the UN and business, such as Roll Back Malaria, Medicines for Malaria Venture, Accelerating Access Initiative, International AIDS Vaccine Initiative, Cities Initiative, Cities Alliance, Energy Sector Management Assistance Programme, do not involve NGOs.

A final point to be made is that when NGOs happen to be brought into UN-business partnerships, they usually come from a preferred pool of large developed country NGOs. Yet incorporating developed country NGOs is only one part of the story. Even if we continue to consider the partnership issue from a strategic and not an ethical standpoint, developing country NGOs can provide a much-needed legitimacy to partnerships and to the UN. If the UN is indeed concerned with development, its partnership approach must also accommodate those who experience the development process. With all their imperfections, developing country NGOs can at least act as an approximate representation of developing country local communities[xxviii]. Developing country local communities, and in particular the poor and the excluded, have to participate in the definition of development goals. A small step towards changing the distribution of power in society in favor of the poor and the excluded is to include them in the partnership microcosm. After all, that is the ultimate meaning of the term "development partnership".

REFERENCES

Adams, D. & E.M. Hastings, “Assessing institutional relations in development partnerships: the Land Development Corporation and the Hong Kong government prior to 1997”, **Urban Studies,** vol 38, no 9, 2001, 1473-92.

Bebbington, Anthony, “Capitals and capabilities: a framework for analysing peasant viability, rural livelihoods and poverty”, **World Development,** vol 27, no 12, 1999, 2021-44.

Bellamy, C., Statement made at the Conference on **Sharing Responsibilities: Public, Private and Civil Society,** Cambridge, 16 April 1999.

Bruijn, J.A. & A.B. Ringeling, “Normative notes: perspectives on networks”, chapter 9 in **Managing Complex Networks,** W.J.M. Kickert, E-H. Klijn & J.F.M. Koppenjan eds., London: Sage, 152-65.

Cerny, P.G., “Globalization, governance and complexity”, chapter 7 in **Globalization and Governance,** A. Prakash & J.A. Hart eds., London: Routledge, 1999, 188-212.

Ciborra, C., “Alliances as Learning Experiments: Cooperation, Competition and Change in High-Tech”, in **Markets and Oligopolies,** L. Mytelka ed., London: Pinter, 1991, 51-77.

Contractor, F.J. & P. Lorange, “Why should firms cooperate? The strategy and economic basis for cooperative ventures”, chapter 1 in **Cooperative Strategies in International Business,** Contractor, F.J. & P. Lorange eds., New York: Lexington, 1988.

Desai, M., “Human development: concepts and measurement”, **European Economic Review,** vol 35, 1991, 350-57.

Evans, P., “Government action, social capital and development: reviewing the evidence on synergy”, **World Development,** vol 24, no 6, 1996, 1119-1132.

Fiszbein, A. & P. Lowden, **Working Together for a Change,** Washington D.C.: World Bank Economic Development Institute, 1999.

Fogarty, M. & I. Christie, **Companies and Communities,** London: Policy Studies Institute, 1990.

Global Reporting Initiative, **Sustainability Reporting Guidelines,** 2002, see http://www.globalreporting.org/guidelines/2002/gri_2002_guidelines.pdf

Gray, B., **Collaboration: finding common ground for multi-party problems**, San Francisco CA: Jossey Bass, 1989.

Grossman, S.J. & J. Stiglitz, “Information and competitive price systems”, **American Economic Review,** vol 66, no 2, 246-53.

Von Hayek, Friedrich, “Economics and Knowledge”, **Economica,** vol 4, February 1937.

Kell, G. & J. Ruggie, **Global Markets and Social Legitimacy: the Case of the “Global Compact”,** paper presented at the conference on Governing the Public Domain beyond the Era of the Washington Consensus?, Toronto: 4-6 November 1999.

Kickert, W.J.M., E.-H. Klijn & J.F.M. Koppenjan, **Managing Complex Networks,** London: Sage, 1997.

