

ADVANCING GOOD GOVERNANCE in International Development

Making Market-based Approaches to Development Work for the Poor

4 – 5 June 2015

Rhodes House, Oxford

Breakout: The Impact on the Investment Climate of an Engaged Citizenry

Around the world, grassroots movements, empowered by technology, are emerging in response to seemingly ineffectual or indifferent political systems that have failed to deliver improvements in governance and service delivery. The growing strength of connected communities around the world is ensuring that ordinary citizens' voices can be heard. This session explored this new citizen governance movement and its implications for improving the climate for investment. The panellists identified a number of instances where companies have effectively engaged citizens and their community to create positive social change but also debated the extent to which citizens are in fact meaningfully engaged in their communities. The group concluded by identifying when engaged citizens can be most effective at impacting the actions of businesses. The panel was made up of Padma Jyoti, Chairman of the Jyoti Group; Robert Rubinstein, Chief Executive Office of TBLI Group; and Olly Donnelly, Founder and Chief Executive Officer of Shivia. The panel was moderated by Fredrik Galtung, Chief Executive Officers of Integrity Action.

Key Points from the Session

- 1. There can be tremendous benefit to both business and the community for companies to engage with local citizens.** Businesses can help local communities through the provision of services but also by representing the community and lobbying government for change. At the same time, businesses benefit from stable community environments and from the greater knowledge of their community and customers that comes from direct engagement. Engagement can be particularly effective when working for the “bottom of the pyramid.” For example, micro finance institutions in India were more effective when they did a better job engaging the local community.
- 2. There is evidence that businesses are missing major market opportunities by not engaging citizens deeply and constructively.** Such evidence can be found from the micro-finance sector, mobile telephony, as well as investments supported by aid agencies. It follows from this that NGOs and governments are also missing opportunities to find innovative ways of supporting communities to get the most from the opportunities created by private sector investments and infrastructure.
- 3. There is, however, a question about the extent to which citizens can be engaged to work with and against local businesses and there are some contexts in which community engagement is likely to be more effective.** There are many examples of citizens failing to take any measurable action against companies that abuse local communities or use negative business practices. Communities may be more effective at impacting business when a company is seeking to break into a new market. Established brands with high market share may be less likely to be affected by citizen outrage.
- 4. Businesses can do a better job of being clearer on fundamental issues that affect communities.** Businesses do not seem to have the tools or to make the internal business case for investing proactively in citizen engagement. When investments do occur they are often reactive. While businesses in many sectors have no clear idea of how to engage citizens effectively, every company should engage in a substantive review of how its business practices affect social, environmental and political issues in the community in which it operates. Companies

should seek to produce proactive policies that do not just react to negative publicity. At the same time, businesses must be clear on the limits of what they can achieve and should not overreach.

5. **There is a great opportunity for technology to empower citizens.** Mobile phones and digital services such as M-pesa have tremendous potential as tools for communication and economic activity. However, technology is not a silver bullet and may not be effective where citizens do not possess the resources or knowhow to take advantage of technological tools. One solution may be to slowly introduce new technologies to different markets.

Emerging Questions

1. How can the private sector better coordinate with local governments in response to natural disasters such as the recent earthquake in Nepal?
2. How can business stay neutral in increasingly ideological political contexts?
3. What can NGOs, academia and governments do, in partnership with business, to effectively promote this agenda and create the evidence that will support the business case for deeper, proactive citizen engagement?