Kickert, W.J.M., E.-H. Klijn & J.F.M. Koppenjan, “Managing networks in the public sector: findings and reflections”, chapter 10 in **Managing Complex Networks,** Kickert, W.J.M., E.-H. Klijn & J.F.M. Koppenjan eds., London: Sage, 1997, 166-191.

Kickert, W.J.M. & J.F.M. Koppenjan, “Public management and network management: an overview”, chapter 3 in **Managing Complex Networks,** Kickert, W.J.M., E.-H. Klijn & J.F.M. Koppenjan eds., London: Sage, 1997, 35-61.

Klijn, E.-H. & G. R. Teisman, “Strategies and games in networks”, chapter 6 in **Managing Complex Networks,** Kickert, W.J.M., E.-H. Klijn & J.F.M. Koppenjan eds., London: Sage, 1997, 98-118.

Kooiman, J., **Modern Governance,** London: Sage, 1993.

Murphy, D.F. & J. Bendell, **In the Company of Partners,** Bristol: The Policy Press, 1997.

Murphy, D.F. & J. Bendell, **Partners in Time?,** Discussion Paper no 109, Geneva: UNRISD, 1999.

Nelson, J., **Building Partnerships,** New York: United Nations, 2002.

Nelson, J. & S. Zadek, **Partnership Alchemy: New Social Partnerships in Europe,** Copenhagen: The Copenhagen Centre, 2000.

Penrose, E., **The Theory of the Growth of the Firm,** Oxford: Oxford University Press, 1959.

Putnam, R., **Making Democracy Work,** Princeton: Princeton University Press, 1993.

Reinicke, W., **Global Public Policy,** Washington D.C.: Brookings Institute Press, 1998.

Richter, J., **Engineering of Consent: Uncovering Corporate PR Strategies,** The Cornerhouse, Briefing 6, 1998.

Riley, J.M., **Stakeholders in Rural Development,** New Delhi: Sage, 2002.

Ruggie, J., **Remarks on the Global Compact to the NGO Community,** Geneva: United Nations, 2000.

Scholte, J.A., "Globalisation, governance and corporate citizenship", **Journal of Corporate Citizenship,** no 1, Spring 2001, 15-24.

Serageldin, I., T. Husain, J.M. Brown, G.L. Ospina & J. Damlamian, **Organizing Knowledge for Environmentally and Socially Sustainable Development,** Washington D.C.: World Bank, 1998.

Srinivasan, T.N., "Human development: a new paradigm or reinvention of the wheel?", **The American Economic Review,** vol 84, issue 2, May 1994, 238-243.

Stiglitz, J., **Social Capital: Integrating the Economist's and the Sociologist's Perspectives**, Washington D.C.: World Bank, mimeo, 1997.

Tennyson, R. & L. Wilde, **The Guiding Hand,** United Nations Staff College and The Prince of Wales Business Leaders Forum, 2000.

Tesner, S., **The United Nations and Business,** New York: St. Martin's Press, 2000.

UNDP, **Human Development Report 1996,** New York: Oxford University Press, 1996.

UNEP, **Partnerships for Sustainable Development,** Geneva: UNEP, 1994.

Utting, P., **UN-Business Partnerships: Whose Agenda Counts?**, paper presented at seminar on "Partnerships for Development or Privatization of the Multilateral System?", Oslo, 8 December 2000.

Waddell, S., "Core competencies: a key force in business-government-civil society collaborations", **Journal of Corporate Citizenship,** no 7, Autumn 2002, 43-56.

Warhurst, A., "Corporate citizenship and corporate social investment: drivers of tri-sector partnerships", **Journal of Corporate Citizenship,** no 1, Spring 2001, 57-74.

Woo-Cummings, M., **Bailing Out or Sinking In?,** Economic Strategy Institute Paper, 1997.

World Bank Business Partners for Development, **Putting Partnering to Work,** Washington D.C.: World Bank, 1998-2001.

---

[i] "The Compact has established itself as a broad value framework to engage business in the work of the United Nations and to encourage corporate citizenship through four core areas of operation: country outreach---to make the Compact a truly global initiative; policy dialogue and analysis---to reinforce the Compact's substantive significance and to generate greater debate into the dilemmas of globalization; a learning forum---to promote information-sharing and organizational change; Compact initiatives and projects---to stimulate practical action and partnership initatives with UN bodies and other development actors to address the development needs of poorer countries and translate established norms with respect to labour, human rights and the environment into concrete projects" (Nelson, 2002, p. 135).

[ii] This change in tendencies comes out very clearly if we contrast the leading figures of the 1980's and 1990's approaches, respectively von Hayek and Sen. The title of von Hayek's best-selling book, **The Road to Serfdom**, which refers to socialism, captures the intensity of his belief in the exclusive validity of the market approach. Von Hayek can be contrasted with Sen, the leading figure of the 1990's compromise approach: his work is an open-ended discussion of the complementarities between markets and states, which he considers to be individually imperfect.
[iii] Obviously, partnerships are a sticking point in the negotiation process.
[iv] It cannot be managed by one institution, be it the state or the market.
[v] "Income was never even the primary, let alone the sole, measure of development, not only in the minds of economists, but more importantly, among policymakers. N.S. Buchanan and H.S. Ellis, authors of one of the early postwar monographs on economic development, divided statistical indexes of development into two groups, the first encompassing the quality and texture of life as "end product", and the second portraying economic performance and explaining (or at least correlating with) life as end product" (Srinivasan, 1994, p. 238).
[vi] "Governance tends to encompass more complex processes than planning, in the sense that those who participate in these processes are organically part and parcel of them" (UNESCO, 2001).
[vii] Particularly in the light of the relative paucity of the literature on inter-sectoral cooperation, we cannot ignore the contribution of the management literature on inter-firm cooperation. The need to take it into account partly constitutes an acknowledgement of the value of interdisciplinary research in development studies. But it is also founded on the recognition that the management discipline has reached an advanced understanding of cooperation which other disciplines have not.
[viii] Von Hayek (1937) was the first economist to present inter-firm relationships as attempts to overcome informational imperfection, and he was followed by Grossman & Stiglitz (1976).
[ix] Most of the literature on inter-sectoral partnerships *per se* concerns business-NGO partnerships and the various forms thereof. For instance, SustainAbility (1996) distinguishes between nine types of business-NGO partnerships based on the degree of commonality in goals between actors. Murphy and Bendell (1997) highlight three models of business-NGO partnerships: process-oriented partnerships, which involve NGOs with internal company management processes; project-oriented partnerships which focus on discrete projects to achieve objectives with implications for business practice; product-oriented partnerships which involve NGOs in specific product development and/or endorsement.

[x] For instance, a common criticism of Sen's much celebrated capability approach (2000) is its limited policy implications. The UNDP's Human Development Index attempts to provide a measure of Sen's approach to development, yet by measuring national income, education and health outcomes, it only captures the functionings as opposed to the capabilities stressed by Sen. However, capabilities and the intrinsic freedom they imply, which constitute the innovative aspect of Sen's development concept, have not been measured nor operationalized satisfactorily so far (however, see Comim (2002) for a summary of attempts). To date, the only aspect of Sen's approach which can be measured is functionings.

[xi] Corpwatch (2000) for instance still calls for state-centred alternatives to partnerships. It supports the Code of Conduct of Transnational Corporations and Human Rights, which was drafted by the UN Subcommission on Human Rights, but has now been stalled by US intervention. This code is one of direct regulation of corporations. Corpwatch also supports the Citizens Compact, which also calls for a legally binding framework for corporations.
[xii] For example, Adams & Hastings (2001) argue that there are some governance limitations in partnerships which are related to developing country specificities, that are not well-suited to Western conceptions of partnerships. They argue that "specific cultural contexts mean that it takes undue time to produce significant resource synergy, that partnerships make little contribution to policy synergy, that they are uni-directional in their transformative activities and they enlarge the public purse for general government expenditure" (p. 1488).
[xiii] We choose to focus on the UN partner because the business partner's rationale has been investigated in depth elsewhere, see for instance Nelson (2002).
[xiv] For an investigation of these networks, see Reinicke (1998).
[xv] "The conditions under which corporations function translate into a result-orientation that gives UN collaboration with the private sector a unique character" (Tesner, 2000, p. 71).
[xvi] Resources include financial contributions, but Tesner makes it very clear that such resources do not constitute the brunt of business contributions to the UN. She emphasizes the fact that business

contributes a particular approach to development as a problem-solving exercise which is focused on results.

[xvii] It is important to recognize that these two aims are in fact independent. The first one deals with processes that are internal to the corporation, the second involves the corporation's direct involvement with external global governance. It is possible to support the first part of the project, which can be seen as a limited version of corporate social responsibility, while disapproving of the second, which goes beyond this traditional limited version.

[xviii] The UN's response, which is to claim that it lacks the capacity to monitor the activities of corporations leads to a Catch 22 situation in terms of the formulation of its guidelines for cooperation with the private sector (see below).

[xix] When asked why the Global Compact included human rights abusing companies, John Ruggie, who is the architect of the Compact, argued that the Compact seeks to "convert those with troubled pasts" (Ruggie, 2000). The problem remains, however, as stressed by Utting, that "this endeavour runs the risk of contradicting UN guidelines" (p. 12).

[xx]In order to seek an equal balance of power between partners, the World Bank recommends the draft of a memorandum of understanding setting out agreed roles, responsibilities, reporting requirements, and deliverables as they relate to each partner. Clear and agreed decision-making and conflict-resolution processes are also important. Such is the Bank's managerial cure for power asymmetries. From a realist's standpoint, however, formal management mechanisms can only go so far in rectifying power asymmetries between the UN and business.

[xxi] What happens in the course of the partnership may be a different issue.

[xxii] a legally binding framework which regulates the poverty reduction performance of corporations.

[xxiii] Civil regulation has been exerted by NGOs so far. Murphy & Bendell (1997) argue that NGO-business interactions represent "the emergence of a new form of regulation for international corporations, called civil regulation. Civil regulation occurs where organizations of civil society, such as NGOs, set the standards for business behavior. Companies then choose to adopt or not to adopt these standards. For those companies that choose not to adopt these standards, the confrontational tools of consumer politics can be expected from civil society (boycotts, direct action, etc.), with deleterious effects on company sales, costs and social capital. In reality, the ability of civil society organizations to regulate business behavior through financial carrots and sticks is rapidly becoming more powerful" (p. 49).

[xxiv] These include financial incentives and rational incentives based on firm strategies of growth.

[xxv] In any case, as Nelson & Zadek (2000) argue, civil regulation may lead to direct regulation for the following reason: the individual corporations which have been pressured into social responsibility by civil regulation spend non-trivial amounts of money on such activity, and they may want their competitors to be forced to incur similar costs on a mandatory basis.

[xxvi] "If partnerships are to multiply and expand, it is critical that current and potential members of partnerships know about other experiences" (Fiszbein & Lowden, 1999, p. 91).

[xxvii] One could of course be ultra-relativistic here and argue in a post-development perspective that there is nothing new in this conflation of development and market projects. Both the market and development can be seen as Western constructs, and to a large extent development has been presented by the most influential financial institutions as the adherence to market fundamentals.

[xxviii] Of course, uncivil society is also an important segment of these communities. But it is unrealistic to expect uncivil society to partner with the UN, and in any case, it is not clear that its representation in partnerships would benefit the development policy-making process.